

RESPONSIBLE PERSONS CONFIRMATION

23.10.2012

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 nine 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.

APPENDIX:

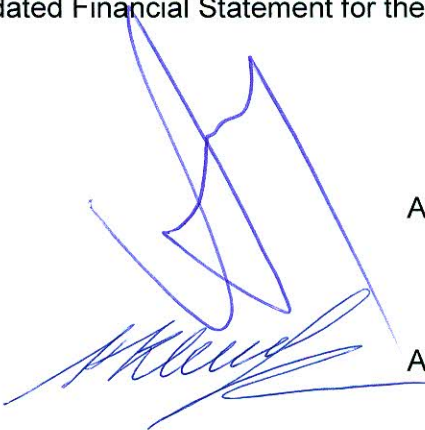
Interim Condensed Consolidated Financial Statement for the nine months of 2012.

Chief Executive Officer

Aidas Mackevicius

Chief Financial Officer

Ausra Kibirkstiene





**VILNIAUS
BALDAI**

ANNO 1883

*... Better
Faster
Stronger ...*

Vilniaus Baldai AB

**INTERIM
CONDENSED
CONSOLIDATED
FINANCIAL STATEMENT
FOR THE NINE 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 nine 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	info@vilniausbaldai.lt
Website	www.vilniausbaldai.lt
Legal form	Joint stock company
Registration date and place	9 February 1993, Vilnius City Board
Register, where all the information about the Company is collected and stored	Register of legal entities
Type of activity	Design, production and selling of the office, bedroom, living-room and hall furniture

Information about the subsidiary company of the issuer one

Name of the issuer	Limited liability company (UAB) Ari - Lux
Code	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	aleksas.rimkus@ari-lux.lt
Website	-
Legal form	Limited liability company
Registration date and place	28 October 1991, Vilnius City Board
Register, where all the information about the Company is collected and stored	Register of legal entities
Type of activity	Packaging

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

The Financial Statement and supporting documents, on the basis of which it has been drawn up, can be accessed at the Company's registered office at Savanoriu Ave. 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:

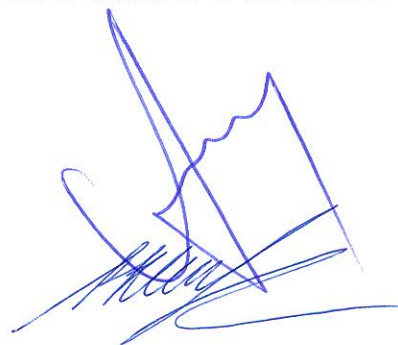
Aidas Mackevicius, Chief Executive Officer, tel. (+370~5) 252 57 00, fax. (+370~5) 231 11 30,
Ausra Kibirkstiene, Chief Financial Officer, tel. (+370~5) 252 57 20.

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 – 23 October 2012.

INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENT FOR THE NINE MONTHS OF 2012

The auditors reviewed the Financial Statement of 31.12.2011, while those of 30.09.2012 and of 30.09.2011 are unaudited.

1. STATEMENT OF FINANCIAL POSITION

LTL thousand

	30.09.2012	31.12.2011	30.09.2011
Assets			
Non - current assets			
Non - current tangible assets	30 330	29 543	29 963
Intangible assets	90	187	220
Investment	-	-	2
Deferred income tax asset	37	29	-
Total non - current assets	30 457	29 759	30 185
Current assets			
Inventories	14 147	13 997	14 606
Trade debtors	24 051	18 186	20 265
Time deposits	18 241	49 101	38 052
Current income tax prepayment	-	893	-
Other accounts receivable	4 203	2 219	4 237
Cash and cash equivalents	6 344	1 906	6 343
Total current assets	66 986	86 302	83 503
Total assets	97 443	116 061	113 688
Shareholders' equity and liabilities			
Capital and reserves			
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	22 623	41 937	36 042
Total capital and reserves	64 722	84 036	78 141
Non - current liabilities			
Provision for employee benefits	997	997	771
Deferred tax liabilities	-	-	29
Loans and other interest bearing payables	197	197	1 414
Total non - current liabilities	1 194	1 194	2 214
Current liabilities			
Loans and other interest bearing payables	8	1 290	632
Debts to suppliers	22 561	22 406	26 039
Current income tax payable	1 179	-	2 054
Other liabilities	7 779	7 135	4 608
Total current liabilities	31 527	30 831	33 333
Total liabilities	32 721	32 025	35 547
Total equity and liabilities	97 443	116 061	113 688

