



**VILNIAUS
BALDAI**

ANNO 1883

*... Better
Faster
Stronger ...*

Vilniaus Baldai AB

INTERIM CONDENSED
CONSOLIDATED FINANCIAL
STATEMENT FOR THE THREE
MONTHS OF FY 2016
ENDED NOVEMBER 30, 2015

CONTENTS

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

COMPANY INFORMATION

1. Reporting period covered by this Financial Statement

The Financial Statements for the three months of financial year (FY) 2016 ended November 2015.

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

Due to the change, January – August of 2015 is considered a transitional financial year. September – November 2015 is considered the first three months of FY2016 ended November 2015.

Due to the change of the financial year, financial statements for the first three months of FY2016 ended November 2015 is not compared to the first three months of the previous year.

2. Main data about the issuer

Name of the issuer	Joint stock company (AB) Vilniaus Baldai
Code	121922783
Authorized capital	4 508 069,72 EUR
Office address	Savanoriu Ave. 178B, LT - 03154 Vilnius
Telephone	(+370~5) 252 57 00
Fax	(+370~5) 231 11 30
E-mail	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 sales of the furniture

Information about the subsidiary company of the issuer one

Name of the issuer	Limited liability company (UAB) Ari - Lux
Code	120989619
Authorized capital	2 896 EUR
Share of (AB) Vilniaus Baldai in the company	100 %
Office address	Savanoriu Ave. 178B, 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 to access the Financial Statement and the underlying documents, name of the designated mass media for announcements

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

4. Board

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

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

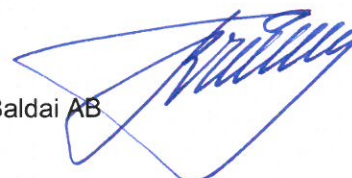
Members of the managing bodies, employees and the Head of the Administration of the issuer are responsible for the accuracy of the information:

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

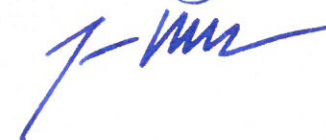
6. Declaration by the members of the issuer's managing bodies, employees, the Head of the Administration and the issuer's consultants that the information contained in the Financial Statement is in accordance with the facts and that the Financial Statement makes no omission likely to have an effect on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

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

Rimantas Vaitkus, Chief Executive Officer of Vilniaus Baldai AB



Jonas Krutinis, Head of Finance of Vilniaus Baldai AB



Date of signing the Report – 22 December 2015.

**INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENT FOR THE THREE MONTHS
OF FY 2016 ENDED NOVEMBER 30, 2015**

The auditors reviewed the Financial Statement of 31.08.2015, while the Statements as of 30.11.2015 unaudited.

1. STATEMENT OF FINANCIAL POSITION

	30.11.2015	31.08.2015
Assets		
Non - current assets		
Non - current tangible assets	12 053	12 142
Intangible assets	31	26
Deferred income tax asset	87	91
Total non - current assets	12 171	12 259
Current assets		
Inventories	7 449	6 810
Trade debtors	4 874	6 511
Current income tax prepayment	-	24
Other accounts receivable	1 145	1 088
Cash and cash equivalents	873	413
Total current assets	14 341	14 846
Total assets	26 511	27 105
Shareholders' equity and liabilities		
Capital and reserves		
Share capital	4 508	4 508
Legal reserve	450	450
Retained earnings	7 649	6 930
Total capital and reserves	12 607	11 888
Non - current liabilities		
Grants and subsidies	35	36
Total Grants and subsidies	35	36
Provision for employee benefits	685	685
Loans and other interest bearing payables	26	26
Total non - current liabilities	711	711
Current liabilities		
Loans and other interest bearing payables	5 421	7 661
Debts to suppliers	5 314	4 266
Other liabilities	2 423	2 543
Total current liabilities	13 158	14 470
Total liabilities	13 869	15 181
Total equity and liabilities	26 511	27 105

Due to the change of the financial year, financial statements for the first three months of FY2016 ended November 2015 is not compared to the first three months of the previous year.

2. STATEMENT OF COMPREHENSIVE INCOME

	FY 2016 I quarter
Revenue	16 331
Cost of sales	(14 394)
Gross profit	1 937
Distribution costs	(470)
Administrative costs	(624)
Other operating income, net	33
Profit from operating activities	877
Financial income	1
Financial costs	(22)
Financial income, net	(21)
Profit before taxes	856
Income tax	(137)
Profit for the period	719
Other comprehensive income	-
Total comprehensive income for the period	719
Attributable to Owners of the Company:	
Profit	719
Other comprehensive income	-
Total comprehensive income	719
Earnings per share (in EUR)	0,18

Due to the change of the financial year, financial statements for the first three months of FY2016 ended November 2015 is not compared to the first three months of the previous year.

