

## RESPONSIBLE PERSONS CONFIRMATION

15.11.2010

Following the Article 22 of the Law on Securities of the Republic of Lithuania and Rules on Preparation and Submission of Periodic and Additional Information of the Lithuanian Securities Commission, we hereby confirm that, Vilniaus Baldai AB Interim Condensed Consolidated Financial Statement for the nine months of 2010 have been prepared in accordance with International Financial Reporting Standards (IFRS). We consider that the accounting policies used are appropriate and Financial Statement thus gives a true and fair view in equity, cash flow, assets, liabilities and income statement.

### APPENDIX:

Interim Condensed Consolidated Financial Statement for the nine months of 2010.

Chief Executive Officer



Aidas Mackevicius

Chief Financial Officer



Ausra Kibirkstiene



**VILNIUS  
FURNITURE**  
ANNO 1883

*... Better  
Faster  
Stronger ...*

# Vilniaus Baldai AB

INTERIM CONDENSED  
CONSOLIDATED  
FINANCIAL STATEMENT FOR  
THE NINE MONTHS OF 2010

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## GROUP INFORMATION

### 1. Reporting period covered by this Financial Statement

The Financial Statement has been drawn up for the nine months of 2010.

### 2. Main data about the issuer

Name of the issuer	Joint stock company (AB) Vilniaus Baldai
Code	121922783
Authorized capital	15 545 068 LTL
Office address	Savanoriu Ave. 178, LT - 03154 Vilnius
Telephone	(+370~5) 252 57 00
Fax	(+370~5) 231 11 30
E-mail	info@vilniausbaldai.lt
Website	www.vilniausbaldai.lt
Legal form	Joint stock company
Registration date and place	9 February 1993, Vilnius City Board
Register, where all the information about the Company is collected and stored	Register of legal entities
Type of activity	Design, production and selling of the office, bedroom, living-room and hall furniture

Information about the subsidiary company of the issuer one

Name of the issuer	Limited liability company (UAB) Ari - Lux
Code	120989616
Authorized capital	10 000 LTL
Share of (AB) Vilniaus Baldai in the company	100 %
Office address	Savanoriu Ave. 178, LT - 03154 Vilnius
Telephone	(+370~5) 252 57 44
Fax	(+370~5) 252 57 44
E-mail	saxela@takas.lt
Website	-
Legal form	Limited liability company
Registration date and place	28 October 1991, Vilnius City Board
Register, where all the information about the Company is collected and stored	Register of legal entities
Type of activity	Packaging

### 3. Information about where and how to access the Financial Statement and the documents, on the basis of which it has been drawn up, and the designation of the means of mass media for announcements

The Financial Statement and supporting documents, on the basis of which it has been drawn up, can be accessed at the Company's registered office at Savanoriu Ave. 178, Vilnius.  
The means of mass media for Vilniaus Baldai AB announcements: NASDAQ OMX Vilnius AB, Central Storage Facility – Search for information.



4. Board

Prezident of Board: Vytautas Bucas.  
Members of Board: Darius Sulnis,  
Dalius Kaziunas (since 29-04-2010).

5. Persons responsible for the accuracy of the information in the Financial Statement

Members of the managing bodies, employees and the Head of the Administration of the issuer are responsible for the accuracy of the information:

Aidas Mackevicius, Chief Executive Officer, tel. (+370~5) 252 57 00, fax. (+370~5) 231 11 30,  
Ausra Kibirkstiene, Chief Financial Officer, tel. (+370~5) 252 57 20.

6. Declaration by the members of the issuer's managing bodies, employees, the Head of the Administration and the issuer's consultants that the information contained in the Financial Statement is in accordance with the facts and that the Financial Statement makes no omission likely to have an effect on the investors' decision concerning purchase, sale or valuation of the issuer's securities or on the market price of these securities

Vilniaus Baldai AB, represented by Aidan Mackevicius, Chief Executive Officer, and Ausra Kibirkstiene, Chief Financial Officer, hereby confirm that the information contained in the Financial Statement is in accordance with the facts and that the Financial Statement makes no omission likely to have an effect on the investors' decision concerning purchase, sale or valuation of the issuer's securities or on the market price of these securities.

Aidas Mackevicius, Chief Executive Officer of Vilniaus Baldai AB

Ausra Kibirkstiene, Chief Financial Officer of Vilniaus Baldai AB



Date of signing the Report – 15 November 2010.

## INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENT FOR THE NINE MONTHS OF 2010

The auditors reviewed the Financial Statement of 31.12.2009, while those of 30.09.2010 and of 30.09.2009 are unaudited.

