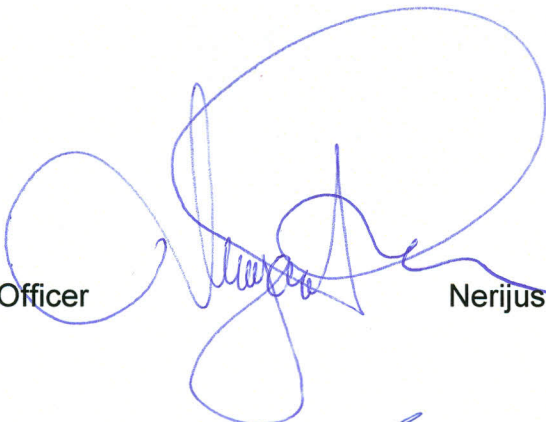


RESPONSIBLE PERSONS' CONFIRMATION

02.04.2010

Pursuing part 1 of Article 21 of the Law of Securities of the Republic of Lithuania and rules on preparation and submission of periodic and additional information of the Lithuanian Securities Commission, hereby we confirm that the audited Consolidated and Company's Financial Statements of Vilniaus Baldai AB for the year 2009, have been prepared in accordance with International Financial Reporting Standards (IFRS), gives a true and fair view of assets, liabilities, financial position, profit or loss, and also that Consolidated Annual Report shows fair business environment as well as description of the Company's performance.

Chief Executive Officer



Nerijus Pacevicius

Chief Financial Officer



Ausra Kibirkstiene

VILNIAUS BALDAI AB

CONSOLIDATED AND PARENT COMPANY'S FINANCIAL STATEMENTS FOR
THE YEAR ENDED 31 DECEMBER 2009
PREPARED ACCORDING TO INTERNATIONAL FINANCIAL REPORTING
STANDARDS AS ADOPTED BY THE EUROPEAN UNION
PRESENTED TOGETHER WITH INDEPENDENT AUDITOR'S REPORT

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Translation note

Our report has been prepared in Lithuanian language and in English language. In all matters of interpretation of information, views or opinions, the Lithuanian language version of our report takes precedence over the English language version.

Independent auditor's report

To the Shareholders of AB Vilniaus Baldai

Report on the Financial Statements

We have audited the accompanying stand alone and consolidated financial statements (the 'Financial Statements') of AB Vilniaus Baldai (the 'Company') and its subsidiary (together the 'Group') set out on pages 38 – 77 which comprise the stand alone and consolidated statement of financial position as at 31 December 2009 and the stand alone and consolidated statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended and a summary of significant accounting policies and other explanatory notes.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these Financial Statements in accordance with International Financial Reporting Standards as adopted by the European Union. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of the financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility

Our responsibility is to express an opinion on these Financial Statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the accompanying Financial Statements give a true and fair view of the financial position of the Company and the Group as of 31 December 2009 and of their financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union.

Report on other legal and regulatory requirements

Furthermore, we have read the Consolidated Annual Report for the year ended 31 December 2009 set out on pages 5 – 37 and have not noted any material inconsistencies between the financial information included in it and the audited Financial Statements for the year ended 31 December 2009.

On behalf of PricewaterhouseCoopers UAB



Christopher C. Butler
Partner

Vilnius, Republic of Lithuania
2 April 2010



Rasa Radzevičienė
Auditor's Certificate No.000377

Confirmed ____ 2010
at the Board Meeting

COMPANIES COMPOSING THE GROUP

Vilnius Baldai AB (hereinafter – the Company) prepares both separate Company's and consolidated financial statements. The Group (hereinafter – the Group) consists of Vilnius Baldai AB and subsidiary ARI-LUX UAB in which the Company directly controls 100% of shares.

GENERAL INFORMATION ABOUT THE COMPANY:

Name	Joint stock company Vilnius Baldai AB
Legal form	Joint stock company
Code	121922783
VAT payer's code	LT219227811
Authorised capital	LTL 15,545,068, divided into 3,886,267 ordinary registered shares with the par value of LTL 4 each.
Office address	Savanorių Ave. 178, LT-03154 Vilnius
Telephone	(8~5) 252 57 00
Fax	(8~5) 231 11 30
E-mail	info@vilniausbaldai.lt
Internet website	www.vilniausbaldai.lt
Registration date and place	9 February 1993, Vilnius City Board
Register, where all the information about the Company is collected and stored	Register of legal entities
Main type of the activity	Design, production and selling of the office, bedroom, living-room and hall furniture

GENERAL INFORMATION ABOUT THE SUBSIDIARY:

Name	Limited liability company ARI-LUX UAB
Legal form	Limited liability company
Code	120989619
VAT payer's code	LT209896113
Authorised capital	LTL 10,000
Office address	Savanorių Ave. 178, LT-03154 Vilnius
Telephone	(8~5) 252 57 44
Fax	(8~5) 252 57 44
E-mail	saxela@takas.lt
Internet website	
Registration date and place	28 October 1991, Vilnius City Board
Register, where all the information about the Company is collected and stored	Register of legal entities
Main type of the activity	Packaging

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

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

In 2009 the company further implemented the reorganisations started in 2006. The reorganisations are aimed at the reduction of costs, increase in labour productivity. Due to the optimisation of the labour processes, the labour productivity increased by 35 %, and one employee manufactured production for LTL 385 thousand average during 2009. In 2009 the organizational structure of the Company was adjusted, with the purpose to make changes in the management levels to define clearly the functions, cooperation and liabilities of the departments. We expect that the new organisational structure will help to implement the strategy of the Company while the rational use of the resources of the Company, increase of productivity aiming for the European standards and strict control of the quality will ensure better operating results of the Company in the future.