3. STATEMENT OF CHANGES IN EQUITY

	Share capital	Legal reserve	Obligatory reserve	Accrued earnings	Total
Balance as of 31 December 2014	4 502	450	-	4 783	9 735
Net profit	-	-	-	2 160	2 160
Other comprehensive income	-	-	-	(13)	(13)
Total comprehensive income	-	-	-	2 147	2 147
Transactions with owners					
Dividends to equity holders of the Company	-	-	-	-	-
Total transactions with owners	-	-	-	-	-
Result of conversion of the Authorized capital	6	-	-	-	6
Balance as of 31 August 2015	4 508	450	-	6 930	11 888
Net profit	-	-	-	719	719
Other comprehensive income	-	-	-	-	-
Total comprehensive income	-	-	-	719	719
Transactions with owners					
Dividends to equity holders of the Company	-	-	-	-	-
Total transactions with owners	-	-	-	-	-
Result of conversion of the Authorized capital	-	-	-	-	-
Balance as of 30 November 2015	4 508	450	-	7 649	12 607

Due to the change of the financial year, financial statements for the first three months of FY2016 ended November 2015 is not compared to the first three months of the previous year.

4. STATEMENT OF CASH FLOWS

	30.11.2015	31.08.2015
Net profit (loss)	719	2 160
Adjustments:		
Depreciation and amortization	298	1 315
Result on disposal, writing off, etc. of non-current	(1)	(173)
Changes in provisions	-	90
Interest (income) expenses	19	70
Deferred income tax (income) expenses	4	(24)
Income tax expenses	133	393
Other expenses (income)	13	-
Cash flows from ordinary activities before changes	1 186	3 831
Changes in trade receivables and other amounts	(1 537)	(2 851)
Changes in inventories	(639)	(2 270)
Changes in debts to suppliers and other liabilities	915	1 055
Income tax paid	-	-
Cash flows from operating activities	2 999	(235)
(Acquisition) of tangible non-current assets	(272)	(471)
Sale / writing of non-current tangible assets	1	1 105
Transfer (to) from time deposits	-	1
Grants received	-	36
Cash flows from investing activities	(271)	671
Loans (granted) / repaid	-	-
Loans received / (repaid)	(2 240)	(1 042)
Interest (paid) / received	(14)	(63)
Dividends (paid)	(13)	(14)
Cash flows from financing activities, net	(2 268)	(1 119)
Cash flows from operating, investing and financing	460	(683)
Cash and cash equivalents as of 1 September	413	1 096
Cash and cash equivalents as of 30 November	873	413

Due to the change of the financial year, financial statements for the first three months of FY2016 ended November 2015 is not compared to the first three months of the previous year.

5. EXPLANATORY NOTES

1 SUMMARY OF THE BASIC ACCOUNTING PRINCIPLES AND PRACTICES

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

The Company manufactures furniture. As of 30 November 2015 the Group employed 683 people, the Company employed 635 people (on 31 August 2015 the Group employed 724 employees, the Company – 673). The Company's shares are traded on the Baltic Secondary List of the NASDAQ OMX Vilnius AB Stock Exchange.

Significant accounting policies

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

Basis for drawing up of the interim condensed consolidated statement

The interim condensed consolidated financial statements for the three months of FY 2016 ended 30 November 2015 have been prepared in accordance with IAS 34 Interim Financial Reporting.

The interim condensed consolidated financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's and the Company's annual financial statements as for 8 months of 2015.

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

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

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

Functional and presentation currency

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

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

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

Principles of consolidation

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

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

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

Intangible assets

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

Software

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

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

Property, plant and equipment

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

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

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

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

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

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

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

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

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

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

Financial assets

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

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

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

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

Loans and receivables

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

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

Effective interest rate method

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

Derecognition of financial assets

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

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

Investments into subsidiaries

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

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

Inventories

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

Trade receivables

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

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

Cash and cash equivalents

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

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

Share capital

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

Dividends distribution

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

Borrowings

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

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

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

Leases

The Company and the Group are the lessees

(a) Finance lease

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

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

(b) Operating lease

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

The Company and the Group are the lessors

(c) Operating lease

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

Grants

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

Trade payables

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

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

Employee benefits

(a) Social security contributions

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

(b) Termination benefits

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

(c) Bonus plans

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

(d) Provisions for pensions and jubilee payments

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

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

Provisions

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

Income tax

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

The income tax rate in Lithuania was 15 % in 2015 (15 % in 2014).

