



**VILNIAUS  
BALDAI**

ANNO 1883

*... Better  
Faster  
Stronger ...*

# Vilniaus Baldai AB

INTERIM  
CONDENSED  
CONSOLIDATED  
FINANCIAL STATEMENT  
FOR THE EIGHT MONTHS  
OF 2015

## **CONTENTS**

GROUP INFORMATION	4
STATEMENT OF FINANCIAL POSITION	6
STATEMENT OF COMPREHENSIVE INCOME	7
STATEMENT OF CHANGES IN EQUITY	8
STATEMENT OF CASH FLOWS	9
EXPLANATORY NOTES	10



## COMPANY INFORMATION

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

The Financial Statements for 8 months of 2015.

On the 8<sup>th</sup> of October, 2014 the Extraordinary General Shareholders Meeting of Vilniaus baldai AB has resolved to change the financial year of Vilniaus baldai AB with beginning on the 1<sup>st</sup> day of September and ending on the 31<sup>st</sup> of August.

Due to the change, January – August of 2015 is considered a transitional financial year and in Financial statements is compared to the previous financial year (January – December 2014).

### 2. Main data about the issuer

Name of the issuer	Joint stock company (AB) Vilniaus Baldai
Code	121922783
Authorized capital	4 508 069,72 EUR
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 sales of the furniture

Information about the subsidiary company of the issuer one

Name of the issuer	Limited liability company (UAB) Ari - Lux
Code	120989619
Authorized capital	2 896 EUR
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 to access the Financial Statement and the underlying documents, name of the designated mass media for announcements

The Financial Statement and underlying supporting documents can be accessed at the Company's headquarters at Savanoriu Ave. 178B, Vilnius. Designated mass media for Vilniaus Baldai AB announcements: NASDAQ OMX Vilnius AB, Central Storage Facility – information database.

4. Board

Chairman of the Board:	Vytautas Bucas,
Members of the Board:	Dalius Kaziunas, Vaidas Savukynas.

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:

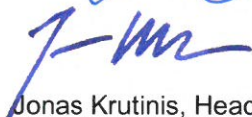
Rimantas Vaitkus, Chief Executive Officer, tel. (+370~5) 252 57 00, fax. (+370~5) 231 11 30,  
Jonas Krutinis, Head of Finance department, tel. (+370~5) 252 57 00.

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 Rimantas Vaitkus, Chief Executive Officer, and Jonas Krutinis, Head of Finance department, 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.



Rimantas Vaitkus, Chief Executive Officer of Vilniaus Baldai AB



Jonas Krutinis, Head of Finance department of Vilniaus Baldai AB

Date of signing the Report – 26 October 2015.



## INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENT FOR THE EIGHT MONTHS OF 2015

The auditors have reviewed the Financial Statement of 31.12.2014, while Statements as of 31.08.2015 are unaudited.

### 1. STATEMENT OF FINANCIAL POSITION

	31.08.2015*	31.12.2014
<b>Assets</b>		
<b>Non - current assets</b>		
Non - current tangible assets	12 142	13 907
Intangible assets	26	38
Deferred income tax asset	91	67
<b>Total non - current assets</b>	<b>12 259</b>	<b>14 012</b>
<b>Current assets</b>		
Inventories	6 810	4 540
Trade debtors	6 511	4 542
Current income tax prepayment	24	182
Other accounts receivable	1 088	442
Cash and cash equivalents	413	1 096
<b>Total current assets</b>	<b>14 846</b>	<b>10 802</b>
<b>Total assets</b>	<b>27 105</b>	<b>24 814</b>
<b>Shareholders' equity and liabilities</b>		
<b>Capital and reserves</b>		
Share capital	4 508	4 502
Legal reserve	450	450
Retained earnings	6 930	4 783
<b>Total capital and reserves</b>	<b>11 888</b>	<b>9 735</b>
<b>Non - current liabilities</b>		
Grants and subsidies	36	-
Provision for employee benefits	685	595
Loans and other interest bearing payables	26	3 584
<b>Total non - current liabilities</b>	<b>747</b>	<b>4 179</b>
<b>Current liabilities</b>		
Loans and other interest bearing payables	7 661	5 146
Debts to suppliers	4 266	3 583
Other liabilities	2 543	2 171
<b>Total current liabilities</b>	<b>14 470</b>	<b>10 900</b>
<b>Total liabilities</b>	<b>15 217</b>	<b>15 079</b>
<b>Total equity and liabilities</b>	<b>27 105</b>	<b>24 814</b>

\* Due to the change of the Company's financial year, current reporting period of January – August 2015 is compared with the previous reporting period of January – December 2014. Current reporting period is transitional financial year.