### 1. STATEMENT OF FINANCIAL POSITION

LTL thousand

	30.09.2010	31.12.2009	30.09.2009
<b>Assets</b>			
<b>Non - current assets</b>			
Non - current tangible assets	30 642	34 057	34 858
Intangible assets	366	270	172
Investment	2	2	2
<b>Total non - current assets</b>	<b>31 010</b>	<b>34 329</b>	<b>35 032</b>
<b>Current assets</b>			
Inventories	14 872	14 005	9 483
Trade debtors	16 904	12 201	17 376
Loans to related parties	39 122	15 999	10 485
Interest receivable	1 207	-	402
Other accounts receivable	2 638	1 400	1 323
Cash and cash equivalents	75	56	69
<b>Total current assets</b>	<b>74 818</b>	<b>43 661</b>	<b>39 138</b>
<b>Total assets</b>	<b>105 828</b>	<b>77 990</b>	<b>74 170</b>
<b>Shareholders' equity and liabilities</b>			
<b>Capital and reserves</b>			
Share capital	15 545	15 545	15 545
Legal reserve	1 554	1 554	1 554
Obligatory reserve	25 000	-	-
Retained earnings	23 885	27 814	21 355
<b>Total capital and reserves</b>	<b>65 984</b>	<b>44 913</b>	<b>38 454</b>
<b>Non - current liabilities</b>			
Grants	1	5	6
Deferred tax liabilities	188	214	362
Loans and other interest bearing payables	3 816	3 843	6 261
<b>Total non - current liabilities</b>	<b>4 005</b>	<b>4 062</b>	<b>6 629</b>
<b>Current liabilities</b>			
Loans and other interest bearing payables	7 703	7 750	9 750
Debts to suppliers	21 059	15 876	14 106
Current income tax payable	3 524	2 966	2 470
Other liabilities	3 553	2 423	2 761
<b>Total current liabilities</b>	<b>35 839</b>	<b>29 015</b>	<b>29 087</b>
<b>Total liabilities</b>	<b>39 844</b>	<b>33 077</b>	<b>35 716</b>
<b>Total equity and liabilities</b>	<b>105 828</b>	<b>77 990</b>	<b>74 170</b>

## 2. STATEMENT OF COMPREHENSIVE INCOME

LTL thousand

	2010 I - III quarter, ended 30 September	2009 I - III quarter, ended 30 September	2010 III quarter, ended 30 September	2009 III quarter, ended 30 September
Turnover	141 574	105 377	54 876	41 720
Production costs	(110 636)	(87 258)	(42 721)	(30 709)
<b>Gross profit</b>	<b>30 938</b>	<b>18 119</b>	<b>12 155</b>	<b>11 011</b>
Distribution costs	(2 473)	(746)	(1 087)	(390)
Administrative costs	(4 501)	(4 369)	(1 440)	473
Other operating income, net	297	361	76	29
<b>Profit from operating activities</b>	<b>24 261</b>	<b>13 365</b>	<b>9 704</b>	<b>11 123</b>
Financial income	1 290	(546)	529	(961)
Financial costs	(782)	(1 129)	(251)	(290)
Financial income, net	508	(1 675)	278	(1 251)
<b>Profit before taxes</b>	<b>24 769</b>	<b>11 690</b>	<b>9 982</b>	<b>9 872</b>
Income tax	(3 698)	(2 559)	(1 470)	(2 097)
<b>Net annual profit</b>	<b>21 071</b>	<b>9 131</b>	<b>8 512</b>	<b>7 775</b>
Earnings per share (in LTL)	5.42	2.35	2.19	2.00



### 3. STATEMENT OF CHANGES IN EQUITY

LTL thousand

	Share capital	Legal reserve	Obligatory reserve	Accrued earnings	Total
<b>Capital and reserves as of 31 December 2008</b>	<b>15 545</b>	<b>1 422</b>	-	<b>12 356</b>	<b>29 323</b>
Allocation to the legal reserve	-	132	-	(132)	-
Net profit	-	-	-	9 131	9 131
<b>Capital and reserves as of 30 September 2009</b>	<b>15 545</b>	<b>1 554</b>	-	<b>21 355</b>	<b>38 454</b>
Allocation to the legal reserve	-	-	-	-	-
Net profit	-	-	-	6 459	6 459
<b>Capital and reserves as of 31 December 2009</b>	<b>15 545</b>	<b>1 554</b>	-	<b>27 814</b>	<b>44 913</b>
Allocation to the legal reserve	-	-	-	-	-
Allocation to other reserves	-	-	25 000	(25 000)	-
Net profit	-	-	-	21 071	21 071
<b>Capital and reserves as of 30 September 2010</b>	<b>15 545</b>	<b>1 554</b>	<b>25 000</b>	<b>23 885</b>	<b>65 984</b>



#### 4. STATEMENT OF CASH FLOWS

LTL thousand

	30.09.2010	30.09.2009
Net profit (loss)	21 071	9 131
Adjustments:		
Depreciation and amortisation	4 811	4 663
Result on disposal, writing off, etc. of non -current	30	85
Result from the disposal of investment	-	1 102
Interest expenses (income)	(589)	463
Changes in provisions	(51)	-
Deferred income tax expenses (income)	(26)	-
Income tax expenses	3 724	2 559
Other financial expenses (income)	-	60
<b>Cash flows from ordinary activities before changes</b>	<b>28 970</b>	<b>18 063</b>
Changes in trade receivables and other amounts	(5 941)	(6 441)
Changes in inventories	(816)	2 984
Changes in debts to suppliers and other liabilities	6 313	(615)
Income tax paid	(3 166)	(853)
<b>Cash flows from operating activities</b>	<b>25 360</b>	<b>13 138</b>
(Acquisition) of tangible non - current assets	(1 625)	(1 411)
Proceeds of sale of investment properties	-	(1 102)
Sale / writing of non - current tangible assets	99	31
<b>Cash flows from investing activities</b>	<b>(1 526)</b>	<b>(2 482)</b>
Loans (granted) / repayed	(23 123)	18 246
Loans received / (repayed)	(74)	(27 966)
Interest (paid) / received	(618)	(885)
<b>Cash flows from financing activities, net</b>	<b>(23 815)</b>	<b>(10 605)</b>
<b>Cash flows from operating, investing and financing</b>	<b>19</b>	<b>51</b>
Cash and cash equivalents as of 1 January	56	18
<b>Cash and cash equivalents as of 30 September</b>	<b>75</b>	<b>69</b>

## 5. EXPLANATORY NOTES

### 1 SUMMARY OF THE BASIC ACCOUNTING PRINCIPLES AND PRACTICES

The public company Vilniaus Baldai (Company) is a listed Company in Lithuania.