2. STATEMENT OF COMPREHENSIVE INCOME

LTL thousand

	2012 I - III quarter, ended 30 September	2011 I - III quarter, ended 30 September	2012 III quarter, ended 30 September	2011 III quarter, ended 30 September
Revenue	179 141	179 427	63 743	64 602
Cost of sales	(145 394)	(146 548)	(50 963)	(52 983)
Gross profit	33 747	32 879	12 780	11 619
Distribution costs	(3 870)	(3 576)	(1 389)	(1 382)
Administrative costs	(7 707)	(6 266)	(1 446)	(1 755)
Other operating income, net	460	400	213	102
Profit from operating activities	22 630	23 437	10 158	8 584
Financial income	496	1 276	73	298
Financial costs	(92)	(243)	(29)	(41)
Financial income, net	404	1 033	44	257
Profit before taxes	23 034	24 470	10 202	8 841
Income tax	(3 485)	(3 554)	(1 511)	(1 310)
Profit for the period	19 549	20 916	8 691	7 531
Other comprehensive income	-	-	-	-
Total comprehensive income for the period	19 549	20 916	8 691	7 531
Attributable to Owners of the Company:				
Profit	19 549	20 916	8 691	7 531
Total comprehensive income	19 549	20 916	8 691	7 531
Earnings per share (in LTL)	5.03	5.38	2.24	1.94

3. STATEMENT OF CHANGES IN EQUITY

LTL thousand

	Share capital	Legal reserve	Obligatory reserve	Accrued earnings	Total
Balance as of 31 December 2010	15 545	1 554	25 000	30 671	72 770
Net profit	-	-	-	20 916	20 916
Total comprehensive income	-	-	-	20 916	20 916
Transactions with owners					
Dividends to equity holders of the Company	-	-	-	(15 545)	(15 545)
Total transactions with owners	-	-	-	(15 545)	(15 545)
Balance as of 30 September 2011	15 545	1 554	25 000	36 042	78 141
Net profit	-	-	-	5 895	5 895
Total comprehensive income	-	-	-	5 895	5 895
Balance as of 31 December 2011	15 545	1 554	25 000	41 937	84 036
Net profit	-	-	-	19 549	19 549
Total comprehensive income	-	-	-	19 549	19 549
Transactions with owners					
Dividends to equity holders of the Company	-	-	-	(38 863)	(38 863)
Total transactions with owners	-	-	-	(38 863)	(38 863)
Balance as of 30 September 2012	15 545	1 554	25 000	22 623	64 722

4. STATEMENT OF CASH FLOWS

LTL thousand

	30.09.2012	30.09.2011
Net profit (loss)	19 549	20 916
Adjustments:		
Depreciation and amortisation	4 266	4 883
Result on disposal, writing off, etc. of non -current	(15)	(4)
Changes in provisions	(79)	(106)
Interest (income) expenses	(423)	(1 019)
Deferred income tax (income) expenses	(7)	(6)
Income tax expenses	3 492	3 560
Other financial expenses (income)	15	(135)
Cash flows from ordinary activities before changes	26 798	28 089
Changes in trade receivables and other amounts	(9 271)	(7 127)
Changes in inventories	(71)	4 879
Changes in debts to suppliers and other liabilities	(222)	1 652
Income tax paid	-	(2 119)
Cash flows from operating activities	17 234	25 374
(Acquisition) of tangible non - current assets	(5 053)	(4 721)
Sale / writing of non - current tangible assets	97	14
Transfer (to) from time deposits	30 607	(37 981)
Cash flows from investing activities	25 651	(42 688)
Loans (granted) / repaid	-	30 274
Loans received / (repaid)	(1 282)	(3 963)
Interest (paid) / received	676	876
Dividends (paid)	(37 841)	(3 875)
Cash flows from financing activities, net	(38 447)	23 312
Cash flows from operating, investing and financing	4 438	5 998
Cash and cash equivalents as of 1 January	1 906	345
Cash and cash equivalents as of 30 September	6 344	6 343

5. EXPLANATORY NOTES

1 SUMMARY OF THE BASIC ACCOUNTING PRINCIPLES AND PRACTICES

The public company Vilniaus Baldai (Company) is a listed Company in Lithuania. The Company manufactures furniture. As of 30 September 2012 the Group employed 472 people, the Company employed 427 people (on 31 December 2011 the Group employed 507 employees, the Company – 456; on 30 September 2011 the Group employed 492 employees, the Company - 456). 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 nine months ended 30 September 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	
	30.09.2012	30.09.2011
	LTL thousand	LTL thousand
European Union countries	144 995	154 781
Other than European Union countries	30 070	20 079
Lithuania	4 076	4 567
	179 141	179 427