The disposal of ordinary shares of Giriū Bizonas UAB had a major impact on the 2009 and 2008 financial results and ratios of the Group. On 10 December 2008 the Company signed a shares purchase - sale agreement for the disposal of the Giriū Bizonas UAB ordinary shares. The Company held the 122,497 ordinary shares of Giriū Bizonas UAB which is 25 % of the share capital. In operating result for year 2008 of the Group the gain from disposal of the investment amounts to 16,375 thousand LTL and the loss for accounting of Giriū Bizonas UAB under the equity method amounts to of 6,070 thousand LTL. On 2 July 2009 the Company signed the agreement regarding shares' price correction of Giriū Bizonas UAB. An estimated loss on the disposal of the investment included the Group's and the Company's results of operations for 2009 amounted to LTL 1,102 thousand.

Main risks faced by the Group:

Economic risk factors. The sales of Vilniaus Baldai AB to the main customer Swedish concern IKEA made about 99 % of all the sales of the Company in the year 2009 (in 2008 – 99 %, in 2007 – 95 %, 2006 – 81.5 %).

The Company competes with the world furniture producers, including the Eastern European and Chinese producers. The advantages of the Company compared to the Chinese producers is the logistics advantage (the shorter period of product delivery due to the good geographic location), high quality of production.

Political risk factors. Critical changes in the business environment are related to the national taxation reform and complicated situation in the business. The profit of the national companies according to the Law on Profit Tax of the Republic of Lithuania is levied by 20 % and Value-added tax according to the Law on Value-added Tax of the Republic of Lithuania is levied by 21 % since 1 September 2009. This has a direct impact on the net profit and cash flows of the Company. There are no requirements and restrictions established by the State to the issuer's activity.

Social risk factors. The complicated situation of business in Lithuania effects the Company as well, and this results in the need for changes to be introduced in the Company's organisational structure, the need for higher labour productivity, introduction of an effective system of the purchase of raw materials and services, a continuous enhancement of business and accounting systems. In the year 2009 the wages in the Company were increased by 9.6 % on the average. The Company pays great attention to the improvement of operating conditions and training and qualification improvement of the employees. Trade Union, representing the interests of the employees, operates actively in the Company.

Supply

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

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

Ecological risk factors. There is an environment protection management system introduced in the Company, corresponding to the ISO 14001 requirements. The core of this system is the management and permanent improvement of the environment protection. The Company works purposefully seeking to make the production ecological, to control the impact that the materials and raw materials have on the environment, to ensure that the suppliers of the products and services correspond to the environment protection management requirements. Recertification audit for quality management system and environmental management system according EN ISO 9001:2008 and EN ISO 14001:2004 was performed on 9 - 10th July 2009. There aren't identified any non - conformances. In 2009 Vilniaus Baldai AB paid LTL 26 thousand of the environment pollution taxes, as well as LTL 181 thousand for the waste utilisation services. There were no manufacturing restrictions because of the environment pollution.

1. REVIEW OF THE COMPANIES GROUP'S POSITION, ACTIVITY AND DEVELOPMENT, CHARACTERISATION OF THE MAIN TYPES OF RISKS AND UNCERTAINTIES, FACED BY THE COMPANY (cont'd)

Repayment of the loans. The repayment of the loans is made according upon the contractual schedules. All the payments to the bank are made on time. Information on terms and conditions of repayment of financial liabilities, credit and interest rate risks of the Group and the Company is provided in the notes to the Consolidated and the Parent company's financial statements for the year 2009 (14 and 24 Notes).

Characteristics of the main types of risks and uncertainties, faced by the Company. On 10 December 2008 the Company signed a shares purchase - sale agreement for the disposal of the Giriu Bizonas UAB ordinary shares. According to the addendum to the agreement the Company is committed to compensate to the acquirer 25 % but not more than LTL 750 thousand of expenses related to the termination of agreement No. PR2005 – 69 concluded on 23 August 2005 by Giriu Bizonas UAB with Lietuvos Dujos AB and 25 % but not more than LTL 500 thousand of expenses related to the additional emission rights acquisition if there is a need to acquire additional emission rights in the years 2009 – 2010. As of 31 December 2009 the Company's financial statements did not include any provisions regarding these contingencies because the Company has evidence that the agreement between Giriu Bizonas UAB and Lietuvos Dujos AB will not be terminated during 2010 and the Company has evidence that there will be no need to acquire additional emission rights.

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

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

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

Indicators characterising the operation of the Group in the period of 2007 – 2009:

	2009	2008	2007
Net profitability = net profit / sales * 100	10.47%	5.52%	1.39%
Average return on assets ROA = net profit / (assets at the beginning of the period + assets at the end of the period) / 2 *100	18.35%	8.24%	2.16%
Return on equity ROE = net profit / equity*100	34.71%	25.90%	9.65%
Net earnings per share EPS = net profit / number of shares	4.01	1.95	0.54
Debt ratio = liabilities / assets	0.42	0.68	0.77
Debt to equity coefficient = liabilities / share capital	0.74	2.13	3.26
Current ratio = current assets / current liabilities	1.50	0.96	0.54
Asset's turnover = sales / assets	1.91	1.50	1.64
Book value of share = equity / number of shares	11.56	7.55	5.59
Turnover (thousand LTL)	148,966	137,523	151,404
Gross profit (thousand LTL)	28,974	8,468	15,052
Net profit (thousand LTL)	15,590	7,596	2,097
EBITDA (million LTL)	27.0	8.5	17.3
Dividends per share (for the prior accounting period)	-	-	-
Earnings per share P/E	2.2	6.2	40.7
The lowest share price	LTL 6.01	LTL 11.60	LTL 17.03
The highest share price	LTL 11.00	LTL 23.00	LTL 25.00
Closing price	LTL 9.00	LTL 12.00	LTL 22.00
Capitalisation (thousand LTL)	34,980	46,640	85,500

*EBITDA for the year 2008 and 2007 is recalculated before considering the share of loss from Giriu Bizonas UAB (which was accounted using equity method) and before profit from sale of these shares.