## 2. STATEMENT OF COMPREHENSIVE INCOME

	2015 January – August*	2014 January – December
Revenue	43 900	61 708
Cost of sales	(39 183)	(53 759)
Gross profit	<b>4 717</b>	<b>7 949</b>
Distribution costs	(856)	(900)
Administrative costs	(1556)	(1 917)
Other operating income, net	309	182
Profit from operating activities	<b>2 614</b>	<b>5 314</b>
Financial income	5	4
Financial costs	(90)	(118)
Financial income, net	(85)	(114)
Profit before taxes	<b>2 529</b>	<b>5 200</b>
Income tax	(369)	(428)
Profit for the period	<b>2 160</b>	<b>4 772</b>
Other comprehensive income	(13)	(17)
<b>Total comprehensive income for the period</b>	<b>2 147</b>	<b>4 755</b>
<b>Attributable to Owners of the Company:</b>		
Profit	2 160	4 772
Other comprehensive income	(13)	(17)
Total comprehensive income	<b>2 147</b>	<b>4 755</b>
Earnings per share (in EUR)	0.56	1.23

\* Due to the change of the Company's financial year, current reporting period of January – August 2015 is compared with the previous reporting period of January – December 2014. Current reporting period is transitional financial year.



### 3. STATEMENT OF CHANGES IN EQUITY

	Share capital	Legal reserve	Obligatory reserve	Accrued earnings	Total
Balance as of 31 December 2013	4 502	450	7 241	2 694	14 887
Net profit	-	-	-	4 770	4 770
Other comprehensive income	-	-	-	(17)	(17)
Total comprehensive income	-	-	-	4 753	4 753
Transactions with owners					
Dividends to equity holders of the Company	-	-	-	(9 905)	(9 905)
Total transactions with owners	-	-	-	(9 905)	(9 905)
The recovery obligatory reserve	-	-	(7 241)	7 241	-
Balance as of 31 December 2014	4 502	450	-	4 783	9 735
Net profit	-	-	-	2 160	2 160
Other comprehensive income	-	-	-	(13)	(13)
Total comprehensive income	-	-	-	2 147	2 147
Transactions with owners					
Dividends to equity holders of the Company	-	-	-	-	-
Total transactions with owners	-	-	-	-	-
Result of conversion of the Authorized capital	6	-	-	-	6
Balance as of 31 August 2015	4 508	450	-	6 930	11 888

\* Due to the change of the Company's financial year, current reporting period of January – August 2015 is compared with the previous reporting period of January – December 2014. Current reporting period is transitional financial year.

#### 4. STATEMENT OF CASH FLOWS

	31.08.2015*	31.03.2014
Net profit (loss)	2 160	4 772
Adjustments:		
Depreciation and amortization	1 245	1 830
Result on disposal, writing off, etc. of non -current	(173)	14
Changes in provisions	90	114
Interest (income) expenses	70	107
Deferred income tax (income) expenses	(24)	(21)
Income tax expenses	393	449
Other expenses (income)	62	(17)
<b>Cash flows from ordinary activities before changes</b>	<b>3 823</b>	<b>7 248</b>
Changes in trade receivables and other amounts	(2 850)	(1 232)
Changes in inventories	(2 270)	(619)
Changes in debts to suppliers and other liabilities	1 060	(600)
Income tax paid	-	-
<b>Cash flows from operating activities</b>	<b>(237)</b>	<b>4 797</b>
(Acquisition) of tangible non - current assets	(469)	(1 566)
Sale / writing of non - current tangible assets	1 105	1
Transfer (to) from time deposits	1	-
Grants received	36	-
<b>Cash flows from investing activities</b>	<b>673</b>	<b>(1 565)</b>
Loans (granted) / repaid	-	-
Loans received / (repaid)	(1 042)	7 041
Interest (paid) / received	(63)	(97)
Dividends (paid)	(14)	(9 683)
<b>Cash flows from financing activities, net</b>	<b>(1 119)</b>	<b>(2 739)</b>
<b>Cash flows from operating, investing and financing</b>	<b>(683)</b>	<b>493</b>
<b>Cash and cash equivalents as of 1 January</b>	<b>1 096</b>	<b>603</b>
<b>Cash and cash equivalents as of 31 March</b>	<b>413</b>	<b>1 096</b>

\* Due to the change of the Company's financial year, current reporting period of January – August 2015 is compared with the previous reporting period of January – December 2014. Current reporting period is transitional financial year.



