



**VILNIAUS  
BALDAI**

ANNO 1883

*... Better  
Faster  
Stronger ...*

## RESPONSIBLE PERSONS CONFIRMATION

08.08.2012

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 six months of 2012 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, and also that Interim Consolidated Report shows fair business environment as well as description of the Company's performance.

### APPENDIX:

1. Interim Condensed Consolidated Financial Statement for the six months of 2012.
2. Interim Consolidated Report for the six months of 2012.

Chief Executive Officer

Aidas Mackevicius

Chief Financial Officer

Ausra Kibirkstiene





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# Vilniaus Baldai AB

**INTERIM CONDENSED  
CONSOLIDATED  
FINANCIAL STATEMENT FOR  
THE SIX MONTHS OF 2012**



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## COMPANY INFORMATION

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

The Financial Statement has been drawn up for the six months of 2012.

### 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. 178B, LT - 03154 Vilnius
Telephone	(+370~5) 252 57 00
Fax	(+370~5) 231 11 30
E-mail	<a href="mailto:info@vilniausbaldai.lt">info@vilniausbaldai.lt</a>
Website	<a href="http://www.vilniausbaldai.lt">www.vilniausbaldai.lt</a>
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	120989619
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	<a href="mailto:aleksas.rimkus@ari-lux.lt">aleksas.rimkus@ari-lux.lt</a>
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. 178B, 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.

#### 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:

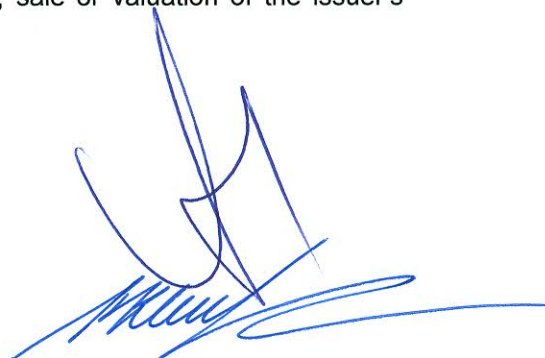
Aidas Mackevicius, Chief Executive Officer, tel. (+370~5) 252 57 00, fax. (+370~5) 231 11 30,  
Ausra Kibirkstiene, Chief Financial Officer, tel. (+370~5) 252 57 20.

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 – 8 August 2012.

## INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENT FOR THE SIX MONTHS OF 2012

The auditors reviewed the Financial Statement of 31.12.2011, while those of 30.06.2012 and of 30.06.2011 are unaudited.

### 1. STATEMENT OF FINANCIAL POSITION

LTL thousand

	30.06.2012	31.12.2011	30.06.2011
<b>Assets</b>			
<b>Non - current assets</b>			
Non - current tangible assets	30 996	29 543	29 886
Intangible assets	122	187	253
Investment	-	-	2
Deferred income tax asset	33	29	-
<b>Total non - current assets</b>	<b>31 151</b>	<b>29 759</b>	<b>30 141</b>
<b>Current assets</b>			
Inventories	14 000	13 997	15 874
Trade debtors	22 562	18 186	22 690
Loans to related parties	-	-	26 587
Time deposits	11 682	49 101	-
Current income tax prepayment	-	893	-
Other accounts receivable	3 877	2 219	3 400
Cash and cash equivalents	3 251	1 906	402
<b>Total current assets</b>	<b>55 372</b>	<b>86 302</b>	<b>68 953</b>
<b>Total assets</b>	<b>86 523</b>	<b>116 061</b>	<b>99 094</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
Reserve for acquisition of own shares	25 000	25 000	25 000
Retained earnings	13 932	41 937	28 511
<b>Total capital and reserves</b>	<b>56 031</b>	<b>84 036</b>	<b>70 610</b>
<b>Non - current liabilities</b>			
Provision for employee benefits	997	997	771
Deferred tax liabilities	-	-	36
Loans and other interest bearing payables	197	197	1 414
<b>Total non - current liabilities</b>	<b>1 194</b>	<b>1 194</b>	<b>2 221</b>
<b>Current liabilities</b>			
Loans and other interest bearing payables	643	1 290	1 288
Debts to suppliers	20 813	22 406	18 477
Current income tax payable	112	-	1 402
Other liabilities	7 730	7 135	5 096
<b>Total current liabilities</b>	<b>29 298</b>	<b>30 831</b>	<b>26 263</b>
<b>Total liabilities</b>	<b>30 492</b>	<b>32 025</b>	<b>28 484</b>
<b>Total equity and liabilities</b>	<b>86 523</b>	<b>116 061</b>	<b>99 094</b>

## 2. STATEMENT OF COMPREHENSIVE INCOME

LTL thousand

	2012 I half, ended 30 June	2011 I half, ended 30 June	2012 II quarter, ended 30 June	2011 II quarter, ended 30 June
Revenue	115 398	114 825	56 897	58 258
Cost of sales	(94 431)	(93 565)	(45 612)	(47 411)
<b>Gross profit</b>	<b>20 967</b>	<b>21 260</b>	<b>11 285</b>	<b>10 847</b>
Distribution costs	(2 481)	(2 194)	(1 158)	(1 075)
Administrative costs	(6 261)	(4 511)	(4 664)	(2 618)
Other operating income, net	247	298	71	115
<b>Profit from operating activities</b>	<b>12 472</b>	<b>14 853</b>	<b>5 534</b>	<b>7 269</b>
Financial income	423	978	126	471
Financial costs	(63)	(202)	(24)	(105)
Financial income, net	360	776	102	366
<b>Profit before taxes</b>	<b>12 832</b>	<b>15 629</b>	<b>5 636</b>	<b>7 635</b>
Income tax	(1 974)	(2 244)	(896)	(1 120)
<b>Profit for the period</b>	<b>10 858</b>	<b>13 385</b>	<b>4 740</b>	<b>6 515</b>
Other comprehensive income	-	-	-	-
<b>Total comprehensive income for the period</b>	<b>10 858</b>	<b>13 385</b>	<b>4 740</b>	<b>6 515</b>
<b>Attributable to Owners of the Company:</b>				
Profit	10 858	13 385	4 740	6 515
Total comprehensive income	10 858	13 385	4 740	6 515
Earnings per share (in LTL)	2.79	3.44	1.22	1.68

### 3. STATEMENT OF CHANGES IN EQUITY

LTL thousand

	Share capital	Legal reserve	Obligatory reserve	Accrued earnings	Total
<b>Balance as of 31 December 2010</b>	<b>15 545</b>	<b>1 554</b>	<b>25 000</b>	<b>30 671</b>	<b>72 770</b>
Net profit	-	-	-	13 385	13 385
<b>Total comprehensive income</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>13 385</b>	<b>13 385</b>
<b>Transactions with owners</b>					
Dividends to equity holders of the Company	-	-	-	(15 545)	(15 545)
<b>Total transactions with owners</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(15 545)</b>	<b>(15 545)</b>
<b>Balance as of 30 June 2011</b>	<b>15 545</b>	<b>1 554</b>	<b>25 000</b>	<b>28 511</b>	<b>70 610</b>
Net profit	-	-	-	13 426	13 426
<b>Total comprehensive income</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>13 426</b>	<b>13 426</b>
<b>Balance as of 31 December 2011</b>	<b>15 545</b>	<b>1 554</b>	<b>25 000</b>	<b>41 937</b>	<b>84 036</b>
Net profit	-	-	-	10 858	10 858
<b>Total comprehensive income</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>10 858</b>	<b>10 858</b>
<b>Transactions with owners</b>					
Dividends to equity holders of the Company	-	-	-	(38 863)	(38 863)
<b>Total transactions with owners</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(38 863)</b>	<b>(38 863)</b>
<b>Balance as of 30 June 2012</b>	<b>15 545</b>	<b>1 554</b>	<b>25 000</b>	<b>13 932</b>	<b>56 031</b>



#### 4. STATEMENT OF CASH FLOWS

	LTL thousand	
	30.06.2012	30.06.2011
Net profit (loss)	10 858	13 385
Adjustments:		
Depreciation and amortisation	2 911	3 317
Result on disposal, writing off, etc. of non -current	(17)	(1)
Changes in provisions	(71)	(86)
Interest (income) expenses	(364)	(806)
Deferred income tax (income) expenses	(3)	1
Income tax expenses	1 977	2 243
Other financial expenses (income)	15	(135)
<b>Cash flows from ordinary activities before changes</b>	<b>15 306</b>	<b>17 918</b>
Changes in trade receivables and other amounts	(7 007)	(8 714)
Changes in inventories	68	3 592
Changes in debts to suppliers and other liabilities	(2 063)	(5 507)
Income tax paid	-	(1 412)
<b>Cash flows from operating activities</b>	<b>6 304</b>	<b>5 877</b>
(Acquisition) of tangible non - current assets	(4 393)	(3 105)
Sale / writing of non - current tangible assets	97	3
Transfer (to) from time deposits	37 107	-
<b>Cash flows from investing activities</b>	<b>32 811</b>	<b>(3 102)</b>
Loans (granted) / repaid	-	3 759
Loans received / (repaid)	(647)	(3 307)
Interest (paid) / received	677	734
Dividends (paid)	(37 800)	(3 904)
<b>Cash flows from financing activities, net</b>	<b>(37 770)</b>	<b>(2 718)</b>
<b>Cash flows from operating, investing and financing</b>	<b>1 345</b>	<b>57</b>
<b>Cash and cash equivalents as of 1 January</b>	<b>1 906</b>	<b>345</b>
<b>Cash and cash equivalents as of 30 June</b>	<b>3 251</b>	<b>402</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 June 2012 the Group employed 486 people, the Company employed 440 people (on 31 December 2011 the Group employed 507 employees, the Company – 456; on 30 June 2011 the Group employed 461 employees, the Company - 428).