3 DISTRIBUTION COSTS

	30.09.2012	30.09.2011
	LTL thousand	LTL thousand
Transportation and storage costs	3 360	3 022
Remuneration and social insurance	275	283
Depreciation and amortization	25	47
Other	210	224
	3 870	3 576

4 ADMINISTRATIVE COSTS

	30.09.2012	30.09.2011
	LTL thousand	LTL thousand
Remuneration and social insurance	2 686	2 546
Bonus	3 000	795
Depreciation and amortization	309	327
Operation taxes expenses	246	253
Waste utilisation expenses	168	374
Employee training and consultation	163	196
Insurance	126	112
Utilities and communication	89	100
Business trips	62	110
Bank services	12	34
Other	846	1 419
	7 707	6 266

5 OTHER OPERATING INCOME, NET

	30.09.2012	30.09.2011
	LTL thousand	LTL thousand
Rent income	378	352
Other income and costs	82	48
	460	400

6 FINANCIAL INCOME, NET

	30.09.2012	30.09.2011
	LTL thousand	LTL thousand
Loan interest income	423	1 019
Currency exchange profit, less loss	(19)	14
	404	1 033

7 PERSONNEL COSTS

	30.09.2012	30.09.2011
	LTL thousand	LTL thousand
Production and product development costs	14 376	13 113
Sales, administrative and other costs	2 961	2 829
	17 337	15 942

8 EARNINGS PER SHARE

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

	30.09.2012	30.09.2011
	LTL thousand	LTL thousand
Net annual profit	19 549	20 916
Weighted average number of the shares (thousand)	3 886	3 886
Earnings per share (LTL)	5.03	5.38

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	350	1 130	-	3 572	5 052
Sales	-	(534)	-	(1)	(535)
Writing off	-	(848)	-	(180)	(1 028)
Reclassified from/ to	-	269	-	(269)	-
Costs as of 30 September 2012	24 030	61 100	459	6 768	92 357
Depreciation as of 1 January 2012	10 677	46 095	86	2 467	59 325
Depreciation	536	3 377	35	235	4 183
Sales	-	(463)	-	(1)	(464)
Writing off	-	(846)	-	(171)	(1 017)
Depreciation as of 30 September 2012	11 213	48 163	121	2 530	62 027
Net carrying value as of 30 September 2012	12 817	12 937	338	4 238	30 330
Net carrying value as of 1 January 2012	13 003	14 988	373	1 179	29 543
Depreciation period	40 years	6 – 10 years	5 – 10 years	2 – 6 years	-

Depreciation was broken down as follows:

	30.09.2012	30.09.2011
	LTL thousand	LTL thousand
Production and product development costs	3 932	4 509
Sales, administrative and other costs	236	261
Production in progress and finished products inventories	15	(135)
	4 183	4 635

10 INVENTORIES

	30.09.2012	31.12.2011
	LTL thousand	LTL thousand
Raw materials	3 734	6 914
Production in progress	2 696	2 422
Finished products	7 717	4 661
	14 147	13 997

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

11 TIME DEPOSITS

	30.09.2012	31.12.2011
	LTL thousand	LTL thousand
Time deposits with the initial maturity between 3 and 6 months	8 679	10 794
Time deposits with the initial maturity more than 6 months	9 489	37 981
Accumulated interest	73	326
	18 241	49 101

12 OTHER ACCOUNTS RECEIVABLE

	30.09.2012	31.12.2011
	LTL thousand	LTL thousand
VAT recoverable	3 533	1 896
Other amounts receivable and future costs	670	323
	4 203	2 219

13 CASH AND CASH EQUIVALENTS

	30.09.2012	31.12.2011
	LTL thousand	LTL thousand
Cash in banks	4 844	1 526
Cash on hand	-	3
Time deposits with the initial maturity less than 3 month	1 500	377
	6 344	1 906

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

	30.09.2012	31.12.2011
	LTL thousand	LTL thousand
Non - current liabilities		
Long - term loan	-	-
Finance lease	197	197
Net carrying value as end of period	197	197
Short - term liabilities		
Current portion of loan	-	1 253
Current portion of finance lease	8	37
Net carrying value as end of period	8	1 290
	205	1 487

	Maturity term	30.09.2012	31.12.2011
		LTL thousand	LTL thousand
Credit in Danske Bank A/S Lithuania branch	02.07.2012	-	1 253
Finance lease Danske Bank A/S Lithuania branch	05.10.2016	205	234