The Company manufactures furniture. As of 30 September 2010 the Group employed 448 people, the Company employed 427 people (on 30 September 2009 the Group employed 428 employees, the Company - 405).

The Company's shares are traded on the Official List of the NASDAQ OMX Vilnius AB Stock Exchange.

#### **Significant accounting policies**

Financial statements were drawn up in accordance with the International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) and with the interpretations of the Standard Interpretation Committee of the IASB, with are those followed in the preparation of the Group's and Company's annual financial statements for the year ended 31 December 2009, with the exception of the new standards become effective, and tailored:

The following standards and amendments to existing standards have been published and are mandatory for the Group's and Company's accounting periods beginning on or after 1 January 2010 or later periods, but the Company has not early adopted them:

IFRS 3 'Business Combinations' (revised January 2008; effective for business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1 July 2009). The standard does not have an impact to the Group and the Company.

IFRIC 15 'Agreements for the Construction of Real Estate' (effective for annual periods beginning on or after 1 January 2009; IFRIC 15 as adopted by the EU is effective for annual periods beginning after 31 December 2009, with early adoption permitted). The interpretation applies to the accounting for revenue and associated expenses by entities that undertake the construction of real estate directly or through subcontractors, and provides guidance for determining whether agreements for the construction of real estate are within the scope of IAS 11 or IAS 18. It also provides criteria for determining when entities should recognize revenue on such transactions. IFRIC 15 does not have an impact to the Group and the Company.

IFRIC 16 'Hedges of a Net Investment in a Foreign Operation' (effective for annual periods beginning on or after 1 October 2008; IFRIC 16 as adopted by the EU is effective for annual periods beginning after 30 June 2009, with early adoption permitted). IFRIC 16 does not have an impact to the Group and the Company.

Eligible Hedged Items - Amendment to IAS 39 'Financial Instruments: Recognition and Measurement' (effective with retrospective application for annual periods beginning on or after 1 July 2009). The amendment clarifies how the principles that determine whether a hedged risk or portion of cash flows is eligible for designation should be applied in particular situations. The standard does not have an impact to the Group and the Company.

IFRIC 17 'Distribution of Non-Cash Assets to Owners' (effective for annual periods beginning on or after 1 July 2009; IFRIC 17 as adopted by the EU is effective for annual periods beginning after 31 October 2009, with early adoption permitted). The interpretation clarifies when and how distribution of non-cash assets as dividends to the owners should be recognized. An entity should measure a liability to distribute non-cash assets as a dividend to its owners at the fair value of the assets to be distributed. A gain or loss on disposal of the distributed non-cash assets will be recognised in profit or loss when the entity settles the dividend payable. IFRIC 17 does not have an impact to the Group and the Company.



IFRS 1 'First-time Adoption of International Financial Reporting Standards' (following an amendment in December 2008, effective for the first IFRS financial statements for a period beginning on or after 1 July 2009; restructured IFRS 1 as adopted by the EU is effective for annual periods beginning after 31 December 2009, with early adoption permitted). The revised IFRS 1 retains the substance of its previous version but within a changed structure in order to make it easier for the reader to understand and to better accommodate future changes. The standard does not have an impact to the Group and the Company.

IFRIC 18 'Transfers of Assets from Customers' (effective prospectively to transfers of assets from customers received on or after 1 July 2009, earlier application permitted; IFRIC 18 as adopted by the EU is effective for annual periods beginning after 31 October 2009, with early adoption permitted). The interpretation clarifies the accounting for transfers of assets from customers, namely, the circumstances in which the definition of an asset is met; the recognition of the asset and the measurement of its cost on initial recognition; the identification of the separately identifiable services (one or more services in exchange for the transferred asset); the recognition of revenue, and the accounting for transfers of cash from customers. IFRIC 18 does not have an impact to the Group and the Company.

Embedded Derivatives - Amendments to IFRIC 9 and IAS 39 (effective for annual periods ending on or after 30 June 2009; amendments to IFRIC 19 and IAS 39 as adopted by the EU are effective for annual periods beginning after 31 December 2009, with early adoption permitted). The amendments clarify that on reclassification of a financial asset out of the 'at fair value through profit or loss' category, all embedded derivatives have to be assessed and, if necessary, separately accounted for. These amendments do not have an impact on the Group's and the Company's financial statements.

Classification of Rights Issues - Amendment to IAS 32 'Financial Instruments: Presentation' (effective for annual periods beginning on or after 1 February 2010). The amendment exempts certain rights issues of shares with proceeds denominated in foreign currencies from classification as financial derivatives. This amendment does not have an impact on the Group's and the Company's financial statements.

Group Cash-settled Share-based Payment Transactions - Amendments to IFRS 2 'Share-based Payment' as adopted by EU in March 2010 is effective for annual periods beginning on or after 1 January 2010.