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

#### **Significant accounting policies**

These financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS), as adopted by the European Union (hereinafter the EU). The financial statements have been prepared under the historical cost convention.

#### *Relevant new or amended standards and interpretations effective in 2012*

Disclosures – Transfers of financial assets – Amendments to IFRS 7 (effective for annual periods beginning on or after 1 July 2011). The Company/ Group does not expect the amendments to have a significant impact on the financial statements.

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

The interim condensed consolidated financial statements for the six months ended 30 June 2012 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 2011.

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.

#### **Functional and presentation currency**

Items included in the financial statements are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The financial statements are presented in a local currency, the litas (LTL), which is the Company's functional and presentation currency.

Starting from 2 February 2002, Lithuanian litas is pegged to euro at the rate of 3.4528 litas for 1 euro, and the exchange rates in relation to other currencies are set daily by the Bank of Lithuania.

### **Principles of consolidation**

The consolidated financial statements of the Group include Vilniaus Baldai AB and its subsidiary. The control is normally evidenced when the Group owns, either directly or indirectly, more than 50 percent of the voting rights of a company's share capital and/or is able to govern the financial and operating policies of an enterprise so as to benefit from its activities.

Subsidiaries are consolidated from the date from which effective control is transferred to the Company and cease to be consolidated from the date on which control is transferred out of the Company. All intercompany transactions, balances and unrealized gains and losses on transactions among the Group companies have been eliminated.

Consolidated financial statements are prepared on the basis of the same accounting principles applied to similar transactions and other events under similar circumstances. Financial statements of Subsidiary were prepared for the same period as that of the Company.

### **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.

### **Property, plant and equipment**

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

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.

The assets' residual values and useful lives are reviewed periodically to ensure that the period of depreciation is consistent with the expected pattern of economic benefits from items in property, plant and equipment.



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.

Borrowing costs directly attributable to the acquisition, construction or production of assets that necessarily take a substantial time to get ready for intended use or sale (qualifying assets) are capitalized as part of the costs of those assets.

Capitalization of borrowing costs continues up to the date when the assets are substantially ready for their use or sale.

The Group capitalizes borrowing costs that could have been avoided if it had not made capital expenditure on qualifying assets. Borrowing costs capitalized are calculated at the group's average funding cost (the weighted average interest cost is applied to the expenditures on the qualifying assets), except to the extent that funds are borrowed specifically for the purpose of obtaining a qualifying asset. Where this occurs, actual borrowing costs incurred less any investment income on the temporary investment of those borrowings are capitalized.

### **Financial assets**

Financial assets are classified as either financial assets at fair value through profit or loss, held –to - maturity investments, loans and receivables, and available – for - sale financial assets, as appropriate. The Company determines the classification of its financial assets based on its nature and purpose at initial recognition.

Financial assets are recognized on a trade date basis where the purchase or sale process is under a contract, which terms require delivery of the financial assets within the timeframe established by the market concerned. Financial assets are recognized initially at fair value, plus, in the case of investments are not carried at fair value through profit or loss, directly attributable transaction costs.

The Group's/ Company's financial assets include cash, time deposits, trade receivables and other receivables and loans are classified in the category of loans and receivables.

The subsequent measurement of financial assets depends on their classification as follows:

#### 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 or 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.

Loans and receivables 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.

#### Effective interest rate method

Effective interest rate method is used to calculate amortized cost of financial assets and allocate interest income over the relevant period. The effective interest rate exactly discounts estimated future cash flows through the expected life of the financial asset.

#### Derecognition of financial assets

A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is derecognized when:

- the rights to receive cash flows from the asset have expired;
- the Group/ Company retains the right to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a "pass through" arrangement; or
- the Group/ Company has transferred their rights to receive cash flows from the asset and either (a) has transferred substantially all the risks and rewards of the asset, or (b) has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

#### **Investments into subsidiaries**

Investments in subsidiaries and associated companies are accounted at cost in the Company's separate financial statements. Cost of investment is decreased by impairment losses. An assessment of recoverable amount of investment is performed for each investment individually.

Impairment is determined by assessing the recoverable amount of the cash-generating unit, to which the goodwill relates. Where the recoverable amount of the cash-generating unit is less than the carrying amount in the Company's statements of financial position, an impairment loss is recognized.

#### **Inventories**

Inventories are initially recorded at acquisition cost. Subsequent to initial recognition, 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 receivables**

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 recognized in the statement of financial position as current borrowings, then they term does not exceed one year.

For the purposes of the cash flow statement, cash and cash equivalents comprise cash on hand, time deposits held at call with banks with original maturities of 3 months or less and other short-term highly liquid investments.

### **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 recognized as a liability in the group's financial statements in the period in which the dividends are approved by the company's shareholders. Dividends paid are classified as financing cash flows in the statement of cash flows.

### **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 investing activities cash flows in the statement of cash flows.

### **Leases**

*The Company and the Group are the lessees*

#### *(a) Finance lease*

Leases of property, plant and equipment where the Company and the Group has substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalized at the lease's commencement at the lower of the fair value of the leased property and the estimated present value of the minimum lease payments. Each lease payment is allocated between the liability and finance charges so as to achieve a constant interest rate on the finance balance outstanding. The corresponding rental obligations, net of finance charges, are included in long-term payables except for instalments due within 12 months which are included in current liabilities.

The property, plant and equipment acquired under finance leases is depreciated over the shorter of the asset's useful life and the lease term.

#### *(b) Operating lease*

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the statement of comprehensive income on a straight-line basis over the period of the lease.

*The Company and the Group are the lessors*

#### *(c) Operating lease*

Payments received under operating leases (net of any incentives given to the lessee) are credited to the statement of comprehensive income on a straight-line basis over the period of the lease.

### **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 recognized initially at fair value and subsequently measured at amortized cost using the effective interest method.

### **Employee benefits**

#### *(a) Social security contributions*

The Company and the Group pay social security contributions to the state Social Security Fund (the Fund) on behalf of its employees based on the defined contribution plan in accordance with the local legal requirements. A defined contribution is a plan under which the Company/ Group pays fixed contributions into the Fund and will have no legal or constructive obligations to pay further contributions if the Fund does not hold sufficient assets to pay all employees benefits relating to employee service in the current and prior period. Social security contributions are recognized as expenses on an accrual basis and are included in payroll expenses.

#### *(b) Termination benefits*

Termination benefits are payable whenever an employee's employment is terminated before the normal retirement date or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Group or the Company recognizes termination benefits when it is demonstrably committed to either: terminating the employment of current employees according to a detailed formal plan without possibility of withdrawal; or providing termination benefits as a result of an offer made to encourage voluntary redundancy. Benefits falling due more than 12 months after balance sheet date are discounted to their present value.

#### *(c) Bonus plans*

The Company recognizes a liability and an expense for bonuses where contractually obliged or where there is a past practice that has created a constructive obligation.

#### *(d) Provisions for pensions and jubilee payments*

According to the terms of the collective agreement effective at the Company, each employee is entitled to a jubilee payment and 2–3 months salary payment when retiring after reaching the pension age. Actuarial calculations are made to determine liability for such payments. The liability is recognized at present value discounted using market interest rate.

### **Provisions**

Provisions are recognized when the Group and the Company has a present obligation (legal or constructive) as a result of past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. The provisions are reviewed at each statement of financial position date and adjusted in order to present the most reasonable current estimate. If the effect of the time value of money is material, the amount of provision is equal to the present value of the expenses, which are expected to be incurred to settle the liability. Where discounting is used, the increase in the provision due to the passage of time is recognized as a borrowing cost.

### **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.

The income tax rate in Lithuania was 15 % in 2012 (15 % in 2011).

Since 2008 tax losses can be carried forward for indefinite period, except for the losses incurred as a result of disposal of securities and/or derivative financial instruments. Such carrying forward is disrupted if the Company changes its activities due to which these losses incurred except when the Company does not continue its activities due to reasons which do not depend on Company itself. The losses from disposal of securities and/or derivative financial instruments can be carried forward for 5 consecutive years and only be used to reduce the taxable income earned from the transactions of the same nature. Starting from 2010, tax losses can be transferred at no consideration or in exchange for certain consideration between the group companies if certain conditions are met.

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.

Deferred tax assets and liabilities are offset when they are related to profit taxes levied by the same tax authority and when there is a legally enforceable right to set off current tax assets against current tax liabilities.

### Income tax and deferred tax for the accounting period

Income tax and deferred income tax are charged or credited to profit or loss, except when they relate to items included directly to equity, in which case the deferred income tax is also accounted for in equity.

### **Revenue recognition**

#### *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 recognized using the effective interest method. When a loan and receivable is impaired, the Group and the Company 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 recognized using the original effective interest rate. Interest income is classified as financing cash flows in the statement of cash flows.