Interest risk

Euribor related floating interest rates are applied to the loans extended to the Company.
As of 30 September 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 September 2012	2012	2013	2014- 2016
	LTL thousand	LTL thousand	LTL thousand	LTL thousand
Finance lease	205	8	34	163
	205	8	34	163

16 POST – EMPLOYMENT ANT OTHER LONG TERM EMPLOYEE BENEFITS

	30.09.2012	31.12.2011
	LTL thousand	LTL thousand
Post – employment ant other long term employee benefits	997	997
	997	997

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

	30.09.2012	31.12.2011
	LTL thousand	LTL thousand
Remuneration and social insurance	1 882	1 048
Holiday pay reserve	2 257	2 231
Dividends payable	1 766	744
Amounts payable for the take-over of tax losses	1 715	2 711
Operating taxes	70	98
Other accounts payable and accrued taxes	89	303
	7 779	7 135

Currency risk

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

Accounts receivable and payable in foreign currencies as of 30 September 2012 may be broken down as follows:

	EUR	PLN	DKK
	LTL thousand	LTL thousand	LTL thousand
Trade receivables	3	1	-
Prepayments	2 837	-	-
Time deposits	9 668	-	-
Borrowings	(205)	-	-
Debts to suppliers	(6 217)	(521)	(29)
	6 086	(520)	(29)

18 RELATED PARTY TRANSACTIONS

30.09.2012	Purchases	Sales	Receivables	Payables
	LTL thousand	LTL thousand	LTL thousand	LTL thousand
Invalda AB	1	-	-	-
Inreal valdymas UAB	210	776	171	-
Cmanagement UAB	34	-	-	-
Kelio zenklai UAB	1	-	-	-
BAIP UAB	37	-	-	4
Informatikos pasaulis UAB	26	-	-	-
Acena UAB	59	-	-	-
	368	776	171	4

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 September 2012 therefore liability to related parties amounting to LTL 1 715 thousand are accounted in other current liabilities. In 2012 discount value of tax losses taken over from Invalda Group companies amounted to 17 thousand LTL.

30.09.2011	Purchases	Sales	Receivables	Payables
	LTL thousand	LTL thousand	LTL thousand	LTL thousand
Invalda AB	-	1 100	-	-
Inreal valdymas UAB	376	695	64	-
Cmanagement UAB	80	-	-	6
Kelio zenklai UAB	4	-	-	-
BAIP UAB	28	-	-	-
Informatikos pasaulis UAB	63	-	-	2
Umega AB	1 145	5	-	198
Acena UAB	39	-	-	-
Kauno tiltai AB	2	-	-	-
	1 737	1 800	64	206

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 September 2011 Company fulfilled this liability to related parties. In 2011 discount value of tax losses taken over from Invalda Group companies amounted to 84 thousand LTL.

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 Kaziuinas and Darius Sulnis to the Board of Vilniaus Baldai AB for the new 4 (four) years term of office.

On the initiative and decision of the Company's Management Board the Extraordinary General Shareholders Meeting of Vilniaus baldai AB is to be held on 24 October, 2012 at 10 a. m. in Savanoriu ave. 178B, Vilnius.

The Management Board of Vilniaus baldai AB approved the Company's draft resolution of the Extraordinary General Shareholders meeting that will take place on October 24, 2012 regarding election of the audit company and setting the conditions of payment for the audit services:

1. To elect joint-stock company PricewaterhouseCoopers, code 111473315, located at municipality of Vilnius city, Vilnius, J. Jasinskio str. 16B, audit company's certificate No. 001273, to audit annual financial statements of the financial years 2012 - 2013.

2. To set the conditions of payment for the audit services:

2.1. the main remuneration for the audit of each year's set of annual financial statements - 75 000 LTL (seventy five thousand Litas) for each year. VAT is not included in this amount and is calculated and paid additionally according to the laws;

2.2. in case additional services are provided under the agreement on audit services, additional remuneration is paid to the audit company. Additional remuneration is determined according to joint-stock company PricewaterhouseCoopers employees who are involved in providing additional services hourly rates;

2.3. additional remuneration is paid after the additional services are provided.

Financial results of activities

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 July – September was 63 743 thousand LTL (18 461 thousand EUR), same period year 2011 – 64 602 thousand LTL (18 710 thousand EUR).

Net profit of the Group during period 2012 July – September was 8 691 thousand LTL (2 517 thousand EUR), same period year 2011 – 7 531 thousand LTL (2 181 thousand EUR). EBITDA was 11 513 thousand LTL (3 334 thousand EUR). Year ago it was 10 150 thousand LTL (2 940 thousand EUR).