IAS 27 'Consolidated and Separate Financial Statements' (revised January 2008; effective for annual periods beginning on or after 1 July 2009). The revised IAS 27 will require an entity to attribute total comprehensive income to the owners of the parent and to the non-controlling interests (previously "minority interests") even if this results in the non-controlling interests having a deficit balance (the current standard requires the excess losses to be allocated to the owners of the parent in most cases). The revised standard specifies that changes in a parent's ownership interest in a subsidiary that do not result in the loss of control must be accounted for as equity transactions. It also specifies how an entity should measure any gain or loss arising on the loss of control of a subsidiary. At the date when control is lost, any investment retained in the former subsidiary will have to be measured at its fair value. The Company and the Group do not expect the amended standard to have a material impact on the financial statements.



Amendment to IFRS 5, Non-current Assets Held for Sale and Discontinued Operations (and consequential amendments to IFRS 1) (effective for annual periods beginning on or after 1 July 2009). This amendment to IFRS 5 is part of the IASB's annual improvements project published in May 2008. The amendment clarifies that an entity committed to a sale plan involving loss of control of a subsidiary would classify the subsidiary's assets and liabilities as held for sale. The revised guidance should be applied prospectively from the date at which the entity first applied IFRS 5.

Improvements to International Financial Reporting Standards, issued in April 2009 (amendments to IFRS 2, IAS 38, IFRIC 9 and IFRIC 16 are effective for annual periods beginning on or after 1 July 2009; amendments to IFRS 5, IFRS 8, IAS 1, IAS 7, IAS 17, IAS 36 and IAS 39 as adopted by in March 2010 EU are effective for annual periods beginning on or after 1 January 2010).

**Basis for drawing up of the interim condensed consolidated statement**

The interim condensed consolidated financial statements for the nine months ended 30 September 2010 have been prepared in accordance with IAS 34 Interim Financial Reporting. The interim condensed consolidated financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's and the Company's annual financial statements as at 31 December 2009.

In the financial statements all figures are provided in LTL thousand. The statements are drawn up applying the method of historical costs.

When drawing up the financial statements in accordance with the IFRS, the managers are required to make calculations and estimations to support the assumptions that have an impact on application of the accounting principles and on the amounts of assets and liabilities, income and costs. The calculations and related assumptions are based on historical experience and other factors that correspond to the present situation and on the basis of which conclusions concerning the carrying amount of assets and liabilities are made that cannot be decided on the basis of other sources. The actual amounts may differ from these assumptions.

The Group's and the Company's accounting policies are consistent with those used in the previous years.

**Amounts in foreign currencies are shown in the national currency**

Transactions in foreign currencies are recorded in litas at the official exchange rate on the day of the transaction. Accounts receivable and payable and cash in foreign currencies are translated into Litass at the exchange rate on the statement of financial position day. The differences in the currency exchange rates that occur after the transactions are recorded in the statement of comprehensive income.



## STATEMENT OF FINANCIAL POSITION

### Non - current tangible assets

Property, plant and equipment is stated at cost less accumulated depreciation and impairment losses.

The Company disclosed in the interim condensed consolidated financial statements for 2009 and previous years that revaluation model under IAS16 was selected for buildings as subsequent measurement model, but the Company did not follow this policy. The revaluation was performed only once in 1999 for buildings included in the books at that time and no subsequent revaluation was performed on regular bases either for those assets which had been revalued in 1999 or for new acquisitions after 1999. The Company decided to remove this inconsistency between disclosed accounting policy and the accounting treatment followed in practice in 2009. To achieve true and fair presentation of the annual financial statements the Company reversed impact of revaluation performed in 1999 and corrected this prior-period error retrospectively as required by IAS 8 para. 49.

Where necessary, comparative figures have been adjusted to correspond to the presentation of the current year.

When assets are sold or retired, their cost and accumulated depreciation are eliminated from the accounts and any gain or loss resulting from their disposal is included in the statement of comprehensive income.

The initial cost of property, plant and equipment comprises its purchase price, including non-refundable purchase taxes and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Expenditures incurred after the property, plant and equipment have been put into operation, such as repair and maintenance costs, are normally charged to the statement of comprehensive income in the period the costs are incurred.

Depreciation is computed on a straight-line basis over the following estimated useful lives:

Buildings	10 - 66 years
Machinery and equipment	6 - 10 years
Vehicles	5 - 10 years
Other property, plant and equipment	2 - 6 years.

Construction-in-progress is stated at cost. This includes the cost of construction, plant and equipment and other directly attributable costs. Construction-in-progress is not depreciated until the relevant assets are completed and available for use.

### Non - current intangible assets

Intangible assets are measured initially at cost. Intangible assets are recognized if it is probable that future economic benefits that are attributable to the asset will flow to the enterprise and the cost of asset can be measured reliably. After initial recognition, intangible assets are measured at cost less accumulated amortization and any accumulated impairment losses. Intangible assets are amortized on a straight-line basis over the best estimate of their useful lives.

#### Software

The costs of acquisition of new software are capitalized and treated as an intangible asset if these costs are not an integral part of the related hardware. Software is amortized over a period not exceeding 3 years.

Costs incurred in order to restore or maintain the future economic benefits that the Group and the Company expects from the originally assessed standard of performance of existing software systems are recognized as an expense when the restoration or maintenance work is carried out.