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

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

Deferred taxes are calculated using the statement of financial position liability method. Deferred income taxes reflect the net tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes.

Deferred tax assets and liabilities are measured using the tax rates expected to apply to taxable income in the years in which those temporary differences are expected to reverse based on tax rates enacted or substantially enacted at the statement of financial position date.

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

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

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

Income tax and deferred tax for the accounting period

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

Revenue recognition

a) Sales of goods

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

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

b) Interest income

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

Expense recognition

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

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

Foreign currencies

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

Impairment of assets

Financial assets

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

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

Non-financial assets

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

Segment information

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

Related parties

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

Contingencies

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

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

Subsequent events

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

Offsetting and comparative figures

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

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

Use of estimates in the preparation of financial statements

The preparation of financial statements in conformity with IFRS requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, income and expenses and disclosure of contingencies, at the reporting date and within the next financial year. Estimates and judgements are continually evaluated and are based on management's experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Management also makes certain judgements, apart from those involving estimations, in the process of applying the accounting policies. However, uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amount of the asset or liability affected in the future.

Estimates and assumptions

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

Property, plant and equipment – useful life

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

Tax liabilities

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

Related party transactions

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

Pension and jubilee benefits

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

2 SEGMENT REPORTING

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

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

Breakdown of revenue by the location where production is delivered:

	Sales
	FY 2016 I quarter
European Union countries	10 726
Other than European Union countries	5 336
Lithuania	269
	16 331

3 DISTRIBUTION COSTS

	FY 2016 I quarter
Transportation and storage costs	408
Remuneration and social insurance	35
Depreciation and amortization	3
Other	23
	469

Due to the change of the financial year, financial statements for the first three months of FY2016 ended November 2015 is not compared to the first three months of the previous year.

4 ADMINISTRATIVE COSTS

	FY 2016 I quarter
Remuneration and social insurance	336
Depreciation and amortization	12
Operation taxes expenses	37
Employee training and consultation	18
Insurance	13
Business trips	10
Waste utilization expenses	38
Utilities and communication	9
Bank services	1
Other	150
	624

5 OTHER OPERATING INCOME, NET

	FY 2016 I quarter
Rent income	28
Other income and costs	5
	33

6 FINANCIAL INCOME, NET

	FY 2016 I quarter
Loan interest income	(19)
Currency exchange profit, less loss	(2)
Other financial and investment income and expenses	-
	(21)

Due to the change of the financial year, financial statements for the first three months of FY2016 ended November 2015 is not compared to the first three months of the previous year.

7 PERSONNEL COSTS

	FY 2016 I quarter
Production and product development costs	2 091
Sales, administrative and other costs	371
	2 462

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.

	FY 2016 I quarter
Net annual profit	719
Weighted average number of the shares (thousand)	3 886
Earnings per share (EUR)	0.18

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

	Buildings	Machinery and equipment	Vehicles	Other non-current assets	Total
Costs as of 1 September 2015	4 303	26 951	173	1 246	32 673
Increase	44	156	4	58	262
Sales	-	(5)	(77)	(18)	(100)
Writing off	(36)	(10)	-	(13)	(59)
Reclassified from/ to	2	11	-	(13)	-
Costs as of 30 November 2015	4 313	27 103	100	1 260	32 776
Depreciation as of 1 September 2015	2 008	17 567	127	829	20 531
Depreciation	33	243	6	24	306
Sales	-	(5)	(75)	(17)	(97)
Writing off	(36)	(10)	-	(13)	(59)
Depreciation as of 30 November 2015	2 005	17 795	58	823	20 681
Net carrying value as of 30 November 2015	2 308	9 308	42	437	12 095
Net carrying value as of 1 September 2015	2 295	9 384	46	417	12 142
Depreciation period	40 years	6 – 10 years	5 – 10 years	2 – 6 years	-

Depreciation was broken down as follows:

	FY 2016 I quarter
Production and product development costs	297
Sales, administrative and other costs	9
	306

10 INVENTORIES

	FY 2016 I quarter	31.08.2015
Raw materials	2 396	2 123
Production in progress	384	282
Finished products	4 668	4 405
Goods for resale	1	-
	7 449	6 810

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

11 OTHER ACCOUNTS RECEIVABLE

	FY 2016 I quarter	31.08.2015
VAT recoverable	837	714
Other amounts receivable and future costs	308	374
	1 145	1 088

12 CASH AND CASH EQUIVALENTS

	FY 2016 I quarter	31.08.2015
Cash in banks	873	413
	873	413

Due to the change of the financial year, financial statements for the first three months of FY2016 ended November 2015 is not compared to the first three months of the previous year.