## **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 31 August 2015 the Group employed 724 people, the Company employed 673 people (on 31 December 2014 the Group employed 671 employees, the Company – 629). The Company's shares are traded on the Baltic Secondary 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.

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

The interim condensed consolidated financial statements for the eight months ended 31 August 2015 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 2014.

In the financial statements all figures are provided in EUR 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**

Starting from 1 January 2015 the Company's Financial statements currency is EURO.

The Company's accounting data nominated in Litas prior to Euro adoption in Lithuania (as of 31 December 2014) are converted from Litas to Euro at the Official Exchange rate 1 EUR = 3,45280 LTL.

Differences derived from assets and liabilities balances, income and costs denominated in Litas conversion to Euro are recognized as current period financial and investment income or cost. Conversion result (income or loss) is reported in the Statement of Comprehensive Income as financial income or cost.

#### **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.

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 financing 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 installments 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 are registered in accounting when they are actually received. Grants related to the tangible assets are recognized in amounts equal to depreciation of respective tangible assets. If Grant is received for tangible assets acquisition, it is not recognized until tangible assets are started to depreciate. Grants for expenses reimbursement are recognized in amounts of incurred expenses. Unused grants are disclosed in the Statement of Financial position under Grants and subsidies

## **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.

The Company recognizes re-evaluations of the pension benefit obligation in 'Other comprehensive income that will not be reclassified to profit or losses, while service cost and net interest in recognized within profit or loss. The Company within profit or loss accounts for jubilee benefits and long-service benefits.

**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 2015 (15 % in 2014).

Starting from 2014 tax losses, except for losses due to sale of securities and (or) derivatives (of nonfinancial institutions), may be carried forward for an unlimited period of time, however carrying forward is stopped, if the company stops its activities due to such losses, except when the company stops its activities due to reasons beyond its control. Deductible tax losses carried forward may not exceed 70 percent of the taxpayer's taxation period income, calculated as income net of tax-exempt income, regular deductions, deductions of limited amounts, with the exception of the previous year losses.

Losses due to sale of securities and (or) derivatives (of non-financial institutions) are carried forward no more than five consecutive tax periods starting from the tax period following the tax period during which the loss was incurred. While deducting previous years' sale of securities losses from current year's securities sales income restriction (of up to 70 percent sale of securities income) does not apply.

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.

Investment tax credit, that arises from tax benefit amount carried forward, qualifies for the initial recognition exception. Therefore, no deferred tax asset is recognized at the time the tax credit arises, but recognition occurs as a reduction of current tax as the credit is realized.

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.

Where necessary, comparative figures have been reclassified to conform with changes in the current year presentation.

### **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.

#### *Pension and jubilee benefits*

Key assumptions used in determining the provision for pension and jubilee benefits are as follows: employee turnover rate by age group, discount rate, and wage and salary growth. The Company's management makes judgments in relation to these assumptions.

## 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:

	<b>Sales</b>	
	<b>31.08.2015*</b>	<b>31.12.2014</b>
European Union countries	25 749	38 041
Other than European Union countries	17 539	22 599
Lithuania	612	1 068
	<b>43 900</b>	<b>61 708</b>

## 3 DISTRIBUTION COSTS

	<b>31.08.2015*</b>	<b>31.12.2014</b>
Transportation and storage costs	705	702
Remuneration and social insurance	79	77
Depreciation and amortization	7	10
Other	65	111
	<b>856</b>	<b>900</b>

\* Due to the change of the Company's financial year, current reporting period of January – August 2015 is compared with the previous reporting period of January – December 2014. Current reporting period is transitional financial year.