PRODUCTION AND SALES

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

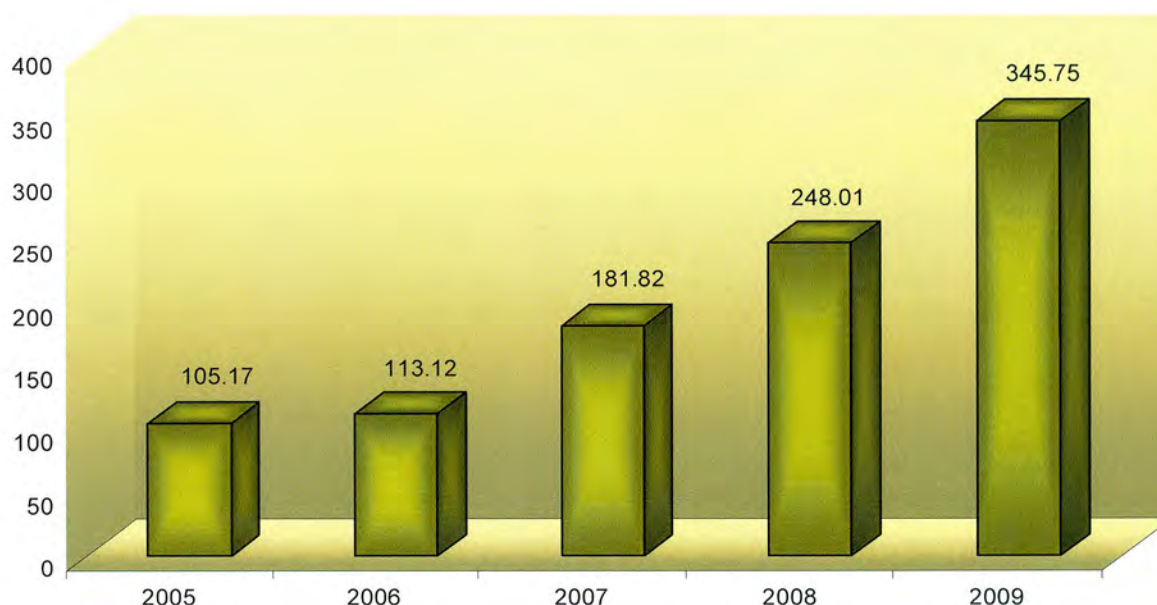
Modern equipment, purchased from such world-renowned manufacturers as Holzma, Homag, Burkle, Weeke, Wikoma, Ima, Biesse, Wemhoner etc., enables to manufacture different types of the furniture, coated with planed plywood and enamel.

The Company producing flat-pack furniture aims at the large-serial and mass production, and the production is sold through the trading partners, to whom the main requirement is made to ensure large sales, retaining not wide assortment.

The volumes of Company's production in terms of value in the period of 2007 – 2009:

Production	2009		2008		2007	
	thousand LTL	%	thousand LTL	%	thousand LTL	%
Furniture	152,823	100.00	138,755	99.73	148,900	99.75
Other production	-	-	380	0.27	374	0.25
Total	152,823	100.00	139,135	100.00	149,274	100.00

Production per worker 2005 – 2009 (thousand LTL / per year):



The scope of in-kind production of the Company in the period of 2007 – 2009:

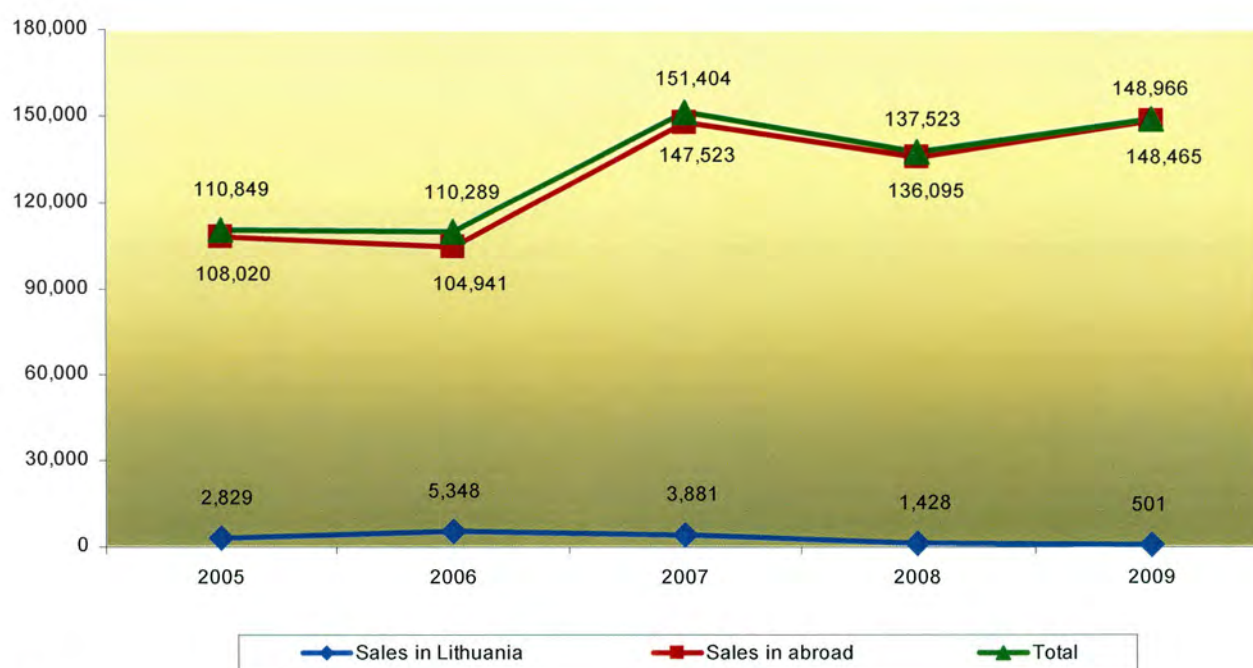
Description of the product	2009	2008	2007
Tables	-	15,313	9,996
Wardrobes	127,363	68,704	116,668
Cabinets	-	-	120
Sections	-	-	-
Beds	210,360	50,477	86,158
Chest of drawers	378,697	205,595	325,166
Book shelves and shelvings	2,045,380	351,992	608,578
Wooden parts of furniture	-	2,474,483	2,012,394