**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.

**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 reorganization, 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.



#### **Non-financial assets**

Non-financial 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 information**

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Board of directors that makes strategic decisions.

#### **Related parties**

Related parties are defined as shareholders, employees, members of the Board, their close relatives and companies that directly or indirectly (through the intermediary) control or are controlled by, or are under common control with, the Group and the Company, provided the listed relationship empowers one of the parties to exercise the control or significant influence over the other party in making financial and operating decisions.

#### **Contingencies**

Contingent liabilities are not recognized in the financial statements. They are disclosed unless the possibility of an outflow of resources embodying economic benefits is remote.

A contingent asset is not recognized in the financial statements but disclosed when an inflow or economic benefits is probable.

#### **Subsequent events**

Post-statement of financial position events that provide additional information about the Group's and the Company's position at the statement of financial position date (adjusting events) are reflected in the financial statements. Post-statement of financial position events that are not adjusting events are disclosed in the notes when material.

#### **Offsetting and comparative figures**

When preparing the financial statements, revenue and expenses are not set off, except the cases when certain IFRS specifically require such set-off. Financial assets and liabilities are offset and the net amount reported in the statement of financial position when there is legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis, or realise the asset and settle the liability simultaneously.

#### **Use of estimates in the preparation of financial statements**

The preparation of financial statements in conformity with IFRS requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, income and expenses and disclosure of contingencies, at the reporting date and within the next financial year. Estimates and judgements are continually evaluated and are based on management's experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Management also makes certain judgements, apart from those involving estimations, in the process of applying the accounting policies. However, uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amount of the asset or liability affected in the future.

### Estimates and assumptions

The main areas where management is required to make significant and critical judgements and areas where estimates and assumptions might have significant impact for the preparation of financial statements are described below:

#### *Property, plant and equipment – useful life*

The key assumptions concerning determination the useful life of property, plant and equipment are as follows: expected usage term of the asset, expected technical or commercial obsolescence arising from changes or improvements in the production on legal or similar limits on the use of the asset, such as the expiry dates of related leases.

#### *Tax liabilities*

The tax authorities have a right to examine the Company's books and accounting records at anytime during the 5 years' period after the current tax year and account for additional taxes and fines. In the opinion of the Company's management currently there are no circumstances which would raise substantial liability in this respect.

#### *Related party transactions*

In the normal course of business the Company enters into transactions with its related parties. These transactions are priced predominantly at market rates. Judgement is applied in determining if transactions are priced at market or non-market interest rates, where there is no active market for such transactions. The basis for judgement is pricing for similar types of transactions with unrelated parties.

## **2 SEGMENT REPORTING**

Management of the Company has determined the operating segments based on the reports reviewed by the board of directors that are used to make strategic decisions.

The board of directors considers the business from both a geographic and product perspective to certain extent. Geographically, management considers sales volume to Lithuania, the European Union countries and the rest of the world depending on where the production is delivered. From product perspective management considers only the product quantities delivered by product type. All financial information, including the measure of profit and total assets, is analyzed as single reportable segment – furniture production and trade, therefore is not further disclosed in these financial statements.

Breakdown of revenue by the location where production is delivered:

	Sales	
	30.06.2012	30.06.2011
	LTL thousand	LTL thousand
European Union countries	92 375	99 494
Other than European Union countries	20 338	12 374
Lithuania	2 685	2 957
	<b>115 398</b>	<b>114 825</b>

### 3 DISTRIBUTION COSTS

	30.06.2012	30.06.2011
	LTL thousand	LTL thousand
Transportation and storage costs	2 139	1 807
Remuneration and social insurance	185	200
Depreciation and amortization	17	32
Other	140	155
	<b>2 481</b>	<b>2 194</b>

### 4 ADMINISTRATIVE COSTS

	30.06.2012	30.06.2011
	LTL thousand	LTL thousand
Remuneration and social insurance	1 801	1 711
Bonus	3 000	795
Depreciation and amortization	208	222
Operation taxes expenses	160	166
Waste utilisation expenses	125	155
Employee training and consultation	122	150
Insurance	80	67
Utilities and communication	63	70
Business trips	48	86
Bank services	8	24
Other	646	1 065
	<b>6 261</b>	<b>4 511</b>

### 5 OTHER OPERATING INCOME, NET

	30.06.2012	30.06.2011
	LTL thousand	LTL thousand
Rent income	244	270
Other income and costs	3	28
	<b>247</b>	<b>298</b>

### 6 FINANCIAL INCOME, NET

	30.06.2012	30.06.2011
	LTL thousand	LTL thousand
Loan interest income	364	806
Currency exchange profit, less loss	(4)	(30)
	<b>360</b>	<b>776</b>



## 7 PERSONNEL COSTS

	30.06.2012	30.06.2011
	LTL thousand	LTL thousand
Production and product development costs	9 293	8 451
Sales, administrative and other costs	1 986	1 911
	<b>11 279</b>	<b>10 362</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.

	30.06.2012	30.06.2011
	LTL thousand	LTL thousand
Net annual profit	10 858	13 385
Weighted average number of the shares (thousand)	3 886	3 886
<b>Earnings per share (LTL)</b>	<b>2.79</b>	<b>3.44</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 2012	23 680	61 083	459	3 646	88 868
Increase	316	840	-	3 237	4 393
Sales	-	(534)	-	(1)	(535)
Writing off	-	(5)	-	(152)	(157)
Reclassified from/ to	-	252	-	(252)	-
Costs as of 30 June 2012	23 996	61 636	459	6 478	92 569
Depreciation as of 1 January 2012	10 677	46 095	86	2 467	59 325
Depreciation	355	2 320	23	162	2 860
Sales	-	(463)	-	(1)	(464)
Writing off	-	(5)	-	(143)	(148)
Depreciation as of 30 June 2012	11 032	47 947	109	2 485	61 573
<b>Net carrying value as of 30 June 2012</b>	<b>12 964</b>	<b>13 689</b>	<b>350</b>	<b>3 993</b>	<b>30 996</b>
<b>Net carrying value as of 1 January 2012</b>	<b>13 003</b>	<b>14 988</b>	<b>373</b>	<b>1 179</b>	<b>29 543</b>
Depreciation period	40 years	6 – 10 years	5 – 10 years	2 – 6 years	-

Depreciation was broken down as follows:

	30.06.2012	30.06.2011
	LTL thousand	LTL thousand
Production and product development costs	2 685	3 064
Sales, administrative and other costs	160	174
Production in progress and finished products inventories	15	(135)
	<b>2 860</b>	<b>3 103</b>

#### 10 INVENTORIES

	30.06.2012	31.12.2011
	LTL thousand	LTL thousand
Raw materials	6 053	6 914
Production in progress	2 862	2 422
Finished products	5 085	4 661
	<b>14 000</b>	<b>13 997</b>

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

#### 11 TIME DEPOSITS

	30.06.2012	31.12.2011
	LTL thousand	LTL thousand
Time deposits with the initial maturity between 3 and 6 months	7 179	10 794
Time deposits with the initial maturity more than 6 months	4 489	37 981
Accumulated interest	14	326
	<b>11 682</b>	<b>49 101</b>

#### 12 OTHER ACCOUNTS RECEIVABLE

	30.06.2012	31.12.2011
	LTL thousand	LTL thousand
VAT recoverable	3 056	1 896
Other amounts receivable and future costs	821	323
	<b>3 877</b>	<b>2 219</b>

### 13 CASH AND CASH EQUIVALENTS

	30.06.2012	31.12.2011
	LTL thousand	LTL thousand
Cash in banks	3 251	1 526
Cash on hand	-	3
Time deposits with the initial maturity less than 3 month	-	377
	<b>3 251</b>	<b>1 906</b>

### 14 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 thousand.

#### Legal reserve

The reserve of LTL 1 554 thousand 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.

#### Reserve for acquisition of own shares

During the ordinary general meeting of shareholders held on 29 April 2010 a decision was passed to make a transfer of LTL 25 000 thousand from the Company's retained earnings to the reserve for the acquisition of own shares. The issue on the acquisition of own shares will be deliberated by shareholders in future in view of the Company's results of operations and the market situation.

### 15 LOANS AND OTHER BORROWINGS

	30.06.2012	31.12.2011
	LTL thousand	LTL thousand
<b>Non - current liabilities</b>		
Long - term loan	-	-
Finance lease	197	197
<b>Net carrying value as end of period</b>	<b>197</b>	<b>197</b>
<b>Short - term liabilities</b>		
Current portion of loan	627	1 253
Current portion of finance lease	16	37
<b>Net carrying value as end of period</b>	<b>643</b>	<b>1 290</b>
	<b>840</b>	<b>1 487</b>

	Maturity term	30.06.2012	31.12.2011
		LTL thousand	LTL thousand
Credit in Danske Bank A/S Lithuania branch	02.07.2012	627	1 253
Finance lease Danske Bank A/S Lithuania branch	05.10.2016	213	234

### Interest risk

Euribor related floating interest rates are applied to the loans extended to the Company.  
As of 30 June 2012 the Company used no financial instruments as interest risk hedging.