#### 4 ADMINISTRATIVE COSTS

	31.08.2015*	31.12.2014
Remuneration and social insurance	916	1 088
Depreciation and amortization	66	96
Operation taxes expenses	89	112
Employee training and consultation	54	65
Insurance	36	49
Business trips	21	51
Waste utilisation expenses	54	20
Utilities and communication	19	25
Bank services	2	14
Other	299	397
	<b>1 556</b>	<b>1 917</b>

#### 5 OTHER OPERATING INCOME, NET

	31.08.2015*	31.12.2014
Rent income	125	179
Other income and costs	184	3
	<b>309</b>	<b>182</b>

#### 6 FINANCIAL INCOME, NET

	31.08.2015*	31.12.2014
Loan interest income	(71)	(107)
Currency exchange profit, less loss	(8)	(7)
Other financial and investment income and expenses	(6)	-
	<b>(85)</b>	<b>(114)</b>

\* Due to the change of the Company's financial year, current reporting period of January – August 2015 is compared with the previous reporting period of January – December 2014. Current reporting period is transitional financial year.

## 7 PERSONNEL COSTS

	31.08.2015*	31.12.2014
Production and product development costs	5 871	6 871
Sales, administrative and other costs	995	1 165
	<b>6 866</b>	<b>8 036</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.

	31.08.2015*	31.12.2014
Net annual profit	2 160	4 772
Weighted average number of the shares (thousand)	3 886	3 886
<b>Earnings per share (EUR)</b>	<b>0.56</b>	<b>1.23</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.

\* Due to the change of the Company's financial year, current reporting period of January – August 2015 is compared with the previous reporting period of January – December 2014. Current reporting period is transitional financial year.



## 9 NON - CURRENT TANGIBLE ASSETS

	Buildings	Machinery and equipment	Vehicles	Other non - current assets	Total
Costs as of 1 January 2015	6 959	26 894	189	1 138	35 180
Increase	47	222	-	199	468
Sales	(2 701)	(185)	-	(4)	(2 890)
Writing off	(2)	(20)	(16)	(47)	(85)
Reclassified from/ to	-	40	-	(40)	-
Costs as of 31 August 2015	4 303	26 951	173	1 246	32 673
Depreciation as of 1 January 2015	3 664	16 688	103	818	21 273
Depreciation	120	1 081	40	59	1 300
Sales	(1 774)	(185)	-	(1)	(1 960)
Writing off	(2)	(17)	(16)	(47)	(82)
Depreciation as of 31 August 2015	2 008	17 567	127	829	20 531
<b>Net carrying value as of 31 August 2015</b>	<b>2 295</b>	<b>9 384</b>	<b>46</b>	<b>417</b>	<b>12 142</b>
Net carrying value as of 1 January 2015	<b>3 295</b>	<b>10 206</b>	<b>86</b>	<b>320</b>	<b>13 907</b>
Depreciation period	40 years	6 – 10 years	5 – 10 years	2 – 6 years	-

Buildings value has decreased by EUR 2 701 thousands as compared to the previous period due to the sale of Company's administrative building and ancillary facilities in August. Premises sold were not used in the Company's direct activities. Book value of sold premises stood at EUR 927 thousand. Depreciation of the Buildings during January – August 2015 comprised EUR 120 thousand.

Depreciation was broken down as follows:

	31.08.2015*	31.12.2014
Production and product development costs	1 173	1 715
Sales, administrative and other costs	66	87
Production in progress and finished products inventories	61	10
	<b>1 300</b>	<b>1 812</b>

#### 10 INVENTORIES

	31.08.2015*	31.12.2014
Raw materials	2 123	1 507
Production in progress	282	1 213
Finished products	4 405	1 817
Goods for resale	-	3
	<b>6 810</b>	<b>4 540</b>

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

#### 11 OTHER ACCOUNTS RECEIVABLE

	31.08.2015*	31.12.2014
VAT recoverable	714	353
Other amounts receivable and future costs	374	89
	<b>1 088</b>	<b>442</b>

#### 12 CASH AND CASH EQUIVALENTS

	31.08.2015*	31.12.2014
Cash in banks	413	1 096
	<b>413</b>	<b>1 096</b>

\* Due to the change of the Company's financial year, current reporting period of January – August 2015 is compared with the previous reporting period of January – December 2014. Current reporting period is transitional financial year.



### 13 CAPITAL AND RESERVES

#### Share capital

The share capital consists of 3 886 267 common shares of the nominal value of EUR 1.16, while the total value of the share capital amounts EUR 4 508 thousand.