#### **Loans and receivables**

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are carried at amortized cost using the effective interest method. Gains and losses are recognized in the statement of comprehensive income when the loans and receivables are derecognized or impaired, as well as through the amortization process. Receivables are initially recorded at the fair value of the consideration given. Current receivables are subsequently carried at cost less impairment, and non - current receivables and loans granted - at amortized cost, less impairment.

They are included in current assets, except for maturities greater than 12 months after the end of the reporting period. These are classified as non - current assets.

#### **Inventories**

Inventories are valued at the lower of cost or net realizable value, after impairment evaluation for obsolete and slow - moving items. Net realizable value is the selling price in the ordinary course of business, less the costs of completion and applicable variable marketing and distribution costs. Cost is determined by the first-in, first-out (FIFO) method. The cost of finished goods and work in progress includes the applicable allocation of fixed and variable overhead costs based on a normal operating capacity. Unrealizable inventory is fully written-off.

#### **Trade debtors and other accounts receivable**

Trade receivables are amounts due from customers for merchandise sold or services performed in the ordinary course of business. If collection is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non - current assets.

Trade receivables are recognized initially at fair value and subsequently measured at amortized cost using the effective interest method, less provision for impairment.

#### **Cash and cash equivalents**

Cash includes cash on hand and cash with banks and bank overdrafts. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash with original maturities of three months or less and that are subject to an insignificant risk of change in value. Bank overdrafts are shown within borrowings in current liabilities on the statement of financial position.

#### **Share capital**

Ordinary shares are classified as equity. Ordinary shares are stated at their par value.

#### **Dividends distribution**

Dividend distribution to the Company's shareholders is recognised as a liability in the Group's financial statements in the period in which the dividends are approved by the Company's shareholders.

#### **Borrowings**

Borrowing costs are expensed as incurred, unless they are directly attributable to acquisition, construction or production of a qualifying asset.

Borrowings are initially recognized at fair value of proceeds received, less the costs of transaction. They are subsequently carried at amortized cost, the difference between net proceeds and redemption value being recognized in the net profit or loss over the period of the borrowings using the effective interest method.

Interest paid is classified as financing cash flows in the statement of cash flows.



### **Grants**

Grants received in the form of non - current assets or intended for the purchase, construction or other acquisition of non - current assets are considered as asset-related grants. Assets received free of charge are also allocated to this group of grants. The amount of the grants related to assets is recognized as deferred income and released to income in equal annual amounts over the expected useful life of related asset. In the statement of comprehensive income, a relevant expense account is reduced by the amount of grant amortization.

Grants received as a compensation for the expenses or unearned income of the current or previous reporting period, also, all the grants, which are not grants related to assets, are considered as grants related to income. The income-related grants are recognized as used in parts to the extent of the expenses incurred during the reporting period or unearned income to be compensated by that grant.

The balance of unutilized grants is shown in the caption "Grants" in the statement of financial position.

### **Trade payables**

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non - current liabilities.

Trade payables are recognised initially at fair value and subsequently measured at amortized cost using the effective interest method.

### **Employee benefits**

Wages, salaries, contributions to the State Social Security Fund paid, annual leave and sick leave, bonuses, and non - monetary benefits are accrued in the year in which the associated services have been rendered by the employees of the Company and the Group.

## **STATEMENT OF COMPREHENSIVE INCOME**

### **Income**

#### *a) Sales of goods*

Revenue is recognized when it is probable that the economic benefits associated with the transaction will flow to the enterprise and the amount of the revenue can be measured reliably. Sales are recognized net of VAT and discounts.

Revenue from sales of goods is recognized when delivery has taken place and transfer of risks and rewards has been completed.

#### *b) Interest income*

Interest income is recognised using the effective interest method. When a loan and receivable is impaired, the group reduces the carrying amount to its recoverable amount, being the estimated future cash flow discounted at the original effective interest rate of the instrument, and continues unwinding the discount as interest income. Interest income on impaired loan and receivables are recognised using the original effective interest rate.

### **Expense recognition**

Expenses are recognized on the basis of accrual and revenue and expense matching principles in the reporting period when the income related to these expenses was earned, irrespective of the time the money was spent. In those cases when the costs incurred cannot be directly attributed to the specific income and they will not bring income during the future periods, they are expensed as incurred.



The amount of expenses is usually accounted for as the amount paid or due, excluding VAT. In the cases when a long period of payment is established and the interest is not distinguished, the amount of expenses shall be estimated by discounting the amount of payment using the market interest rate.

#### **Foreign currencies**

Foreign currency transactions are accounted for at the exchange rates prevailing at the date of the transactions. Gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies on the statement of financial position date are recognized in the statement of comprehensive income. Such balances are translated at period-end exchange rates.

#### **Income tax**

Income tax charge is based on profit for the year and considers deferred taxation. Income tax is calculated based on the Lithuanian tax legislation.

Deferred taxes are calculated using the statement of financial position liability method. Deferred income taxes reflect the net tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes. Deferred tax assets and liabilities are measured using the tax rates expected to apply to taxable income in the years in which those temporary differences are expected to reverse based on tax rates enacted or substantially enacted at the statement of financial position date.

Deferred tax asset has been recognized in statement of financial position to the extent the management believes it will be realized in the foreseeable future, based on taxable profit forecasts. If it is believed that part of the deferred tax asset is not going to be realized, this part of the deferred tax asset is not recognized in the financial statements.