PRODUCTION AND SALES (cont'd)

Production sales according to the markets in the period of 2007 – 2009:

Sales	2009		2008		2007	
	thousand LTL	%	thousand LTL	%	thousand LTL	%
Sales in Lithuania	501	0.34	1,428	1.04	3,881	2.56
Sales in abroad	148,465	99.66	136,095	98.96	147,523	97.44
Total	148,966	100.00	137,523	100.00	151,404	100.00

Sales of the Company in the period of 2005 – 2009, in LTL thousand:



SUPPLY

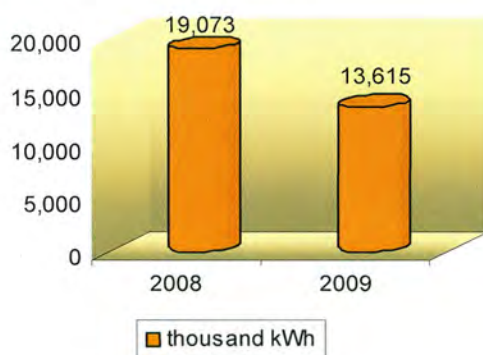
Vilniaus Baldai AB has introduced an effective system of the purchase of raw materials and services. The Company maintains strong strategic relations with suppliers and constantly searches for new opportunities in the markets of raw materials and services. The purchase process is distinguished into strategic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

Vilniaus Baldai AB establishes the long-term contracts with the suppliers. The Company acquires the main raw materials from the local, Czechish, Polish and Swedish producers. The main suppliers are Swedspan Giriu Bizonas UAB, Drevozaspracijai Druztstvo, Pfeleiderer Grajewo S. A., Becker Acroma UAB, Pfeleiderer MDF SP.Z.O.O, Rehau UAB, SCA Packaging UAB. The local supply of the raw materials is pre-conditioned by the cheap transportation costs and good relations with the major suppliers.

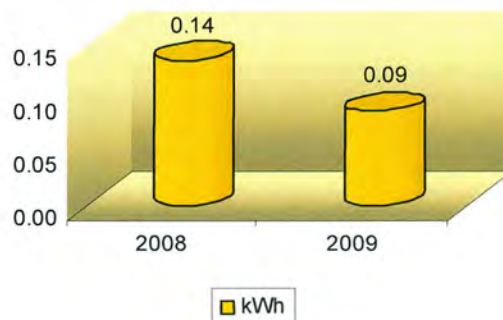
ENERGETICS

Vilniaus Baldai AB pays a lot of attention on reduction of energy costs. During 2009 the Company consumed 13,615 thousand kWh of electricity, which is 29 per cent less than in 2008 (2008 – 19,073 thousand kWh).

Consumption of electricity, thousand kWh per year



Output per one LTL consumption of electricity, kWh



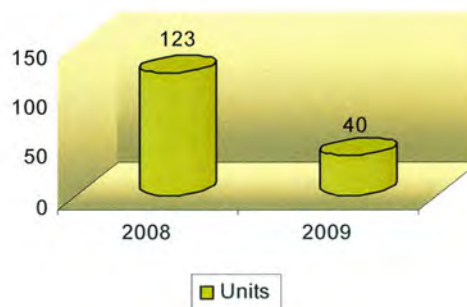
EMPLOYEES

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

Employees of the Company the number of cases of illness, units per year



Employees of the Company the number of bone diseases - muscular disease cases, units per year



During 2009 the number of work places at the Group and the Company was reduced, this was caused by the increase in labour productivity. 433 employees worked in the Group and 413 employees in the Company at the end of 2009 (579 in the Group and 534 in the Company at the end of 2008). The average age of the employees is 42 years.