#### Legal reserve

The reserve of EUR 450 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.

### 14 LOANS AND OTHER BORROWINGS

	2015-08-31*	2014-12-31
<b>Non – current liabilities</b>		
Financial leasing	26	32
Loans	-	3 552
<b>Net carrying value, eop.</b>	<b>26</b>	<b>3 584</b>
<b>Short – term liabilities</b>		
Current portion of financial leasing	29	34
Loans	2 129	3 552
Credit line	5 503	1 560
<b>Net carrying value, eop.</b>	<b>7 661</b>	<b>5 146</b>
<b>Total liabilities</b>	<b>7 687</b>	<b>8 730</b>

	Maturity term	31.08.2015	31.12.2014
Finance lease Danske Bank A/S	2017	55	66
Credit line Danske Bank A/S	2015	5 503	1 560
Credit Danske Bank A/S	2016	2 129	7 104

Vilniaus Baldai AB has signed the credit facility agreement with Danske Bank A/S on 17 September 2013 for working capital and investments into equipment financing. Based on the Board of Directors decision of 06 February 2015, an amendment to the original agreement was adopted stipulating shorter facility repayment term.

The Company's buildings, machinery and the current cash balances at and future inflows to the Company's accounts at Danske Bank A/S Lithuania branch were pledged as a collateral for loans granted.

### Interest risk

Euribor related floating interest rates are applied to the loans extended to the Company.  
As of 31 August 2015 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 31 August 2015	2015	2016	2017
Finance lease	55	24	14	17
Credit line	5 503	5 503	-	-
Credit	2 129	1 183	946	-
	<b>7 687</b>	<b>6 710</b>	<b>960</b>	<b>17</b>

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

	31.08.2015	31.12.2014
Post – employment and other long term employee benefits	685	595
	<b>685</b>	<b>595</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.

### 16 OTHER LIABILITIES

	31.08.2015*	31.12.2014
Remuneration and social insurance	708	313
Holiday pay reserve	817	818
Dividends payable	968	982
Operating taxes	21	35
Other accounts payable and accrued taxes	29	23
	<b>2 543</b>	<b>2 171</b>

### Currency risk

The Company's currency risk is mainly related to PLN.

\* Due to the change of the Company's financial year, current reporting period of January – August 2015 is compared with the previous reporting period of January – December 2014. Current reporting period is transitional financial year.



## 17 RELATED PARTY TRANSACTIONS

31.08.2015	Purchases	Sales	Receivables	Payables
Inreal valdymas UAB	45	72	-	4
Invalda privatus kapitalas UAB	-	1	-	-
Akvilas UAB	-	909	-	-
Dipolio valda UAB	-	181	-	-
	<b>45</b>	<b>1 163</b>	<b>-</b>	<b>4</b>

The Company has sold the administrative building and ancillary facilities in August 2015. Premises sold were not used in the Company's direct activities. Real estate was acquired by the Company's largest shareholder's AB „Invalda privatus kapitalas“ subsidiaries Akvilas UAB and Dipolio valda UAB. The real estate was sold for EUR 1 090 thousand – market value established by an independent property valuation company. The Company from this transaction has earned EUR 163 thousand.

31.12.2014	Purchases	Sales	Receivables	Payables
Inreal valdymas UAB	50	113	6	-
Invalda privatus kapitalas UAB	-	-	-	-
BAIP UAB	2	-	-	-
Acena UAB	19	-	-	-
Inservis UAB	3	-	-	-
Kelio ženklai UAB	1	-	-	-
	<b>75</b>	<b>113</b>	<b>6</b>	<b>-</b>

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

In 2015 the Company will specifically focus on productivity and quality improvement. This will be achieved by applying LEAN methodology in such areas as production processes, performance management, employee skills and their involvement in continuous improvement activities. The Company plans consistent sales and production output growth, profitability improvement in 2015. The Company plans to create over 50 new workplaces.

### Important events, which have occurred since the end of the last fiscal year

On the initiative and decision of the Company's Board of Directors the Ordinary General Shareholders Meeting of Vilniaus baldai AB was held on 30 April, 2015. The meeting resolved to:

Item1 of the Agenda: Consolidated annual report.

The Company's consolidated annual report for 2014 was presented

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

The report of auditor KPMG Baltics UAB for 2014 was presented.