#### **Impairment of assets**

##### Financial assets

Financial assets are reviewed for impairment at each statement of financial position date.

For financial assets carried at amortized cost, whenever it is probable that the Group and the Company will not collect all amounts due according to the contractual terms of loans or receivables, an impairment or bad debt loss is recognized in the statement of comprehensive income. A provision for impairment of trade receivables is established when there is objective evidence that the group will not be able to collect all amounts due according to the original terms of the receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments (more than 30 days overdue) are considered indicators that the trade receivable is impaired. The reversal of impairment losses previously recognized is recorded when the decrease in impairment loss can be justified by an event occurring after the write-down. Such reversal is recorded in the statement of comprehensive income. However, the increased carrying amount is only recognized to the extent it does not exceed the amortized cost that would have been had the impairment not been recognized.

##### Fixed assets

Fixed assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. Whenever the carrying amount of an asset exceeds its recoverable amount, an impairment loss is recognized in the statement of comprehensive income. Reversal of impairment losses recognized in prior years is recorded when there is an indication that the impairment losses recognized for the asset no longer exist or have decreased. Reversal is accounted for in the same caption of the statement of comprehensive income as impairment losses. For evaluation of impairment of assets the entire Group is considered one cash generating unit.

### **Segment reporting**

A segment is a significant part of the enterprise business, based on the products supplied or services rendered (business segment) or on the supply of products/ rendering of services within a particular economic environment that is subject to risks and returns particular for that economic environment.

### **STATEMENT OF CASH FLOWS**

The statement cash flows shows inflow and outflow of cash during the reporting period and the financial status at the end of the year. The cash flows are classified according to three main types of activities, namely, operating, investing and financing activities.

In the statement cash flows the operating cash flows are recorded using the indirect method, i.e. on the basis of income and costs as recorded in the in the statement of comprehensive income.

Cash and cash equivalents comprise cash at bank and on hand together with short-term securities recorded in current assets.

Cash flows from operating activities are recorded as a net profit or loss adjusted for the effects of non - cash transactions, changes in working capital, financial and extraordinary items, less income tax paid.

Working capital includes current assets, except those recorded in cash and cash equivalents, and current liabilities, except loans, taxes and dividends. Cash at bank and on hand together with short - term securities recorded in current assets are not included.

Cash flows from investing comprise increase and decrease in non - current assets. The increase is shown as costs. The decrease is recorded as the sales costs after deduction of the expenses.

Cash flows from financing activities include cash received from and paid to the shareholders, loans received and repaid, and long-term and short-term liabilities, not included into the working capital.



## 2 SEGMENT REPORTING

The Company's single business segment (the basis for the primary segment report format) pertains to furniture manufacturing. Information about the segments is provided with regard to the Company's geographical segments (the secondary segment report format).

Income and all assets according to geographical segments:

	Sales		Total assets	
	30.09.2010	30.09.2009	30.09.2010	30.09.2009
	LTL thousand	LTL thousand	LTL thousand	LTL thousand
Lithuania	2 072	359	104 347	73 297
European countries	113 560	79 635	1 219	873
Other countries	25 942	25 383	262	-
	<b>141 574</b>	<b>105 377</b>	<b>105 828</b>	<b>74 170</b>

## 3 DISTRIBUTION COSTS

	30.09.2010	30.09.2009
	LTL thousand	LTL thousand
Transportation and storage costs	2 013	338
Remuneration and social insurance	232	231
Depreciation and amortization	59	91
Other	169	86
	<b>2 473</b>	<b>746</b>

## 4 ADMINISTRATIVE COSTS

	30.09.2010	30.09.2009
	LTL thousand	LTL thousand
Remuneration and social insurance	2 666	2 331
Depreciation and amortization	382	350
Operation taxes expenses	223	235
Employee training and consultation	163	320
Insurance	123	124
Utilities and communication	122	143
Bank services	86	52
Business trips	52	55
Repairs and maintenance costs	36	56
Professional services	5	6
Other	643	697
	<b>4 501</b>	<b>4 369</b>

## 5 OTHER OPERATING INCOME, NET

	30.09.2010	30.09.2009
	LTL thousand	LTL thousand
Rent income	271	451
Other income and costs	26	(90)
	<b>297</b>	<b>361</b>

## 6 FINANCIAL INCOME, NET

	30.09.2010	30.09.2009
	LTL thousand	LTL thousand
Loan interest costs	589	(463)
Currency exchange profit, less loss	(82)	(60)
Sale of investment profit (loss)	-	(1 102)
Other income and costs	1	(50)
	<b>508</b>	<b>(1 675)</b>

On 2 July 2009 the Company signed the agreement regarding shares' price correction of Giriu Bizonas UAB. According to the agreement the payable purchase price for the shares is reduced by 1 102 thousand LTL.

## 7 PERSONNEL COSTS

	30.09.2010	30.09.2009
	LTL thousand	LTL thousand
Production and product development costs	11 567	12 677
Sales, administrative and other costs	2 898	2 562
	<b>14 465</b>	<b>15 239</b>

## 8 EARNINGS PER SHARE

The basic portion of earnings per share is computed by dividing net shareholders' earnings by the weighted average number of common shares outstanding during the year.