Turnover of the Group during period 2012 January – September was 179 141 thousand LTL (51 883 thousand EUR), same period year 2011 – 179 427 thousand LTL (51 966 thousand EUR).

Net profit of the Group during period 2012 January – September was 19 549 thousand LTL (5 662 thousand EUR), same period year 2011 – 20 916 thousand LTL (6 058 thousand EUR). EBITDA was 26 896 thousand LTL (7 790 thousand EUR). Year ago it was 28 320 thousand LTL (8 202 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.

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**INTERIM
CONDENSED
CONSOLIDATED
FINANCIAL STATEMENT
FOR THE NINE 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 nine 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	info@vilniausbaldai.lt
Website	www.vilniausbaldai.lt
Legal form	Joint stock company
Registration date and place	9 February 1993, Vilnius City Board
Register, where all the information about the Company is collected and stored	Register of legal entities
Type of activity	Design, production and selling of the office, bedroom, living-room and hall furniture

Information about the subsidiary company of the issuer one

Name of the issuer	Limited liability company (UAB) Ari - Lux
Code	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	aleksas.rimkus@ari-lux.lt
Website	-
Legal form	Limited liability company
Registration date and place	28 October 1991, Vilnius City Board
Register, where all the information about the Company is collected and stored	Register of legal entities
Type of activity	Packaging

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

The Financial Statement and supporting documents, on the basis of which it has been drawn up, can be accessed at the Company's registered office at Savanoriu Ave. 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:

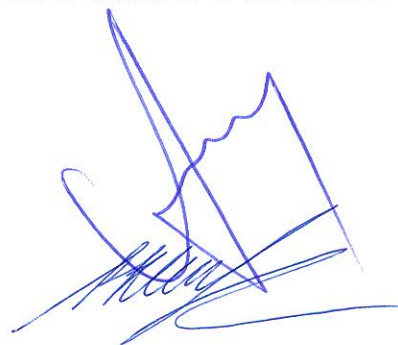
Aidas Mackevicius, Chief Executive Officer, tel. (+370~5) 252 57 00, fax. (+370~5) 231 11 30,
Ausra Kibirkstiene, Chief Financial Officer, tel. (+370~5) 252 57 20.

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 – 23 October 2012.

INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENT FOR THE NINE MONTHS OF 2012

The auditors reviewed the Financial Statement of 31.12.2011, while those of 30.09.2012 and of 30.09.2011 are unaudited.

1. STATEMENT OF FINANCIAL POSITION

LTL thousand

	30.09.2012	31.12.2011	30.09.2011
Assets			
Non - current assets			
Non - current tangible assets	30 330	29 543	29 963
Intangible assets	90	187	220
Investment	-	-	2
Deferred income tax asset	37	29	-
Total non - current assets	30 457	29 759	30 185
Current assets			
Inventories	14 147	13 997	14 606
Trade debtors	24 051	18 186	20 265
Time deposits	18 241	49 101	38 052
Current income tax prepayment	-	893	-
Other accounts receivable	4 203	2 219	4 237
Cash and cash equivalents	6 344	1 906	6 343
Total current assets	66 986	86 302	83 503
Total assets	97 443	116 061	113 688
Shareholders' equity and liabilities			
Capital and reserves			
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	22 623	41 937	36 042
Total capital and reserves	64 722	84 036	78 141
Non - current liabilities			
Provision for employee benefits	997	997	771
Deferred tax liabilities	-	-	29
Loans and other interest bearing payables	197	197	1 414
Total non - current liabilities	1 194	1 194	2 214
Current liabilities			
Loans and other interest bearing payables	8	1 290	632
Debts to suppliers	22 561	22 406	26 039
Current income tax payable	1 179	-	2 054
Other liabilities	7 779	7 135	4 608
Total current liabilities	31 527	30 831	33 333
Total liabilities	32 721	32 025	35 547
Total equity and liabilities	97 443	116 061	113 688