The average number of the recorded employees in the period of 2007 – 2009:

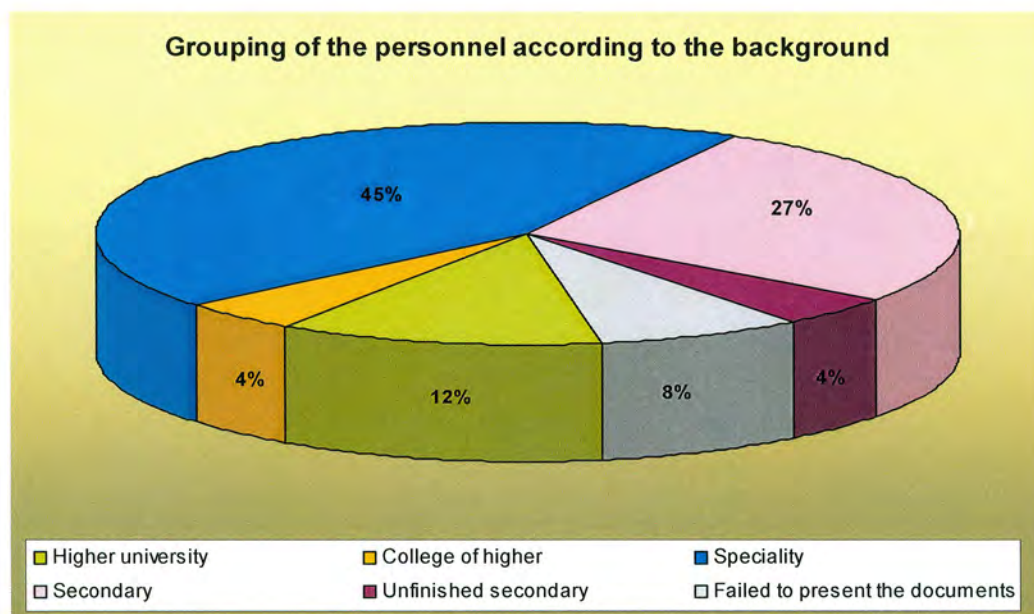
	2009	2008	2007
Executive personnel	5	4	5
Specialists	40	68	85
Workers	397	489	731
Total	442	561	821

EMPLOYEES (cont'd)

The increasing production capacity of the Company and the stable sales allow to increase the wages, which in 2009 increased by 9.6 % on the average. Remuneration comprises a basic and variable component. A variable component of remuneration depends on the Company's results of operations. The Company is proud of its highly experienced and qualified employees.

The average wages of the employees in the period of 2007 – 2009:

	2009	2008	2007
Executive personnel	12,746	13,340	11,559
Specialists	3,615	2,932	2,994
Workers	2,429	2,266	1,793
Total	2,661.5	2,428.7	1,951.7



The collective agreement is concluded in the Company. The collective agreement was renewed on 25 November 2009. The agreement is mandatory for all the employees of the Company. The purpose of this agreement is to ensure the harmonious work of the staff, high level of working conditions of different categories of employees, salary and other working conditions also to ensure additional social guarantees which are not stated according to the regulations of Lithuanian legislations for the employees of the Company. The collective agreement includes the working contract formation, change, termination, work and rest time, payment for work done, improvement of the qualification of the employees, safety at work and medical assistance, social care, trade - union activity and guarantees of the elected employees.

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

The information presented in the annual financial statements and the explanatory notes.

4. INFORMATION ABOUT THE OWN SHARES

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

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

The Company does not have any branches or representative offices.

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

In 2010 the Company directed its efforts towards improving business and accounting systems. Organisation of business activities and sales operations are improved seeking to deliver products ordered in a flexible and efficient manner. Purchase processes are also enhanced seeking to ensure a timely delivery of raw materials. Production processes are improved to ensure effective management of production activity.

In 2010 new products were introduced to the range of the Company's products – a wall mirror and shelvings.

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

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

As the assumptions for calculating forecasts are uncertain and the results may fluctuate significantly it was decided to review the forecasts once per quarter and to confirm the forecasts of 2010 when the situation will be more concrete.

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

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

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

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

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

The Company has signed the contract with the FMĮ Finasta AB (Maironio Str. 11, Vilnius) on the management of the Company's securities accounting and the dividends paid to the shareholders for the fiscal years of 2002 – 2005.

11. STRUCTURE OF THE ISSUER'S AUTHORISED CAPITAL

Structure of the authorized capital of Vilniaus Baldai AB:

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

The Company's authorised share capital is divided into 3,886,267 ordinary registered shares with par value of LTL 4 each. The shares are intangible. They are recorded in personal securities accounts of shareholders. These accounts are managed following the procedure established by regulatory legislation on the securities market.

Rights and obligations carried by the shares

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

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

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

11. STRUCTURE OF THE ISSUER'S AUTHORISED CAPITAL (cont'd)

Rights and obligations carried by the shares

The shareholders have the following property and moral rights:

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

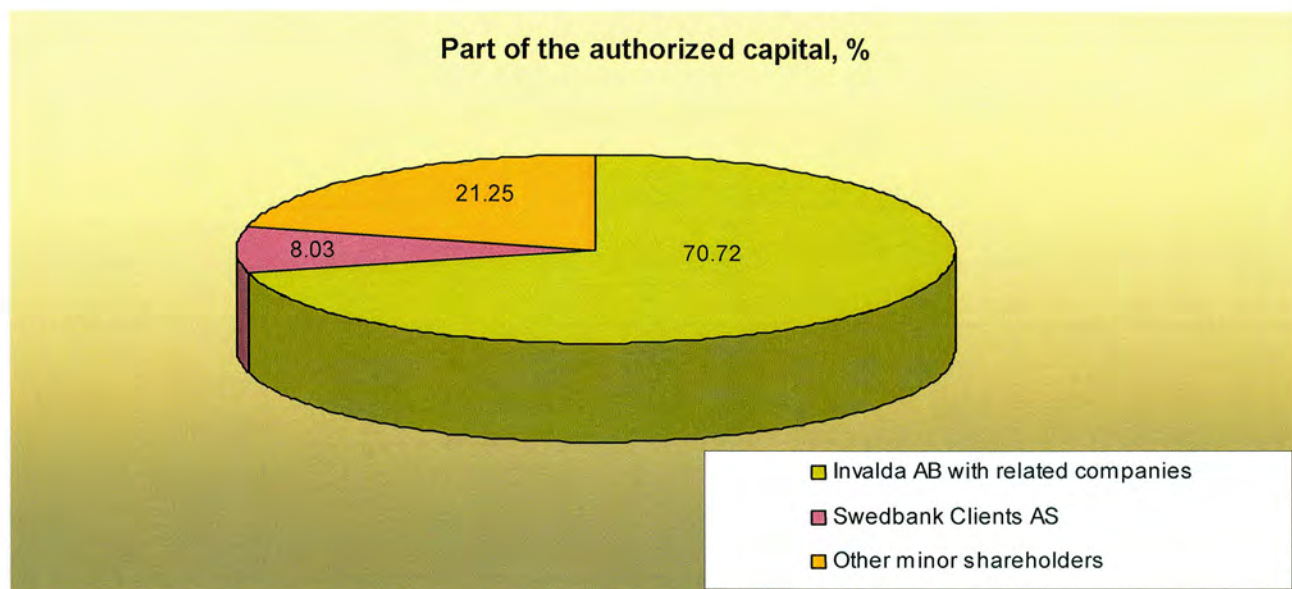
12. SHAREHOLDERS

Total number of the shareholders as of 31 December 2009 is 1,079.

The shareholders who had upon the property rights or possessed more than 5 % of the issuer's authorised capital on 31 December 2009:

Names of the companies, office addresses, codes	Number of shares owned under the property rights, units	Part of the authorised capital, %	Part of the votes, %
Invalda AB with related companies, company code 121304349, Seimyniskiu Str. 1 A, Vilnius	2,748,395	70.72	72.01
Swedbank Clients, company code 10060701 Liivalaia 8, 15040 Tallinn, Estonia	311,927	8.03	8.03

12. SHAREHOLDERS (cont'd)



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

The are no voting rights restrictions.

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

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

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

The main characteristics of shares:

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

The trade of the shares of the Company:

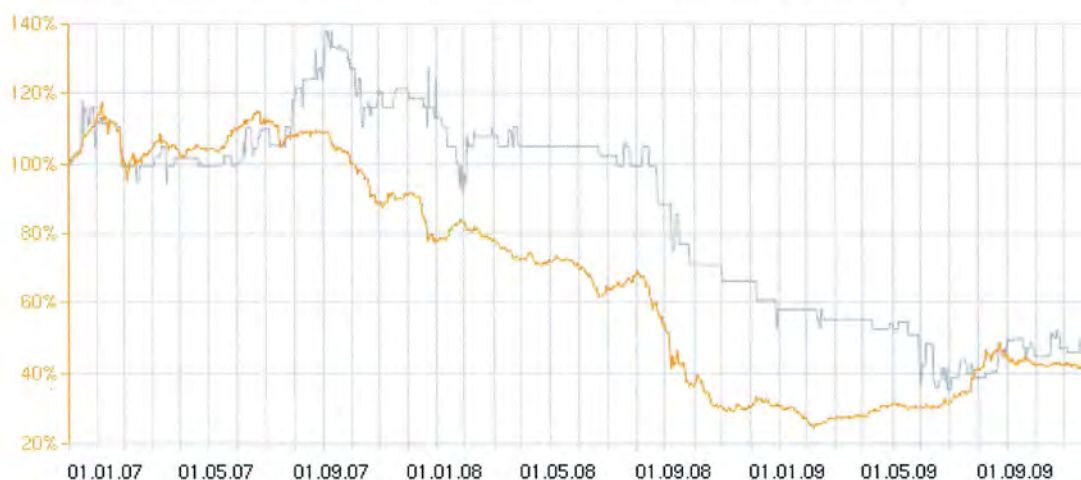
	2009	2008
Price of the shares, LTL:		
- opening	12.00	21.50
- highest	11.00	23.00
- lowest	6.01	11.60
- closing	9.00	12.00
- average	9.02	17.95
Turnover of shares, units	136,738	160,117
Turnover of shares, LTL	1,089,183	2,874,420
Total number of transactions, units	337	374
Capitalization, million LTL	34.98	46.64

13. INFORMATION ABOUT THE ISSUER'S STOCK EXCHANGE TRADING ON THE REGULATED MARKETS (cont'd)

Vilnius Baldai AB turnover and price (since the beginning of the sales of the shares):



Comparison of the price of shares of Vilnius Baldai AB with the OMXBB index in 2007–2009:



Index/Equity	01.01.2007	31.12.2009	+/-%
— OMX Baltic Benchmark GI	749.13	314.42	-58.03 ↓
— VBL1L	18.10 LTL	9.00 LTL	-50.28 ↓

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

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

15. ISSUER'S BODIES

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

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

15. ISSUER'S BODIES (cont'd)

The Board and Administration of the Company:

	Mr. Vytautas Bucas	
	Position	
	Chairman of the Board, elected to the Board on 12.04.2007, re-elected on 29.04.2008, end of the term – 2012.	
	Work experience	
	Since 2006 Adviser of Invalda AB (since May, 2007 Chairman of the Board) 2006 – 2007 Director of Invaldos Nekilnojamojo Turto Fondas AB 2000 – 2006 SEB Bankas AB, Board member, Vice President, CFO, Head of IT Department 1992 – 2000 Senior Auditor, Senior Manager, Manager at Arthur Andersen	
	Participation in the activities of other companies	Number of shares and of voting rights
	Chairman of the Board of Invalda AB	22.52 % of shares and of voting rights; (since 03.02.2010 18.56 % shares and of voting rights)
	Chairman of the Board of Invaldos Nekilnojamojo Turto Fondas AB	-
	Member of the Supervisory Board of Tiltra Group AB	-
	Mr. Darius Sulnis	
	Position	
	Board member, elected to the Board on 12.04.2007, re-elected on 29.04.2008, end of the term – 2012.	
	Work experience	
	Since 2006 President and Board member of Invalda AB 2002 – 2006 Director of Invalda Nekilnojamojo Turto Valdymas UAB 1994 – 2002 Director of FMJ Finasta AB	
	Participation in the activities of other companies	Number of shares and of voting rights
	President, Board member of Invalda AB	7.82 % of shares, 9.56 % of voting rights; (since 03.02.2010 6.45 % shares, 7.89 % of voting rights)
	Board member of Invaldos Nekilnojamojo Turto Fondas AB	-
	Board member of Uomega AB	-
	Chairman of the Supervisory Board at Dommo SIA (Latvia)	-
	Chairman of the Supervisory Board at Burusala SIA (Latvia)	-
	Lucrum investicija UAB	100 % (all voting rights are disposed)
	Golfas UAB	31 %
	Member of the Supervisory Board of Tiltra Group AB	-
	Board member of Sanitas AB	-
	Participation in Vilniaus Baldai AB authorised capital	0.28 %

15. ISSUER'S BODIES (cont'd)

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

	Mr. Raimondas Rajeckas	
	Position	
	Board member, elected to the Board on 12.04.2007, re-elected on 29.04.2008, end of the term – 2012.	
	Work experience	
	Since November 2006 Chief Accountant of Invalda AB	
	2001 – 2006 Chief Accountant of Valmeda AB	
	2000 – 2001 Chief Accountant Galincius AB	
	2000 – 2001 Chief Accountant Invaldos Marketingas UAB (now Invalda Nekilnojamojo Turto Valdymas UAB)	
	2000 – 2002 Accountant Gildeta AB	
	1998 – 2000 Accountant Invalda AB	
	Mr. Nerijus Pacevicius	
	Position	
	General director since 08.09.2006	
	Work experience	
	2004 – 2005 Chairman of the Board of Krasta Auto UAB and Autobrava UAB	
	1999 – 2004 Director of Krasta Auto UAB	
	1998 – 1999 Director of Autokompleksas UAB	
	1995 – 1998 Head of sales of the vehicles of Krasta Auto UAB	
	Participation in the activities of other companies	
	Number of shares and of voting rights	
	Mrs. Ausra Kibirkstiene	
	Position	
	Chief accountant since 18.08.2008	
	Work experience	
	2001 – 2008 m. Manager of accounting system Navision of Litesko UAB	
	2005 – 2008 m. Chief accountant of Druskininku dujos UAB	
	1996 – 2001 m. Accountant of Bite Lietuva UAB	
	Participation in the activities of other companies	
	Number of shares and of voting rights	
	-	

15. ISSUER'S BODIES (cont'd)

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

The Company's management's (General director and Chief accountant) remuneration amounted to LTL 583 thousand during the 2009. The average monthly remuneration to the management member of the Company amounted to LTL 24.29 thousand. The remuneration is not paid to the Board members of the Company.

During the 2009 the Company did not transfer any assets to the Board members, Head of the Company, Chief accountant as well as any guarantees or warranties, by which the performance of their liabilities would be secured.

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

During the 2009 no material agreements were signed which would become effective, would change or would be terminated if the control of issuer will change. Furthermore, there were no agreements signed during the 2009 between the Company and its body, employees which allow compensations if they would resign or would be fired without the justified reason or their work would be finished due to the issuer control change.

17. RELATED PARTY TRANSACTIONS

The parties are considered related when one party has the possibility to control the other one or have significant influence over the other party in making financial and operating decisions. The related parties of the Company during 2009 and 2008 were: Invalda AB (ultimate shareholder) and all companies controlled by Invalda AB. Transactions with related parties during 2009 and 2008 and the balances as of 31 December 2009 and 2008 is provided in the notes (Note 27) to Consolidated and Parent company's financial statement for the year ended 31 December 2009.

18. DATA ON THE PUBLICLY DISCLOSED INFORMATION

The information publicly disclosed by Vilnius Baldai AB during 2009 is presented in the Company's website www.vilniausbaldai.lt.

Summary of publicly disclosed information during 2009:

Date of disclosure	Brief description of disclosed information
06.01.2009	Investor's calendar for year 2009
07.01.2009	Sales during period of January - December 2008
30.01.2009	Result for activity during period of January - December 2008
17.02.2009	Revised Investors' calendar for year 2009
27.02.2009	Consolidated interim unaudited financial statement for 12 months of 2008
25.03.2009	Convocation of Vilnius Baldai AB Ordinary General Shareholders Meeting
15.04.2009	Annual audited information for the year 2008
15.04.2009	Draft resolutions for the General Shareholders Meeting
30.04.2009	Resolutions of the Annual General Shareholders Meeting of Vilnius Baldai AB on 29.04.2009
15.05.2009	Sales and result for activity during period of January - March 2009
15.05.2009	Consolidate interim financial statement for the three months of 2009
15.07.2009	Annual corrected information for the year 2008
14.08.2009	Sales and result for activity during period of January - June 2009
14.08.2009	Non audited condensed interim consolidated financial statement for the six months of 2009
29.10.2009	Recall of the audit company of Vilnius Baldai AB
29.10.2009	Convocation of Vilnius baldai AB Extraordinary General Shareholders Meeting
29.10.2009	Draft resolutions of the Extraordinary General Shareholders Meeting
16.11.2009	Sales and result for activity during period of January - September 2009
16.11.2009	Non audited condensed interim consolidated financial statement for the nine months of 2009
01.12.2009	Resolutions of the Extraordinary General Shareholders Meeting of Vilnius baldai AB on 30.11.2009
18.12.2009	A new wording of Vilnius baldai AB By-laws was registered