	30.09.2010	30.09.2009
	LTL thousand	LTL thousand
Net annual profit	21 071	9 131
Weighted average number of the shares (thousand)	3 886	3 886
<b>Earnings per share (LTL)</b>	<b>5.42</b>	<b>2.35</b>

The Company has issued no other securities that could be potentially converted into common shares. The earnings per share and the earnings per potentially convertible share is the same.



## 9 NON - CURRENT TANGIBLE ASSETS

LTL thousand

	Buildings	Machinery and equipment	Vehicles	Other non - current assets	Total
Costs as of 1 January 2010	22 647	59 288	251	3 110	85 296
Increase	-	996	87	305	1 388
Sales	-	(180)	(147)	(67)	(394)
Writing off	-	(55)	-	(85)	(140)
Costs as of 30 September 2010	22 647	60 049	191	3 263	86 150
Depreciation as of 1 January 2010	9 261	39 584	87	2 307	51 239
Depreciation	528	3 872	24	249	4 673
Sales	-	(177)	(29)	(64)	(270)
Writing off	-	(53)	-	(81)	(134)
Depreciation as of 30 September 2010	9 789	43 226	82	2 411	55 508
<b>Net carrying value as of 30 September 2010</b>	<b>12 858</b>	<b>16 823</b>	<b>109</b>	<b>852</b>	<b>30 642</b>
<b>Net carrying value as of 1 January 2010</b>	<b>13 386</b>	<b>19 704</b>	<b>164</b>	<b>803</b>	<b>34 057</b>
Depreciation period	40 years	6 – 10 years	5 – 10 years	2 – 6 years	-

Depreciation was broken down as follows:

	30.09.2010	30.09.2009
	LTL thousand	LTL thousand
Production and product development costs	4 370	4 222
Sales, administrative and other costs	299	291
	<b>4 669</b>	<b>4 513</b>

The depreciation charge of the Group included in the cost of production is decreased by LTL 4 thousand subsidy received for the acquisition of property, plant and equipment (LTL 8 thousand for the year 2009)

## 10 INVESTMENT

	30.09.2010	31.12.2009
	LTL thousand	LTL thousand
Other	2	2
	<b>2</b>	<b>2</b>



## 11 INVENTORIES

	30.09.2010	31.12.2009
	LTL thousand	LTL thousand
Raw materials	4 578	5 552
Production in progress	5 769	2 102
Finished products	4 525	6 348
Goods for resale	-	3
	<b>14 872</b>	<b>14 005</b>

Raw materials include wood, fittings and accessories, plastic elements, chemicals and other materials used in production.

## 12 LOANS TO RELATED PARTIES

	30.09.2010	31.12.2009
	LTL thousand	LTL thousand
Granted loans (Invalda AB)	39 122	15 999
Interest receivable (Invalda AB)	1 207	-
	<b>40 329</b>	<b>15 999</b>

## 13 OTHER ACCOUNTS RECEIVABLE

	30.09.2010	31.12.2009
	LTL thousand	LTL thousand
VAT recoverable	1 815	1 123
Prepayments and future costs	592	271
Other amounts receivable	231	6
	<b>2 638</b>	<b>1 400</b>

## 14 CASH AND CASH EQUIVALENTS

	30.09.2010	31.12.2009
	LTL thousand	LTL thousand
Cash in banks	65	52
Cash on hand	10	4
	<b>75</b>	<b>56</b>

## 15 CAPITAL AND RESERVES

### Share capital

The share capital is made up of 3 886 267 common shares of the nominal value of LTL 4, while the total value of the share capital amounts to LTL 15 545 068.

### Legal reserve

The reserve of 1 554 thousand LTL is the legal reserve made under the laws of the Republic of Lithuania. An allocation of at least 5% of the net profit must be made into the legal reserve out of the profit to be appropriated every year until the legal reserve reaches 10% of the authorized capital.

## 16 LOANS AND OTHER BORROWINGS, SECURED WITH PLEDGED ASSETS

	30.09.2010	31.12.2009
	LTL thousand	LTL thousand
<b>Non - current liabilities</b>		
Long - term loan	3 757	3 757
Finance lease	59	86
<b>Net carrying value as end of period</b>	<b>3 816</b>	<b>3 843</b>
<b>Short - term liabilities</b>		
Current portion of loan	626	2 504
Current portion of finance lease	8	12
Credit line	7 069	5 234
<b>Net carrying value as end of period</b>	<b>7 703</b>	<b>7 750</b>
	<b>11 519</b>	<b>11 593</b>

	Maturity term	30.09.2010	31.12.2009
		LTL thousand	LTL thousand
<b>Current borrowings</b>			
Credit line in Danske Bank A/S Lithuania branch	25.02.2011	7 069	5 234
<b>Non - current borrowings</b>			
Credit in Danske Bank A/S Lithuania branch	01.07.2012	4 383	6 261
Finance lease Danske Bank A/S Lithuania branch	04.08.2015	67	98



Schedule of payment for financial liabilities, secured with pledged assets:

	Total amount payable as of 30 September 2010	2010	2011	2012- 2015
	LTL thousand	LTL thousand	LTL thousand	LTL thousand
Credit	4 383	626	2 504	1 253
Finance lease	67	8	7	52
Credit line	7 069	-	7 069	-
	<b>11 519</b>	<b>634</b>	<b>9 580</b>	<b>1 305</b>

#### 17 OTHER LIABILITIES

	30.09.2010	31.12.2009
	LTL thousand	LTL thousand
Holiday pay reserve	1 465	1 196
Remuneration and social insurance	1 660	749
Operating taxes	110	109
Other accounts payable and accrued taxes	318	369
	<b>3 553</b>	<b>2 423</b>

#### Currency risk

The Company's exposure to the currency risk when selling, purchasing and borrowing in foreign currencies, except EUR is mostly related to the PLN.