2. STATEMENT OF COMPREHENSIVE INCOME

LTL thousand

	2012 I - III quarter, ended 30 September	2011 I - III quarter, ended 30 September	2012 III quarter, ended 30 September	2011 III quarter, ended 30 September
Revenue	179 141	179 427	63 743	64 602
Cost of sales	(145 394)	(146 548)	(50 963)	(52 983)
Gross profit	33 747	32 879	12 780	11 619
Distribution costs	(3 870)	(3 576)	(1 389)	(1 382)
Administrative costs	(7 707)	(6 266)	(1 446)	(1 755)
Other operating income, net	460	400	213	102
Profit from operating activities	22 630	23 437	10 158	8 584
Financial income	496	1 276	73	298
Financial costs	(92)	(243)	(29)	(41)
Financial income, net	404	1 033	44	257
Profit before taxes	23 034	24 470	10 202	8 841
Income tax	(3 485)	(3 554)	(1 511)	(1 310)
Profit for the period	19 549	20 916	8 691	7 531
Other comprehensive income	-	-	-	-
Total comprehensive income for the period	19 549	20 916	8 691	7 531
Attributable to Owners of the Company:				
Profit	19 549	20 916	8 691	7 531
Total comprehensive income	19 549	20 916	8 691	7 531
Earnings per share (in LTL)	5.03	5.38	2.24	1.94

3. STATEMENT OF CHANGES IN EQUITY

LTL thousand

	Share capital	Legal reserve	Obligatory reserve	Accrued earnings	Total
Balance as of 31 December 2010	15 545	1 554	25 000	30 671	72 770
Net profit	-	-	-	20 916	20 916
Total comprehensive income	-	-	-	20 916	20 916
Transactions with owners					
Dividends to equity holders of the Company	-	-	-	(15 545)	(15 545)
Total transactions with owners	-	-	-	(15 545)	(15 545)
Balance as of 30 September 2011	15 545	1 554	25 000	36 042	78 141
Net profit	-	-	-	5 895	5 895
Total comprehensive income	-	-	-	5 895	5 895
Balance as of 31 December 2011	15 545	1 554	25 000	41 937	84 036
Net profit	-	-	-	19 549	19 549
Total comprehensive income	-	-	-	19 549	19 549
Transactions with owners					
Dividends to equity holders of the Company	-	-	-	(38 863)	(38 863)
Total transactions with owners	-	-	-	(38 863)	(38 863)
Balance as of 30 September 2012	15 545	1 554	25 000	22 623	64 722

4. STATEMENT OF CASH FLOWS

LTL thousand

	30.09.2012	30.09.2011
Net profit (loss)	19 549	20 916
Adjustments:		
Depreciation and amortisation	4 266	4 883
Result on disposal, writing off, etc. of non -current	(15)	(4)
Changes in provisions	(79)	(106)
Interest (income) expenses	(423)	(1 019)
Deferred income tax (income) expenses	(7)	(6)
Income tax expenses	3 492	3 560
Other financial expenses (income)	15	(135)
Cash flows from ordinary activities before changes	26 798	28 089
Changes in trade receivables and other amounts	(9 271)	(7 127)
Changes in inventories	(71)	4 879
Changes in debts to suppliers and other liabilities	(222)	1 652
Income tax paid	-	(2 119)
Cash flows from operating activities	17 234	25 374
(Acquisition) of tangible non - current assets	(5 053)	(4 721)
Sale / writing of non - current tangible assets	97	14
Transfer (to) from time deposits	30 607	(37 981)
Cash flows from investing activities	25 651	(42 688)
Loans (granted) / repaid	-	30 274
Loans received / (repaid)	(1 282)	(3 963)
Interest (paid) / received	676	876
Dividends (paid)	(37 841)	(3 875)
Cash flows from financing activities, net	(38 447)	23 312
Cash flows from operating, investing and financing	4 438	5 998
Cash and cash equivalents as of 1 January	1 906	345
Cash and cash equivalents as of 30 September	6 344	6 343

5. EXPLANATORY NOTES

1 SUMMARY OF THE BASIC ACCOUNTING PRINCIPLES AND PRACTICES

The public company Vilniaus Baldai (Company) is a listed Company in Lithuania. The Company manufactures furniture. As of 30 September 2012 the Group employed 472 people, the Company employed 427 people (on 31 December 2011 the Group employed 507 employees, the Company – 456; on 30 September 2011 the Group employed 492 employees, the Company - 456). 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 nine months ended 30 September 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	
	30.09.2012	30.09.2011
	LTL thousand	LTL thousand
European Union countries	144 995	154 781
Other than European Union countries	30 070	20 079
Lithuania	4 076	4 567
	179 141	179 427

3 DISTRIBUTION COSTS

	30.09.2012	30.09.2011
	LTL thousand	LTL thousand
Transportation and storage costs	3 360	3 022
Remuneration and social insurance	275	283
Depreciation and amortization	25	47
Other	210	224
	3 870	3 576