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

	Total amount payable as of 30 June 2012	2012	2013	2014- 2016
	LTL thousand	LTL thousand	LTL thousand	LTL thousand
Credit	627	627	-	-
Finance lease	213	16	34	163
	<b>840</b>	<b>643</b>	<b>34</b>	<b>163</b>

### 16 POST – EMPLOYMENT ANT OTHER LONG TERM EMPLOYEE BENEFITS

	30.06.2012	31.12.2011
	LTL thousand	LTL thousand
Post – employment ant other long term employee benefits	997	997
	<b>997</b>	<b>997</b>

Provision for pension and jubilee benefits comprise amounts calculated according to the collective agreement affective at the Company. Every employee of the Company is entitled to a jubilee benefit and 2 or 3 month salary payment on the leaving the Company after reaching the retirement age.

### 17 OTHER LIABILITIES

	30.06.2012	31.12.2011
	LTL thousand	LTL thousand
Remuneration and social insurance	1 816	1 048
Holiday pay reserve	2 257	2 231
Dividends payable	1 807	744
Amounts payable for the take-over of tax losses	1 732	2 711
Operating taxes	50	98
Other accounts payable and accrued taxes	68	303
	<b>7 730</b>	<b>7 135</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 June 2012 may be broken down as follows:

	EUR	PLN
	LTL thousand	LTL thousand
Trade receivables	-	1
Prepayments	2 824	-
Time deposits	9 668	-
Cash	64	-
Borrowings	(840)	-
Debts to suppliers	(5 656)	(394)
	<b>6 060</b>	<b>(393)</b>

#### 18 RELATED PARTY TRANSACTIONS

30.06.2012	Purchases	Sales	Receivables	Payables
	LTL thousand	LTL thousand	LTL thousand	LTL thousand
Invalda AB	1	-	-	-
Inreal valdymas UAB	165	546	67	-
Cmanagement UAB	34	-	-	4
Kelio zenklai UAB	1	-	-	1
BAIP UAB	26	-	-	1
Informatikos pasaulis UAB	26	-	-	-
Acena UAB	59	-	-	-
	<b>312</b>	<b>546</b>	<b>67</b>	<b>6</b>

As at 31 December 2011, the Company took over tax losses of LTL 18 076 thousand from companies whose parent entity is Invalda AB. The Company assumed obligation to pay 15 per cent (LTL 2 711 thousand) on the amount of tax losses taken over to companies that transferred those tax losses. As at 30 June 2012 therefore liability to related parties amounting to LTL 1 732 thousand are accounted in other current liabilities.

30.06.2011	Purchases	Sales	Receivables	Payables
	LTL thousand	LTL thousand	LTL thousand	LTL thousand
Invalda AB	-	941	26 587	-
Inreal valdymas UAB	257	502	141	-
Cmanagement UAB	71	-	-	6
Kelio zenklai UAB	4	-	-	-
BAIP UAB	19	-	-	-
Informatikos pasaulis UAB	58	-	-	3
Umega AB	821	5	-	142
Acena UAB	39	-	-	-
Kauno tiltai AB	2	-	-	-
	<b>1 271</b>	<b>1 448</b>	<b>26 728</b>	<b>151</b>

As at 31 December 2010, the Company took over tax losses of LTL 21 365 thousand from companies whose parent entity is Invalda AB. The Company assumed obligation to pay 15 per cent (LTL 3 205 thousand) on the amount of tax losses taken over to companies that transferred those tax losses. As at 30 June 2011 therefore liability to related parties amounting to LTL 758 thousand are accounted in other current liabilities.

## **19 IMPORTANT EVENTS, WHICH HAVE OCCURRED SINCE THE END OF THE LAST FISCAL YEARS, AND REVIEW OF ACTIVITIES**

In 2012 the Company further implemented the started reorganizations. The reorganizations are aimed at the reduction of costs, increase in labour productivity, improvement of production planning, promotion of the Company's competitiveness, increase in sale orders. In 2012 it will be harder to compete for the sales orders, but the Company expects for the further revenue growth. The commodity markets have been stabilized, so the Company expects to maintain its profit margins. The Company will continue improving production processes and labour productivity, increasing quality of products and their range and will aim to retain its position as one of the most competitive companies in the industry sector in which is operates.

As of 27th April 2012 the Annual General Shareholders Meeting of Vilniaus baldai AB shareholders was held. The meeting resolved to:

Item1 of the Agenda: Consolidated annual report.  
The Company's consolidated annual report for 2011 was presented.

Item2 of the Agenda: Company's auditor's report.  
The report of auditor PricewaterhouseCoopers UAB for 2011 was presented.

Item3 of the Agenda: Approval of the Company's financial statements for 2011.  
Resolution: to approve Company's financial statements for 2011.

Item4 of the Agenda: Approval of the Company's consolidated financial statements for 2011.  
Resolution: to approve Company's consolidated financial statements for 2011.

Item5 of the Agenda: Approval of the Company's profit distribution.  
Resolution: to approve Company's profit distribution.

Undistributed retained earnings, brought forward	15 072 553 LTL	4 365 313 EUR
Net result for the current year	26 823 641 LTL	7 768 663 EUR
Distributable result	41 896 194 LTL	12 133 976 EUR
Transfers to the obligatory reserves	-	-
Profit transfers to the reserves for own shares acquisition	-	-
Transfers to other reserves	-	-
To be paid as dividends*	38 862 670 LTL	11 255 407 EUR
To be paid as annual payments (bonus) to board of	3 000 000 LTL	868 860 EUR
Undistributed retained earnings, carried forward	33 524 LTL	9 709 EUR
*10 LTL (2.90 EUR) of dividends per one ordinary share.		

Item6 of the Agenda: Company's members of the Board re-election.  
Resolution: to elect Vytautas Bucas, Dalius Kaziunas and Darius Sulnis to the Board of Vilniaus Baldai AB for the new 4 (four) years term of office

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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**VILNIAUS  
BALDAI**

ANNO 1883

*... Better  
Faster  
Stronger ...*

# Vilniaus Baldai AB

**INTERIM CONSOLIDATED  
REPORT  
FOR THE SIX MONTHS  
OF 2012**

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## COMPANIES COMPOSING THE GROUP

Vilniaus Baldai AB (hereinafter – the Company) consists of Vilniaus Baldai AB and subsidiary ARI – LUX UAB in which the Company directly controls 100% of shares.

### GENERAL INFORMATION ABOUT THE COMPANY:

Name	Joint stock company Vilniaus Baldai AB
Legal form	Joint stock company
Code	121922783
VAT payer's code	LT219227811
Authorised capital	LTL 15 545 068, divided into 3 886 267 ordinary registered shares with the par value of LTL 4 each
Office address	Savanoriu Ave. 178B, LT - 03154 Vilnius
Telephone	(8~5) 252 57 00
Fax	(8~5) 231 11 30
E-mail	<a href="mailto:info@vilniausbaldai.lt">info@vilniausbaldai.lt</a>
Internet website	<a href="http://www.vilniausbaldai.lt">www.vilniausbaldai.lt</a>
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
Main type of the activity	Design, production and selling of the office, bedroom, living-room and hall furniture

### GENERAL INFORMATION ABOUT THE SUBSIDIARY:

Name	Limited liability company ARI – LUX UAB
Legal form	Limited liability company
Code	120989619
VAT payer's code	LT209896113
Authorised capital	LTL 10 000
Office address	Savanoriu Ave. 178, LT - 03154 Vilnius
Telephone	(8~5) 252 57 44
Fax	(8~5) 252 57 44
E-mail	<a href="mailto:aleksas.rimkus@ari-lux.lt">aleksas.rimkus@ari-lux.lt</a>
Internet website	-
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
Main type of the activity	Packaging



## **1. REVIEW OF THE COMPANIES GROUP'S POSITION, ACTIVITY AND DEVELOPMENT, CHARACTERISATION OF THE MAIN TYPES OF RISKS AND UNCERTAINTIES, FACED BY THE COMPANY**

Vilniaus Baldai AB is a leading manufacturer of flat-pack furniture. The public company Vilniaus Baldai is the Company that cherishes time-honoured traditions, applies modern technologies and enjoys a stable and continuous business growth.

During the first half 2012 the Company further implemented the reorganisations started earlier. They are aimed at the reduction of costs, increase in labour productivity, competitive ability and searching for new sales orders. We expect that the rational use of the resources of the Company, increase of productivity aiming for the European standards and strict control of the quality will ensure better operating results of the Company in the future.

### **Main risks faced by the Group:**

**Economic risk factors.** The sales of Vilniaus Baldai AB to the main customer Swedish concern IKEA made about 98 % of all the sales of the Company during the first half 2012 (in 2011 – 97 %, in 2010 – 98 %). In the first half 2012, the Company's sales revenue comprised sales of furniture which account for 98 % of total sales (in 2011 – 97 %) and sales of raw materials and waste of raw materials.

The Company competes with the world furniture producers.

**Political risk factors.** Critical changes in the business environment are related to the unstable situation in the business. There are no requirements and restrictions established by the State to the issuer's activity.

**Social risk factors.** The unstable situation of business in Lithuania effects the Company as well, and this results in the need for changes to be introduced in the Company's organisational structure, the need for higher labour productivity, introduction of an effective system of the purchase of raw materials and services, a continuous enhancement of business and accounting systems. The Company pays great attention to the improvement of operating conditions and training and qualification improvement of the employees. Trade Union, representing the interests of the employees, operates actively in the Company.