Accounts receivable and payable in foreign currencies as of 30 September 2010 may be broken down as follows:

	EUR	PLN	USD	SEK
	LTL thousand	LTL thousand	LTL thousand	LTL thousand
Granted loans	39 122	-	-	-
Trade receivables	-	7	-	-
Prepayments	91	-	262	-
Borrowings	(11 519)	-	-	-
Debts to suppliers	(6 189)	(316)	(53)	(175)
	<b>21 505</b>	<b>(309)</b>	<b>209</b>	<b>(175)</b>

#### Interest risk

Euribor related floating interest rates are applied to the loans extended to the Company.

As of 30 September 2010 the Company used no financial instruments as interest risk hedging.

## 18 RELATED PARTY TRANSACTIONS

30.09.2010	Purchases	Sales	Receivables	Payables
	LTL thousand	LTL thousand	LTL thousand	LTL thousand
Invalda AB	-	1 207	40 329	-
Invalda nekilnojamojo turto valdymas UAB	98	520	282	-
Invalda service UAB	86	-	-	17
Baltic Amadeus infrastruktūros paslaugos UAB	27	-	-	-
Informatikos pasaulis UAB	95	-	-	-
Umega AB	265	-	-	63
Acena UAB	39	-	-	-
Kelda UAB	57	-	-	4
Kelio zenklai UAB	4	-	-	5
	<b>671</b>	<b>1 727</b>	<b>40 611</b>	<b>89</b>

30.09.2009	Purchases	Sales	Receivables	Payables
	LTL thousand	LTL thousand	LTL thousand	LTL thousand
Invalda AB	65	511	10 887	-
Invalda nekilnojamojo turto valdymas UAB	71	208	121	-
Invalda service UAB	59	-	-	7
Finasta FMI AB	23	-	-	-
Baltic Amadeus infrastruktūros paslaugos UAB	27	-	-	-
Informatikos pasaulis UAB	75	-	-	28
Acena UAB	45	-	-	-
	<b>365</b>	<b>719</b>	<b>11 008</b>	<b>35</b>

## 19 IMPORTANT EVENTS, WHICH HAVE OCCURRED SINCE THE END OF THE LAST FISCAL YEARS

In 2010 the Company directed its efforts towards improving its business and accounting systems. Organization of the business activities and sales operations were improved seeking to deliver products ordered in a flexible and efficient manner. Purchase processes were also enhanced seeking to ensure a timely delivery of raw materials. Production processes were improved to ensure effective management of the production activity. On 7 September 2010 the Company has signed the business and accounting system implementation and fulfillment deed.



In 2010 new products were introduced to the range of the Company's products – a wall mirror, a shoe cab and a shelving.

As of 29 April 2010, the Annual General Meeting of Vilniaus Baldai AB shareholders was held. The meeting resolved to:

- take into consideration the auditor's report, listened the Company's consolidated annual report for 2009 and approve the Company's and consolidated financial statements for the year 2009,
- approve the Company's profit distribution for the year 2009 as follows:

Undistributed retained earnings, brought forward	9 910 162 LTL	2 870 181 EUR
Renewable reserve funds	2 272 379 LTL	658 127 EUR
Net result for the current year	15 587 022 LTL	4 514 313 EUR
Distributable result	27 769 563 LTL	8 042 621 EUR
Transfers to the obligatory reserves	-	-
Profit transfers to the reserves for own shares acquisition	25 000 000 LTL	7 240 500 EUR
Transfers to other reserves	-	-
To be paid as dividends	-	-
To be paid as annual payments (bonus) to board of	-	-
Undistributed retained earnings, carried forward	2 769 563 LTL	802 121 EUR
Dividends for the year 2009 not to allocate,		

- decided: to withdraw Raimondas Rajeckas from the Company's Board. To elect Dalius Kaziunas as the Board member of the Company.

From July 1, 2010 Aidas Mackevicius is leading Vilniaus Baldai AB. He has a long term leadership experience in a large companies. Aidas Mackevicius replaced the previous CEO Nerijus Pacevicius, who led the Company since 2006.

As of 21 September 2010, the Extraordinary General Meeting of Vilniaus Baldai AB shareholders was held. The meeting resolved to:

- to elect joint-stock company PricewaterhouseCoopers, code 111473315, located at municipality of Vilnius city, Vilnius, J. Jasinskio str. 16B, audit company's certificate No. 001273, to audit annual financial statements of the financial years 2010 - 2011,
- to set the conditions of payment for the audit services:
  1. the main remuneration for the audit of each year's set of annual financial statements – 75 000 LTL (seventy five thousand Litass) for each year. VAT is not included in this amount and is calculated and paid additionally according to the laws,
  2. in case additional services are provided under the agreement on audit services, additional remuneration is paid to the audit company. Additional remuneration is determined according to joint-stock company PricewaterhouseCoopers employees who are involved in providing additional services hourly rates,
  3. additional remuneration is paid after the additional services are provided.

Since the end of the reporting fiscal year till the interim condensed consolidated financial statement confirmation there were no important events at the Company.

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