Item3 of the Agenda: Approval of the Company's financial statements for 2014.

Resolution: to approve Company's financial statements for 2014.

Item4 of the Agenda: Approval of the Company's consolidated financial statements for 2014.

Resolution: to approve Company's consolidated financial statements for 2014.

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

Undistributed retained earnings, brought forward	78 755 LTL	22 809 EUR
Net result for the current year	16 440 625 LTL	4 761 534 EUR
Profit (loss) not recognized in the income statement of the reporting financial year	(60 185) LTL	(17 431) EUR
Transfer from the reserve for own shares acquisition	-	-
Distributable result	16 459 195 LTL	4 766 912 EUR
Transfers to the obligatory reserves	-	-
Profit transfers to the reserves for own shares acquisition	-	-
Transfers to other reserves	-	-
To be paid as dividends	-	-
To be paid as annual payments (bonus) to Board	-	-
Undistributed retained earnings, carried forward	16 459 195 LTL	4 766 912 EUR

Item6 of the Agenda: Approval of the change of expression of nominal value of shares and Authorised capital in litas into expression in euro.

Resolutions:

1. To change an expression of nominal value of shares and Authorised capital in litas into expression in euro.

2. To set that nominal value of one share is 1.16 (one euro 16 euro cents) EUR.

3. To set that Authorized capital of the Company is 4.508.069.72 (four million five hundred eight thousand sixty nine euro and 72 euro cents) EUR.

Item7 of the Agenda: Approval of the new edition of the Company Regulation.

Resolution:



Taking into consideration the adopted decision to change the expression of the nominal value of shares and authorized capital in litas into expression in euro, pursuant to the amendment of the Company Law of the Republic of Lithuania, entered into force since the last version of the Company's Regulations registration, to approve new edition of the Company Regulations. To authorize general manager Rimantas Vaitkus to sign the new edition of Vilniaus baldai AB Regulations.

There were no other important events, which have occurred since the end of the last fiscal year until the date of signing of interim consolidated statements.

On 27 of August 2015, the Company announced about completion of the sale transaction of the unused administrative building and ancillary facilities on Savanorių avenue 178 in Vilnius. The real estate was sold for EUR 1090 thousand – market value established by an independent property valuation company. Real estate was acquired by the Company's largest shareholder's AB „Invalda privatus kapitalas“ subsidiaries, managed by AB „Inreal valdymas“.

#### **Financial results of activities**

The Group Revenue stood at 16 508 thousand EUR during January–March of 2015, while revenue for the same period of 2014 was 15 325 thousand EUR.

Net profit of the Group during January–March of 2015 was 818 thousand EUR, while net profit during the same period of 2014 was 1 589 thousand. EBITDA of the Group was 1 494 thousand EUR in the first quarter of 2015, while at the same time last year it was 2 126 thousand EUR.

The Group Revenue stood at 16 088 thousand EUR during April-June of 2015, while revenue for the same period of 2014 was 14 077 thousand EUR.

Net profit of the Group during April-June of 2015 was 822 thousand EUR, while net profit during the same period of 2014 was 1 111 thousand. EBITDA of the Group was 1 370 thousand EUR in the second quarter of 2015, while at the same time last year it was 1 676 thousand EUR.

The Group Revenue stood at 43 900 thousand EUR during January–August of 2015.

Net profit of the Group during January-August of 2015 was 2 160 thousand EUR. EBITDA of the Group was 3 844 thousand EUR.

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



**AB „Vilniaus baldai“**

Savanoriu ave. 178B  
LT-03154 Vilnius, LITHUANIA  
Tel. (+370 5) 25 25 700  
Fax (+370 5) 23 11 130  
E-mail [info@vilniausbaldai.lt](mailto:info@vilniausbaldai.lt)

**Rimantas Vaitkus**

General Manager  
Tel. (+370 5) 25 25 700  
Fax (+370 5) 23 11 130  
E-mail [info@vilniausbaldai.lt](mailto:info@vilniausbaldai.lt)

**Jonas Krutinis**

Head of Finance department  
Tel. (+370 5) 25 25 700  
Fax (+370 5) 23 11 130  
E-mail [jonas.krutinis@vilniausbaldai.lt](mailto:jonas.krutinis@vilniausbaldai.lt)

**[www.vilniausbaldai.lt](http://www.vilniausbaldai.lt)**