**Supply.** Vilniaus Baldai has introduced an effective system of the purchase of raw materials and services. The Company maintains strong strategic relations with suppliers and constantly searches for new opportunities in the markets of raw materials and services. Vilniaus Baldai AB signs long-term contracts with the suppliers of the raw materials.

**Technical and technological risk factors.** The modern production equipment is introduced in the Company. The manufacturing processes should be further modernised. The physical and moral condition of the main facilities is good and does not cause any risk to the activity of the Company. Vilniaus Baldai AB focuses on maintenance of production facilities, optimisation of technological processes, increase in labour productivity. The Company regularly invests in renovation of facilities and introduction of the latest technologies.

**Ecological risk factors.** There is an environment protection management system introduced in the Company, corresponding to the ISO 14001 requirements. The core of this system is the management and permanent improvement of the environment protection. The Company works purposefully seeking to make the production ecological, to control the impact that the materials and raw materials have on the environment, to ensure that the suppliers of the products and services correspond to the environment protection management requirements. Company was granted FSC production line certificate. Recertification audit for quality management system and environmental management system according EN ISO 9001:2008 and EN ISO 14001:2005 was performed in June 2012. There aren't identified any non - conformances. During the first half 2012 Vilniaus Baldai AB paid LTL 6 thousand of the environment pollution taxes, as well as LTL 125 thousand for the waste utilisation services. There were no manufacturing restrictions because of the environment pollution.



**Repayment of the loans.** The repayment of the loans is made according upon the contractual schedules. All the payments to the bank are made on time. Information on terms and conditions of repayment of financial liabilities, credit of the Group is provided in the Notes to the interim condensed consolidated financial statements for the six months of 2012 (15 Note).

**Characteristics of internal control and risk management systems related to the preparation of consolidated financial statement of the Company and the Group.** Invalda AB Audit committee supervises the preparation of the consolidated financial statement, internal control and risk management systems, compliance with the legal acts, which regulate the preparation of the consolidated financial statement. The Company is a public interest company that is a subsidiary of the public limited company Invalda and its financial statements are consolidated. The issue of the demand for such committee at the Company itself may be discussed in the future with regard to the situation, the financial costs and other factors and by taking advantage of the market's best practices.

The Company's Chief Accountant is responsible for the preparation of the consolidated financial statement, ensures the collection of information from Group companies, its' timely and fair processing and preparation for the financial statement.

## 2. THE ANALYSIS OF THE FINANCIAL AND NON-FINANCIAL ACTIVITY RESULTS, INFORMATION RELATED TO THE ENVIRONMENTAL AND PERSONNEL MATTERS

Turnover of the Group during period 2012 January – March was 58 501 thousand LTL (16 943 thousand EUR), same period year 2011 – 56 567 thousand LTL (16 383 thousand EUR).

Net profit of the Group during period 2012 January – March was 6 118 thousand LTL (1 772 thousand EUR), same period year 2011 net profit was 6 870 thousand LTL (1 990 thousand EUR). EBITDA was 8 476 thousand LTL (2 455 thousand EUR). Year ago it was 9 166 thousand LTL (2 655 thousand EUR).

Turnover of the Group during period 2012 April – June was 56 897 thousand LTL (16 479 thousand EUR), same period year 2011 – 58 258 thousand LTL (16 873 thousand EUR).

Net profit of the Group during period 2012 April – June was 4 740 thousand LTL (1 373 thousand EUR), same period year 2011 – 6 515 thousand LTL (1 887 thousand EUR). EBITDA was 6 907 thousand LTL (2 000 thousand EUR). Year ago it was 9 004 thousand LTL (2 608 thousand EUR).

Turnover of the Group during period 2012 January – June was 115 398 thousand LTL (33 422 thousand EUR), same period year 2011 – 114 825 thousand LTL (33 256 thousand EUR).

Net profit of the Group during period 2012 January – June was 10 858 thousand LTL (3 145 thousand EUR), same period year 2011 – 13 385 thousand LTL (3 877 thousand EUR). EBITDA was 15 383 thousand LTL (4 455 thousand EUR). Year ago it was 18 170 thousand LTL (5 262 thousand EUR).

The main items of the Group of financial position, LTL thousand:

	30.06.2012	31.12.2011
Non - current assets	31 151	29 759
Current assets	55 372	86 302
<b>Total assets</b>	<b>86 523</b>	<b>116 061</b>
<b>Capital and reserves</b>	<b>56 031</b>	<b>84 036</b>
<b>Total liabilities</b>	<b>30 492</b>	<b>32 025</b>
Non - current liabilities	1 194	1 194
<i>Financial debts</i>	197	197
Current liabilities	29 298	30 831
<i>Financial debts</i>	643	1 290

The main items of the Group of comprehensive income, LTL thousand:

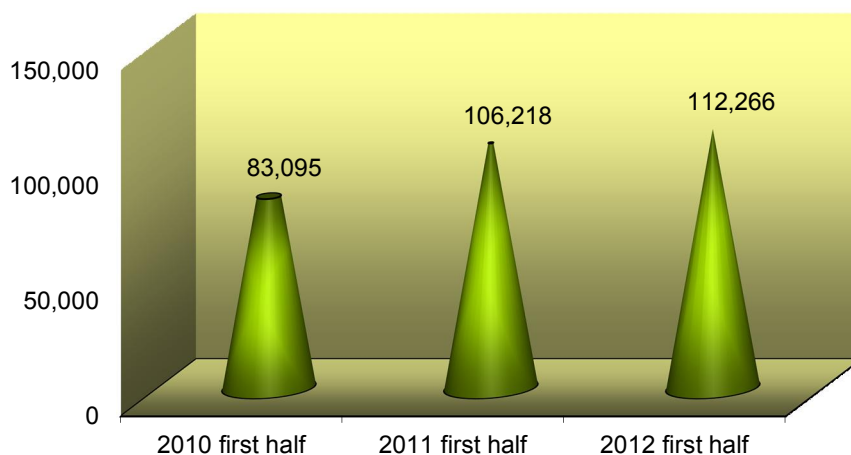
	2012 first half	2011 first half
<b>Sales income, LTL thousand</b>	<b>115 398</b>	<b>114 825</b>
- in Lithuania	2 685	2 957
- in EU countries	92 375	99 494
- other countries	20 338	12 374
<b>Gross profit, LTL thousand</b>	<b>20 967</b>	<b>21 260</b>
Gross profit margin, %	18.17	18.52
<b>Operating profit, LTL thousand</b>	<b>12 472</b>	<b>14 853</b>
Operating profit margin, %	10.81	12.94
<b>Profit before taxes, LTL thousand</b>	<b>12 832</b>	<b>15 629</b>
Profit before taxes margin, %	11.12	13.61
<b>Net profit, LTL thousand</b>	<b>10 858</b>	<b>13 385</b>
Net profit margin, %	9.41	11.66
<b>EBITDA, LTL thousand</b>	<b>15 383</b>	<b>18 170</b>
EBITDA margin, %	13.33	15.82

#### Production and sales

Vilniaus Baldai AB designs, produces flat-pack furniture. The production of the Company is produced from wood particle boards, the most modern technology of board on frame is used, according to which the produced furniture is lighter, however massively looking. When employing this technology less raw materials can be used, and stable quality of the production is attained. Each year new products are developed and production technologies of the existing ones are improved taking into consideration the needs of consumers and prevailing tendencies. The planning system is implemented in the Company.

Modern equipment, purchased from such world-renowned manufacturers as Holzma, Homag, Burkle, Weeke, Wikoma, Ima, Biesse, Wemhoner etc., enables to manufacture different types of the furniture, coated with planed plywood and enamel.

The volumes of Company's production in terms of value in the period of 2010 – 2012 first half, LTL thousand:

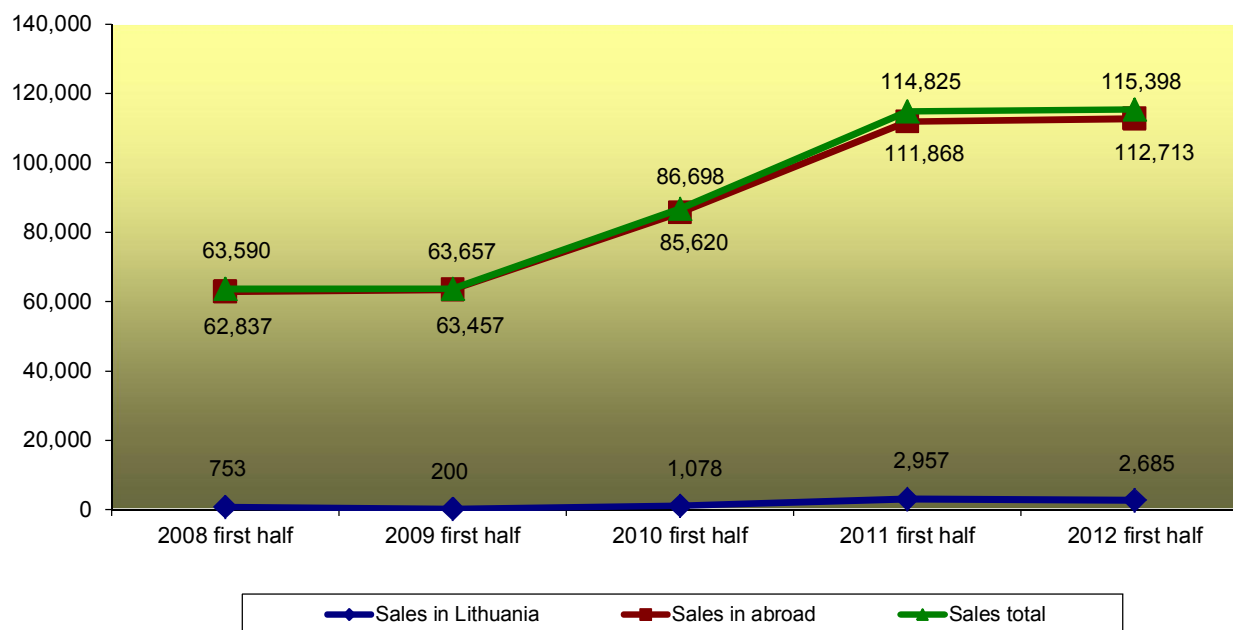


Production sales according to the markets in the period of 2010 – 2012 first half:

	2012 first half		2011 first half		2010 first half	
	thousand LTL	%	thousand LTL	%	thousand LTL	%
Sales in Lithuania	2 685	2.3	2 957	2.6	1 078	1.2
Sales in abroad	112 713	97.7	111 868	97.4	85 620	98.8
<b>Sales total</b>	<b>115 398</b>	<b>100.00</b>	<b>114 825</b>	<b>100.00</b>	<b>86 698</b>	<b>100.00</b>

Sales in Lithuania include: raw materials sales, waste sales and other sales.

Sales of the Company in the period of 2008 – 2012 first half, in LTL thousand:



## Supply

Vilniaus Baldai AB has introduced an effective system of the purchase of raw materials and services. The Company maintains strong strategic relations with suppliers and constantly searches for a new opportunities in the markets of raw materials and services. The purchase process is distinguished into strategic and operational purchases. The Company aims to manage the supply risk, therefore main raw materials may be supplied by a principal or alternative suppliers. The Company has implemented and continuously improves the assessment system of suppliers, audits of suppliers are carried out.

Vilniaus Baldai AB establishes the long-term contracts with the suppliers. The Company acquires the main raw materials from the local, Slovak, Polish and German producers. The main suppliers are Swedspan Giriu Bizonas UAB, Freda AB, Homanit Polska Sp.zo.o, Sherwin – Williams Lietuva UAB, IKEA Components S.R.O, Voke III UAB, RVG baldai UAB, Pfleiderer Grajewo S. A. The local supply of the raw materials is pre-conditioned by the cheap transportation costs and good relations with the major suppliers.

## Employees

The Company pays great attention and allocates funds for the improvement of working conditions, trainings and qualification improvement of the personnel. Vilniaus Baldai AB makes regular investments in its production facilities, automation of technological processes in order to improve working conditions, reduce physical workload of employees. Investments in occupational safety and wellbeing of the employees serve as a basis for establishing a different working environment, which encourages to aim for a better performance and achieve higher competitiveness in the international markets.

During the first half 2012 the number of work places at the Group and the Company was decrease, this was caused by the increase in labour productivity. 486 employees worked in the Group and 440 employees in the Company at the end first half of 2012 (507 in the Group and 456 in the Company on 31 December 2011). The average age of the employees is 43 years.

The average number of the recorded employees in the period of 2009 – 2011 and during the first half 2012:

	2012 first half	2011	2010	2009
Executive personnel	4	4	5	5
Specialists	35	35	38	40
Workers	394	406	371	397
<b>Total</b>	<b>433</b>	<b>445</b>	<b>414</b>	<b>442</b>

The increasing production capacity of the Company and the stable sales allow to increase the wages, which in 2012 first half increased by 4 % on the average. Remuneration comprises a basic and variable component. A variable component of remuneration depends on the Company's results of operations. The Company is proud of its highly experienced and qualified employees.

The average wages of the employees in the period of 2009 – 2011 and during the first half 2012:

	2012 first half	2011	2010	2009
Executive personnel	23 873	18 756	16 184	12 746
Specialists	5 082	4 422	4 101	3 615
Workers	2 805	2 757	2 637	2 429
<b>Total</b>	<b>3 184</b>	<b>3 063</b>	<b>2 924</b>	<b>2 662</b>

The collective agreement is concluded in the Company. The agreement is mandatory for all the employees of the Company. The purpose of this agreement is to ensure the harmonious work of the staff, high level of working conditions of different categories of employees, salary and other working conditions also to ensure additional social guarantees which are not stated according to the regulations of Lithuanian legislations for the employees of the Company. The collective agreement includes the working contract formation, change, termination, work and rest time, payment for work done, improvement of the qualification of the employees, safety at work and medical assistance, social care, trade - union activity and guarantees of the elected employees.

## 3. REFERENCES AND ADDITIONAL EXPLANATIONS ABOUT THE INFORMATION PRESENTED IN THE INTERIM FINANCIAL STATEMENTS

The information presented in the interim condensed consolidated financial statements and the explanatory notes.

#### 4. INFORMATION ABOUT THE OWN SHARES

The Company did not have any own shares, did not acquire or transfer any in the reporting period.

During the ordinary general meeting of shareholders held on 29 April 2010 a decision was passed to make a transfer of LTL 25,000 thousand from the Company's retained earnings to the reserve for the acquisition of treasury shares. The issue on the acquisition of treasury shares will be deliberated by shareholders in future in view of the Company's results of operations and the market situation.

#### 5. INFORMATION ABOUT THE BRANCHES AND REPRESENTATIVE OFFICES OF THE COMPANY

The Company does not have any branches or representative offices.

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

In 2012 the Company further implemented the started reorganizations. The reorganizations are aimed at the reduction of costs, increase in labour productivity, improvement of production planning, promotion of the Company's competitiveness, increase in sale orders.

As of 27th April 2012 the Annual General Shareholders Meeting of Vilniaus baldai AB shareholders was held. The meeting resolved to:

Item1 of the Agenda: Consolidated annual report.

The Company's consolidated annual report for 2011 was presented.

Item2 of the Agenda: Company's auditor's report.

The report of auditor PricewaterhouseCoopers UAB for 2011 was presented.

Item3 of the Agenda: Approval of the Company's financial statements for 2011.

Resolution: to approve Company's financial statements for 2011.

Item4 of the Agenda: Approval of the Company's consolidated financial statements for 2011.

Resolution: to approve Company's consolidated financial statements for 2011.

Item5 of the Agenda: Approval of the Company's profit distribution.

Resolution: to approve Company's profit distribution.

Undistributed retained earnings, brought forward	15 072 553 LTL	4 365 313 EUR
Net result for the current year	26 823 641 LTL	7 768 663 EUR
Distributable result	41 896 194 LTL	12 133 976 EUR
Transfers to the obligatory reserves	-	-
Profit transfers to the reserves for own shares acquisition	-	-
Transfers to other reserves	-	-
To be paid as dividends*	38 862 670 LTL	11 255 407 EUR
To be paid as annual payments (bonus) to board of	3 000 000 LTL	868 860 EUR
Undistributed retained earnings, carried forward	33 524 LTL	9 709 EUR
*10 LTL (2.90 EUR) of dividends per one ordinary share.		

Item6 of the Agenda: Company's members of the Board re-election.

Resolution: to elect Vytautas Bucas, Dalius Kaziunas and Darius Sulnis to the Board of Vilniaus Baldai AB for the new 4 (four) years term of office.

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



## 7. OPERATING PLANS AND FORECASTS OF THE GROUP'S ACTIVITY

In 2012 it will be harder to compete for the sales orders, but the Company expects for the further revenue growth. The commodity markets have been stabilized, so the Company expects to maintain its profit margins. The Company will continue improving production processes and labour productivity, increasing quality of products and their range and will aim to retain its position as one of the most competitive companies in the industry sector in which is operates.

## 8. INFORMATION ABOUT THE RESEARCH AND DEVELOPMENT ACTIVITY OF THE COMPANY

The Group did not carry out any research or development activity. The Company used the results of the customers' research.

## 9. WHEN THE GROUP EMPLOYS THE FINANCIAL INSTRUMENTS AND WHEN IT IS IMPORTANT FOR VALUATION OF THE COMPANY'S ASSETS, EQUITY, LIABILITIES, FINANCIAL POSITION AND ACTIVITY RESULTS OF THE COMPANY, THE COMPANY DISCLOSES THE OBJECTIVES OF THE FINANCIAL RISK MANAGEMENT, ITS POLICY FOR HEDGING MAJOR TYPES OF FORECASTED TRANSACTIONS FOR WHICH HEDGE ACCOUNTING IS USED, AND COMPANY'S EXPOSURE TO PRICE RISK, CREDIT RISK, LIQUIDITY RISK AND CASH FLOW RISK

The Group did not use any financial instruments, which are important for the evaluation of the company's assets, liabilities and operation results.