4 ADMINISTRATIVE COSTS

	30.09.2012	30.09.2011
	LTL thousand	LTL thousand
Remuneration and social insurance	2 686	2 546
Bonus	3 000	795
Depreciation and amortization	309	327
Operation taxes expenses	246	253
Waste utilisation expenses	168	374
Employee training and consultation	163	196
Insurance	126	112
Utilities and communication	89	100
Business trips	62	110
Bank services	12	34
Other	846	1 419
	7 707	6 266

5 OTHER OPERATING INCOME, NET

	30.09.2012	30.09.2011
	LTL thousand	LTL thousand
Rent income	378	352
Other income and costs	82	48
	460	400

6 FINANCIAL INCOME, NET

	30.09.2012	30.09.2011
	LTL thousand	LTL thousand
Loan interest income	423	1 019
Currency exchange profit, less loss	(19)	14
	404	1 033

7 PERSONNEL COSTS

	30.09.2012	30.09.2011
	LTL thousand	LTL thousand
Production and product development costs	14 376	13 113
Sales, administrative and other costs	2 961	2 829
	17 337	15 942

8 EARNINGS PER SHARE

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

	30.09.2012	30.09.2011
	LTL thousand	LTL thousand
Net annual profit	19 549	20 916
Weighted average number of the shares (thousand)	3 886	3 886
Earnings per share (LTL)	5.03	5.38

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	350	1 130	-	3 572	5 052
Sales	-	(534)	-	(1)	(535)
Writing off	-	(848)	-	(180)	(1 028)
Reclassified from/ to	-	269	-	(269)	-
Costs as of 30 September 2012	24 030	61 100	459	6 768	92 357
Depreciation as of 1 January 2012	10 677	46 095	86	2 467	59 325
Depreciation	536	3 377	35	235	4 183
Sales	-	(463)	-	(1)	(464)
Writing off	-	(846)	-	(171)	(1 017)
Depreciation as of 30 September 2012	11 213	48 163	121	2 530	62 027
Net carrying value as of 30 September 2012	12 817	12 937	338	4 238	30 330
Net carrying value as of 1 January 2012	13 003	14 988	373	1 179	29 543
Depreciation period	40 years	6 – 10 years	5 – 10 years	2 – 6 years	-

Depreciation was broken down as follows:

	30.09.2012	30.09.2011
	LTL thousand	LTL thousand
Production and product development costs	3 932	4 509
Sales, administrative and other costs	236	261
Production in progress and finished products inventories	15	(135)
	4 183	4 635

10 INVENTORIES

	30.09.2012	31.12.2011
	LTL thousand	LTL thousand
Raw materials	3 734	6 914
Production in progress	2 696	2 422
Finished products	7 717	4 661
	14 147	13 997

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

11 TIME DEPOSITS

	30.09.2012	31.12.2011
	LTL thousand	LTL thousand
Time deposits with the initial maturity between 3 and 6 months	8 679	10 794
Time deposits with the initial maturity more than 6 months	9 489	37 981
Accumulated interest	73	326
	18 241	49 101

12 OTHER ACCOUNTS RECEIVABLE

	30.09.2012	31.12.2011
	LTL thousand	LTL thousand
VAT recoverable	3 533	1 896
Other amounts receivable and future costs	670	323
	4 203	2 219

13 CASH AND CASH EQUIVALENTS

	30.09.2012	31.12.2011
	LTL thousand	LTL thousand
Cash in banks	4 844	1 526
Cash on hand	-	3
Time deposits with the initial maturity less than 3 month	1 500	377
	6 344	1 906

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

	30.09.2012	31.12.2011
	LTL thousand	LTL thousand
Non - current liabilities		
Long - term loan	-	-
Finance lease	197	197
Net carrying value as end of period	197	197
Short - term liabilities		
Current portion of loan	-	1 253
Current portion of finance lease	8	37
Net carrying value as end of period	8	1 290
	205	1 487

	Maturity term	30.09.2012	31.12.2011
		LTL thousand	LTL thousand
Credit in Danske Bank A/S Lithuania branch	02.07.2012	-	1 253
Finance lease Danske Bank A/S Lithuania branch	05.10.2016	205	234

Interest risk

Euribor related floating interest rates are applied to the loans extended to the Company.
As of 30 September 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 September 2012	2012	2013	2014- 2016
	LTL thousand	LTL thousand	LTL thousand	LTL thousand
Finance lease	205	8	34	163
	205	8	34	163

16 POST – EMPLOYMENT ANT OTHER LONG TERM EMPLOYEE BENEFITS

	30.09.2012	31.12.2011
	LTL thousand	LTL thousand
Post – employment ant other long term employee benefits	997	997
	997	997