13 CAPITAL AND RESERVES

Share capital

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

Legal reserve

The reserve of EUR 450 thousand is the legal reserve made under the laws of the Republic of Lithuania. An allocation of at least 5% of the net profit must be made into the legal reserve out of the profit to be appropriated every year until the legal reserve reaches 10% of the authorized capital.

14 LOANS AND OTHER BORROWINGS

	FY 2016 I quarter	31.08.2015
Non – current liabilities		
Financial leasing	26	26
Loans	-	-
Net carrying value, eop.	26	26
Short – term liabilities		
Current portion of financial leasing	7	29
Loans	1 241	2 129
Credit line	4 173	5 503
Net carrying value, eop.	5 421	7 661
Total liabilities	5 447	7 687

	Maturity term	FY 2016 I quarter	31.08.2015
Finance lease Danske Bank A/S	2017	33	55
Credit line Danske Bank A/S	2015	4 173	5 503
Credit Danske Bank A/S	2016	1 241	2 129

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

Due to the change of the financial year, financial statements for the first three months of FY2016 ended November 2015 is not compared to the first three months of the previous year.

Interest risk

Euribor related floating interest rates are applied to the loans extended to the Company.
As of 30 November 2015 the Company used no financial instruments as interest risk hedging.

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

	Total amount payable as of 30 November 2015	2015	2016	2017
Finance lease	33	2	14	17
Credit line	4 173	4 173	-	-
Credit	1 241	295	946	-
	5 447	4 470	960	17

15 POST – EMPLOYMENT ANT OTHER LONG TERM EMPLOYEE BENEFITS

	FY 2016 I quarter	31.08.2015
Post – employment and other long term employee benefits	685	685
	685	685

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

16 OTHER LIABILITIES

	FY 2016 I quarter	31.08.2015
Remuneration and social insurance	731	708
Holiday pay reserve	676	817
Dividends payable	954	968
Operating taxes	20	21
Other accounts payable and accrued taxes	22	29
	2 403	2 543

Currency risk

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

17 RELATED PARTY TRANSACTIONS

30.11.2015	Purchases	Sales	Receivables	Payables
Inreal valdymas UAB	12	5	-	-
Invalda privatus kapitalas UAB	-	-	-	-
Akvilas UAB	-	-	-	-
	12	5	-	-

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

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

During the next financial year the product range of the Company will partially change: outgoing product family (shelf system) will be replaced by a new modern and functional product (also a shelf system). The new product will be produced without additional investments and using current equipment.

Next year the Company will specifically focus on productivity, improvement of internal processes and quality, production of new products.

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

On the 14th of December 2015 the Annual General Shareholders Meeting of Vilniaus baldai AB adopted the following resolutions:

Agenda item #1: Consolidated annual report.

The Company's consolidated annual report for the 8-month period ended as at 31 August 2015 was presented.

Agenda item #2: Company's auditor's report.

The auditor's (KPMG Baltics UAB) report on financial reports for the 8-month period ended as at 31 August 2015 was presented.

Agenda item #3: Approval of the Company's financial statements for the 8-month period ended as at 31 August 2015.

Resolution: to approve Company's financial statements for the 8-month period ended as at 31 August 2015.

Agenda item #4: Approval of the Company's consolidated financial statements for the 8-month period ended as at 31 August 2015.

Resolution: to approve Company's consolidated financial statements for the 8-month period ended as at 31 August 2015.

Agenda item #5: Approval of the Company's profit distribution.

Resolution: to approve Company's profit distribution.

Undistributed retained earnings, brought forward	4 766 912 EUR
Net result for the current year	2 156 226 EUR
Profit (loss) not recognized in the income statement of the reporting financial year	(12 516) EUR
Distributable result	6 910 622 EUR
Transfers to the obligatory reserves	591 EUR
Transfers to other reserves	-
To be paid as dividends*	3 886 267 EUR
To be paid as annual payments (bonus) to the board	-
Undistributed retained earnings, carried forward	3 023 764 EUR

* 1.00 EUR dividends per one ordinary share.

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

Financial results of activities

The Group Revenue stood at 16 331 thousand EUR during September – November of 2015.
Net profit of the Group during September – November of 2015 was 719 thousand EUR, while EBITDA
was 1 173 thousand EUR.

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