## 10. INFORMATION ON THE CONTRACTS WITH THE INTERMEDIARIES OF THE PUBLIC TURNOVER OF THE SECURITIES

The Company has signed the contract with the Finasta FMI AB (Maironio Str. 11, Vilnius) on the accounting management of the securities issued by the Company and the dividends paid to the shareholders.

## 11. STRUCTURE OF THE ISSUER'S AUTHORIZED CAPITAL

Structure of the authorized capital of Vilniaus Baldai AB:

Type of shares	Number of shares, units	Nominal value, LTL	Total nominal value, LTL	Share in the authorised capital, %
Ordinary registered shares	3 886 267	4	15 545 068	100.00

All shares are fully paid up and no restrictions are applied to their transfer.

### Rights and obligations carried by the shares

The shareholders have no property obligations to the Company, except for the obligation to pay up, in the established manner, all the shares subscribed for at their issue price.

If the General Meeting takes a decision to cover the losses of the Company from additional contributions made by the shareholders, the shareholders who voted "for" shall be obligated to pay the contributions. The shareholders who did not attend the General Meeting or voted against such a resolution shall have the right to refrain from paying additional contributions.

A shareholder shall repay to the Company any dividend paid out in violation of the mandatory norms of the Law on Stock Companies of the Republic of Lithuania, if the Company proves that the shareholder knew or should have known thereof.

The shareholders have the following property and moral rights:

1. to receive a part of Company's profit (dividend);
2. to receive Company's funds when the authorized capital of the Company is decreased in order to pay the Company's funds to the shareholders;

The shareholders have the following property and moral rights (cont'd):

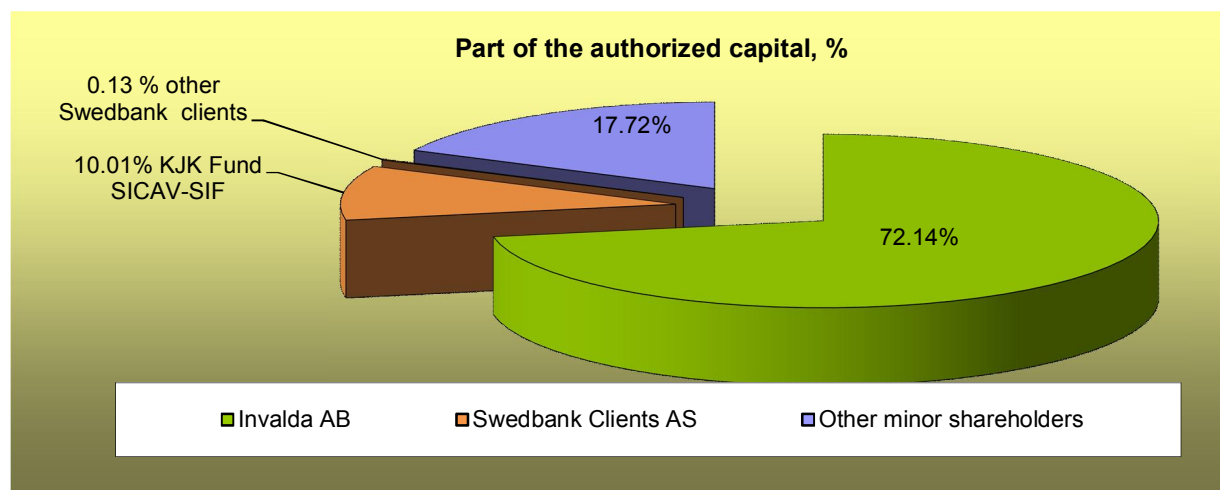
3. to receive shares without payment if the authorized capital is increased out of the Company's funds except in cases provided for by the laws of the Republic of Lithuania;
4. to have the pre-emption right in acquiring shares or convertible debentures issued by the Company, except in cases when the General Meeting in the manner prescribed in the Law on Companies of the Republic of Lithuania decides to withdraw the pre-emption right in acquiring the Company's newly issued shares or convertible debentures for all the shareholders;
5. to lend the Company in the manner prescribed by laws, but the Company, borrowing from its shareholders has no right to mortgage its property to shareholders. The interest shall not exceed the average interest rate of commercial banks in the lender's place of residence or business in force at the time of the loan contract when the Company is borrowing from the shareholder. In this case it is prohibited to the Company and its shareholders to agree on a higher interest rate;
6. to receive a part of assets of the Company in liquidation;
7. other statutory property rights;
8. the rights, indicated in statutes 1 - 4 have persons who were Company's shareholders at the tenth day after the decision that was accepted at the end of general shareholders' meeting (hereinafter – at the end of right record day);
9. to participate in general shareholders' meetings;
10. to submit the questions related to the agenda of general shareholders' meetings to the Company in advance;
11. to vote at general shareholders' meetings according to voting rights carried by their shares. Each registered ordinary share carries one vote at the general shareholders' meeting except the exceptions indicated in the Company Law of the Republic of Lithuania. The right to vote at the general shareholders' meetings may be prohibited or restricted by the Company Law of the Republic of Lithuania and other cases established by law, as well as, when the ownership of the share is being disputed;
12. to receive information on the Company as indicated in the Company Law of the Republic of Lithuania;
13. to file a claim with the court for reparation of Company's damage resulting from nonfeasance or malfeasance by the Company's executive and board members of their obligations prescribed by the Company Law of the Republic of Lithuania and other laws as well as Company's regulations;
14. to authorize natural or legal person to represent him in relations with the Company and other persons;
15. other non-property rights established by the Company Law of the Republic of Lithuania or Company's regulations.

## 12. SHAREHOLDERS

Total number of the shareholders as of 30 June 2012 was 1 299.

The shareholders who had upon the property rights or possessed more than 5 % of the issuer's authorised capital on 30 June 2012:

Names of the companies, office addresses, codes	Number of shares owned under the property rights, units	Part of the authorised capital, %	Part of the votes, %
Invalda AB, company code 121304349, Seimyniskiu Str. 1 A, Vilnius	2 803 395	72.14	72.14
Swedbank Clients, company code 10060701 Liivalaia 8, 15040 Tallinn, Estonia	393 923	10.14	10.14
- of which KJK Fund SICAV-SIF	389 161	10.01	10.01



The are no shareholders, having any special rights of control.

The are no voting rights restrictions.

The issuer is not aware of any agreements between the shareholders, because of which the transfer of the securities and (or) the voting right could be limited.

### 13. INFORMATION ABOUT THE ISSUER'S STOCK EXCHANGE TRADING ON THE REGULATED MARKETS

The Company's ordinary registered shares are on the Main list of the Nasdaq OMX Vilnius AB.

The main characteristics of the shares:

Type of shares	VP ISIN code	Abbreviation	Number of shares, units.	Nominal value, LTL	Total nominal value, LTL
Ordinary registered shares	LT0000104267	VBL1L	3 886 267	4	15 545 068

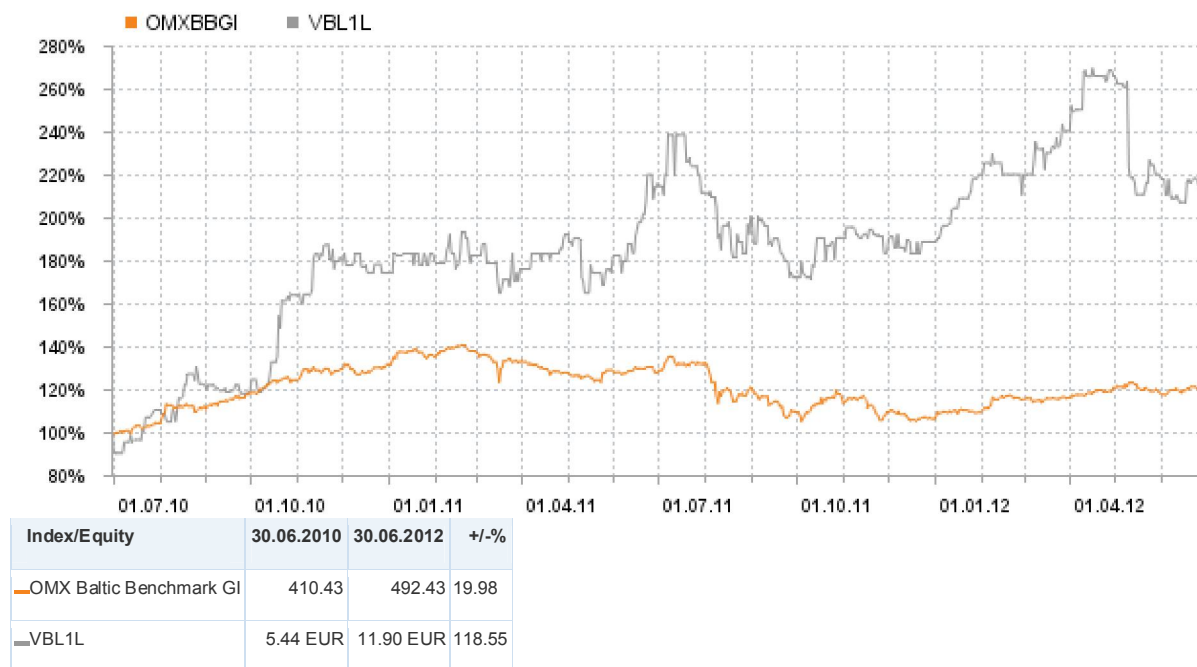
The trade of the shares of the Company:

	2012 first half	2011 first half
Price of the shares, LTL:		
- opening	35.56	32.46
- highest	51.45	41.43
- lowest	35.56	26.93
- closing	41.09	40.74
Turnover of shares, units	57 469	68 208
Turnover of shares, LTL	2 653 054	2 323 734
Total number of transactions, units	844	724
Capitalization, million LTL	159.69	156.46

Vilnius Baldai AB turnover and price since the end first half 2002:



Comparison of the price of shares of Vilnius Baldai AB with the OMXBB index since the end first half 2010:



#### 14. ORDER OF CHANGING OF THE ISSUER'S ARTICLES OF ASSOCIATION

The Articles of Company are changed by the resolution of the General Meeting of shareholders, adopted by the majority of more than 2/3 of all the votes.