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

	30.09.2012	31.12.2011
	LTL thousand	LTL thousand
Remuneration and social insurance	1 882	1 048
Holiday pay reserve	2 257	2 231
Dividends payable	1 766	744
Amounts payable for the take-over of tax losses	1 715	2 711
Operating taxes	70	98
Other accounts payable and accrued taxes	89	303
	7 779	7 135

Currency risk

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

Accounts receivable and payable in foreign currencies as of 30 September 2012 may be broken down as follows:

	EUR	PLN	DKK
	LTL	LTL	LTL
	thousand	thousand	thousand
Trade receivables	3	1	-
Prepayments	2 837	-	-
Time deposits	9 668	-	-
Borrowings	(205)	-	-
Debts to suppliers	(6 217)	(521)	(29)
	6 086	(520)	(29)

18 RELATED PARTY TRANSACTIONS

30.09.2012	Purchases	Sales	Receivables	Payables
	LTL	LTL	LTL	LTL
	thousand	thousand	thousand	thousand
Invalda AB	1	-	-	-
Inreal valdymas UAB	210	776	171	-
Cmanagement UAB	34	-	-	-
Kelio zenklai UAB	1	-	-	-
BAIP UAB	37	-	-	4
Informatikos pasaulis UAB	26	-	-	-
Acena UAB	59	-	-	-
	368	776	171	4

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 September 2012 therefore liability to related parties amounting to LTL 1 715 thousand are accounted in other current liabilities. In 2012 discount value of tax losses taken over from Invalda Group companies amounted to 17 thousand LTL.

30.09.2011	Purchases	Sales	Receivables	Payables
	LTL	LTL	LTL	LTL
	thousand	thousand	thousand	thousand
Invalda AB	-	1 100	-	-
Inreal valdymas UAB	376	695	64	-
Cmanagement UAB	80	-	-	6
Kelio zenklai UAB	4	-	-	-
BAIP UAB	28	-	-	-
Informatikos pasaulis UAB	63	-	-	2
Umega AB	1 145	5	-	198
Acena UAB	39	-	-	-
Kauno tiltai AB	2	-	-	-
	1 737	1 800	64	206

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 September 2011 Company fulfilled this liability to related parties. In 2011 discount value of tax losses taken over from Invalda Group companies amounted to 84 thousand LTL.

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 Kazianas and Darius Sulnis to the Board of Vilniaus Baldai AB for the new 4 (four) years term of office.

On the initiative and decision of the Company's Management Board the Extraordinary General Shareholders Meeting of Vilniaus baldai AB is to be held on 24 October, 2012 at 10 a. m. in Savanoriu ave. 178B, Vilnius.

The Management Board of Vilniaus baldai AB approved the Company's draft resolution of the Extraordinary General Shareholders meeting that will take place on October 24, 2012 regarding election of the audit company and setting the conditions of payment for the audit services:

1. To elect joint-stock company PricewaterhouseCoopers, code 111473315, located at municipality of Vilnius city, Vilnius, J. Jasinskio str. 16B, audit company's certificate No. 001273, to audit annual financial statements of the financial years 2012 - 2013.

2. To set the conditions of payment for the audit services:

2.1. the main remuneration for the audit of each year's set of annual financial statements - 75 000 LTL (seventy five thousand Litas) for each year. VAT is not included in this amount and is calculated and paid additionally according to the laws;

2.2. in case additional services are provided under the agreement on audit services, additional remuneration is paid to the audit company. Additional remuneration is determined according to joint-stock company PricewaterhouseCoopers employees who are involved in providing additional services hourly rates;

2.3. additional remuneration is paid after the additional services are provided.

Financial results of activities

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 July – September was 63 743 thousand LTL (18 461 thousand EUR), same period year 2011 – 64 602 thousand LTL (18 710 thousand EUR).

Net profit of the Group during period 2012 July – September was 8 691 thousand LTL (2 517 thousand EUR), same period year 2011 – 7 531 thousand LTL (2 181 thousand EUR). EBITDA was 11 513 thousand LTL (3 334 thousand EUR). Year ago it was 10 150 thousand LTL (2 940 thousand EUR).

Turnover of the Group during period 2012 January – September was 179 141 thousand LTL (51 883 thousand EUR), same period year 2011 – 179 427 thousand LTL (51 966 thousand EUR).

Net profit of the Group during period 2012 January – September was 19 549 thousand LTL (5 662 thousand EUR), same period year 2011 – 20 916 thousand LTL (6 058 thousand EUR). EBITDA was 26 896 thousand LTL (7 790 thousand EUR). Year ago it was 28 320 thousand LTL (8 202 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.

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