## 15. ISSUER'S BODIES




The Company has the General Meeting of shareholders, a one-man management body – chief executive officer (General Director) and the collegial management body – the Board. The Company does not have a Supervisory Board.

The Board of the Company consists of 3 members. It is elected for the period of four years by the General Meeting. The Board of the Company elects and withdraws and dismisses from the position the Chief Executive Officer, determines his salary, confirms the job descriptions, appoints him and imposes penalties.

The Board and Administration of the Company:

	<b>Mr. Vytautas Bucas</b>	
	<b>Position</b> Chairman of the Board, elected to the Board on 12.04.2007, re-elected on 29.04.2008 and 27.04.2012, end of the term – 2016.	
	<b>Work experience</b> Since 2006 Adviser of Invalda AB (since May, 2007 Chairman of the Board) 2006 – 2007 Director of Invaldos Nekilnojamojo Turto Fondas AB 2000 – 2006 SEB Bankas AB, Board member, Vice President, CFO, Head of IT Department 1992 – 2000 Senior Auditor, Senior Manager, Manager at Arthur Andersen	
	<b>Participation in the activities of other companies</b>	<b>Number of shares and of voting rights</b>
	Chairman of the Board of Invalda AB	15.83 % of shares and of voting rights; together with related parties 24.04 % of voting rights
	Chairman of the Board of Invaldos Nekilnojamojo Turto Fondas AB	-
	Board member of Inreal pastatu prieziura UAB	-
	Board member Invalda Lux S.a.r.l.	-
	Chairman of the Board of BAIP Group UAB	-
	Board member of Litagra UAB	-
	<b>Mr. Darius Sulnis</b>	
	<b>Position</b> Board member, elected to the Board on 12.04.2007, re-elected on 29.04.2008 and 27.04.2012, end of the term – 2016.	
	<b>Work experience</b> Since January 2012 – Board member of Invalda AB 2006 – 2011 President and Board member of Invalda AB 2002 – 2006 Director of Invalda Nekilnojamojo Turto Valdymas UAB 1994 – 2002 Director of FMI Finasta AB	
	<b>Participation in the activities of other companies</b>	<b>Number of shares and of voting rights</b>
	Board member of Invalda AB	7.69 % of shares, 7.69 % of voting rights; together with related parties 24.04 % of voting rights
	Board member of Invaldos Nekilnojamojo Turto Fondas AB	-
	Board member of Litagra UAB	-
	Chairman of the Supervisory Board at Dommo SIA (Latvia)	-
	Chairman of the Supervisory Board at Burusala SIA (Latvia)	-
	Lucrum Investicija UAB	100 % (all voting rights are disposed)
	Golfas UAB	31 %
	<b>Participation in Vilniaus Baldai AB authorised capital</b>	<b>0.28 %</b>

The Board and Administration of the Company (cont'd):

	<b>Mr. Dalius Kaziunas</b>	
	<b>Position</b> Board member, elected to the Board on 29.04.2010, re-elected on 27.04.2012, end of the term – 2016.	
	<b>Work experience</b> Since January 2012 – President and Board member of Invalda AB 2008 – 2011 Adviser and Board member of Invalda AB 2008 – 2009 Director of Bankas Finasta AB 1996 – February 2008 Director, financial broker, assistant of financial broker FMI Finasta AB	
	<b>Participation in the activities of other companies</b>	<b>Akcijų ir balsų skaičius</b>
	President and Board member of Invalda AB	0.52 % of shares and of voting rights; together with related parties 24.04 % of voting rights
	Board member of Ineturas UAB	-
	Board member of Inreal pastatu priežiūra UAB	-
	Board member of Kelio Zenklai UAB	-
	Board member of BAIP Group UAB	-
	Board member of Invetex UAB	-
	Board member Invalda Lux S.a.r.l.	-
	Board member of Jurita UAB	-
	Chairman of the Board of Lauko gelininkystės bandymų stotis UAB	-
	Chairman of the Supervisory Board at Vemitas AB	-
	Board member of Litagra UAB	-
	<b>Mr. Aidis Mackevicius</b>	
	<b>Position</b> General director since 01.07.2010	
	<b>Work experience</b> 2008 – 2009 General director of AG group UAB 2004 – 2008 General director of Palink UAB 1999 – 2004 Finance director Palink UAB	
	<b>Participation in the activities of other companies</b>	<b>Number of shares and of voting rights</b>
	-	-
	<b>Mrs. Ausra Kibirkstiene</b>	
	<b>Position</b> Chief accountant since 18.08.2008	
	<b>Work experience</b> 2001 – 2008 Manager of accounting system Navision of Litesko UAB 2005 – 2008 Chief accountant of Druskininku dujos UAB 1996 – 2001 Accountant of Bite Lietuva UAB	
	<b>Participation in the activities of other companies</b>	<b>Number of shares and of voting rights</b>
	-	-

The Board and Administration of the Company (cont'd):

The Company's key management personnel includes the Company's General Director and Chief Accountant. In the first half 2012 the average monthly remuneration to the management member of the Company amounted to LTL 42.33 thousand (in the first half 2011 – LTL 35.67 thousand). The remuneration is not paid to the Board members of the Company. During the first half of 2012 the Company paid to the Board members LTL 3 000 thousand annual payments (bonus).

Remuneration to the management member of the Company:

	2012 first half	2011 first half
Wages, salaries	388	327
Social security	120	101
<b>Total</b>	<b>508</b>	<b>428</b>

During the first half of 2012 the Company did not transfer any assets for the Board members, Head of the Company, Chief accountant. Also any guarantees or warranties, by which the performance of their liabilities would be secured, were not made.

#### **16. SIGNIFICANT AGREEMENTS IN WHICH THE COMPANY IS INVOLVED AND WHICH WOULD BECOME EFFECTIVE, WOULD CHANGE OR WOULD BE TERMINATED IF THE CONTROL OF ISSUER WILL CHANGE**

During the first half of 2012 no material agreements were signed which would become effective, would change or would be terminated if the control of issuer will change. Furthermore, there were no agreements signed during the first half of 2012 between the Company and its body, employees which allow compensations if they would resign or would be fired without the justified reason or their work would be finished due to the issuer control change.

#### **17. RELATED PARTY TRANSACTIONS**

The parties are considered related when one party has the possibility to control the other one or have significant influence over the other party in making financial and operating decisions. The related parties of the Company during the first half of 2012 were Invalda AB (ultimate shareholder) and all companies controlled by Invalda AB. Transactions with related parties during the first half of 2012 and during the first half of 2011 and the balances as of 30 June 2012 and 2011 are provided in the Notes (Note 18) to the interim condensed consolidated financial statements for the six months of 2012.

#### **18. DATA ON THE PUBLICLY DISCLOSED INFORMATION**

The information publicly disclosed by Vilniaus Baldai AB during the first half of 2012 is presented on the Company's website [www.vilniausbaldai.lt](http://www.vilniausbaldai.lt).

Summary of publicly disclosed information:

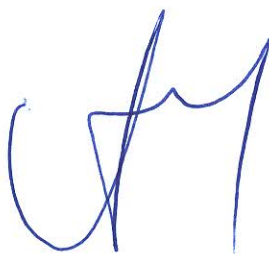
Date of disclosure	Brief description of disclosed information
04.01.2012	Vilniaus baldai AB investor's calendar for year 2012
08.02.2012	Vilniaus baldai AB sales and result for activity during period of January - December 2011
08.02.2012	Vilniaus Baldai AB non audited interim condensed consolidated financial statement for the twelve months of 2011
30.03.2012	Vilniaus baldai AB annual audited information for the year 2011
05.04.2012	Convocation of Vilniaus baldai AB Ordinary General Shareholders Meeting
05.04.2012	Draft resolutions of the Annual General Shareholders Meeting

Summary of publicly disclosed information (cont'd):

23.04.2012	Vilniaus baldai AB, sales and result for activity during period of January - March 2012
23.04.2012	Vilniaus Baldai AB non audited condensed interim consolidated financial statement for the three months of 2012
27.04.2012	Resolutions of the Annual General Shareholders Meeting of Vilniaus baldai AB on 27/04/2012
27.04.2012	Vilniaus baldai AB annual information for the year 2011
08.05.2012	Procedure for the payout of dividends for the year 2011

During the first half of 2012 the Managers of the Company didn't conclude transactions.

General Director



Aidas Mackevicius



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