18. DATA ON THE PUBLICLY DISCLOSED INFORMATION (cont'd)

Summary of the notifications on transactions in Vilniaus baldai AB shares concluded by Managers of the Company during 2009:

Date	Person	Number of shares	Share price, LTL	Total value of transaction, LTL	Form of transaction	Type of transaction	Placement of transaction
08.01.2009	Invalda AB	164	11.00	1,804.00	Acquisition	Purchase – sale	AUTO
30.01.2009	Invalda AB	15	10.50	157.50	Acquisition	Purchase – sale	AUTO
03.02.2009	Invalda AB	100	10.50	1,050.00	Acquisition	Purchase – sale	AUTO
05.02.2009	Invalda AB	200	10.50	210.00	Acquisition	Purchase – sale	AUTO
05.02.2009	Invalda AB	80	10.50	840.00	Acquisition	Purchase – sale	AUTO
10.02.2009	Invalda AB	100	10.50	1,050.00	Acquisition	Purchase – sale	AUTO
17.02.2009	Invalda AB	44	10.50	462.00	Acquisition	Purchase – sale	AUTO
18.02.2009	Invalda AB	21	10.50	220.50	Acquisition	Purchase – sale	AUTO
13.03.2009	Invalda AB	100	10.00	1,000.00	Acquisition	Purchase – sale	AUTO
13.03.2009	Invalda AB	100	9.00	900.00	Acquisition	Purchase – sale	AUTO
13.03.2009	Invalda AB	900	8.50	7,650.00	Acquisition	Purchase – sale	AUTO
13.03.2009	Invalda AB	100	9.00	900.00	Acquisition	Purchase – sale	AUTO
17.03.2009	Invalda AB	283	10.50	2,971.50	Acquisition	Purchase – sale	AUTO
17.09.2009	Invalda AB	137,822	14.72	2,028,777.60	Acquisition	Repurchase agreement	XOFF
18.11.2009	Invalda AB	259,534	9.34	2,424,047.56	Transfer	Securities lending	XOFF

Explanations:

AUTO – automatically matched trade concluded in the regulated market;

XOFF – OTC trade.

General Director

Nerijus Pacevicius

Vilniaus Baldai AB disclosure form concerning the compliance with the Governance Code for the companies listed on the regulated market

Following the Article 21 paragraph 3 of the Law on Securities of the Republic of Lithuania and the paragraph 24.5. of the Listing Rules of the NASDAQ OMX Vilnius AB, Vilniaus Baldai AB discloses its compliance with the Governance Code, approved by the NASDAQ OMX Vilnius for the companies listed on the regulated market, and its specific provisions.

PRINCIPLES/ RECOMMENDATIONS	YES/ NO /NOT APPL ICAB LE	COMMENTARY
Principle I: Basic Provisions		
The overriding objective of a company should be to operate in common interests of all the shareholders by optimizing over time shareholder value.		
1.1. A company should adopt and make public the company's development strategy and objectives by clearly declaring how the company intends to meet the interests of its shareholders and optimize shareholder value.	No	As the assumptions for calculating forecasts are uncertain and the results may fluctuate significantly it was decided to review the forecasts once per quarter and to confirm the forecasts of 2010 when the situation will be more concrete.
1.2. All management bodies of a company should act in furtherance of the declared strategic objectives in view of the need to optimize shareholder value.	Yes	The activity of the Company's management bodies is concentrated on the implementation of the main goals and tasks.
1.3. A company's supervisory and management bodies should act in close co-operation in order to attain maximum benefit for the company and its shareholders.	Yes	The Board of the Company adopts the decisions on all the most important matters. The ordinary meetings of the Board of the Company are held once a quarter. Extraordinary – upon the suggestion of Chairman of the Board or Board member for the discussion and decision making of the important matters. The Board of the Company cooperates with the Chief Executive Officer.
1.4. A company's supervisory and management bodies should ensure that the rights and interests of persons other than the company's shareholders (e.g. employees, creditors, suppliers, clients, local community), participating in or connected with the company's operation, are duly respected.	Yes	The Company respects the rights and the interests of all main concerned groups.
Principle II: The corporate governance framework		
The corporate governance framework should ensure the strategic guidance of the company, the effective oversight of the company's management bodies, an appropriate balance and distribution of functions between the company's bodies, protection of the shareholders' interests.		
2.1. Besides obligatory bodies provided for in the Law on Companies of the Republic of Lithuania – a general shareholders' meeting and the chief executive officer, it is recommended that a company should set up both a collegial supervisory body and a collegial management body. The setting up of collegial bodies for supervision and management facilitates clear separation of management and supervisory functions in the company, accountability and control on the part of the chief executive officer, which, in its turn, facilitate a more efficient and transparent management process.	No	Management bodies of the Company are General Meeting, Board and Chief Executive Officer. The Company does not have a supervisory board. Control of the Board of the Company is performed by General Meeting, the Board reports to the General Meeting of Shareholders.
2.2. A collegial management body is responsible for the strategic management of the company and performs other key functions of corporate governance. A collegial supervisory body is responsible for the effective supervision of the company's management bodies.	Yes	The Company has a collegial management body – the Board.
2.3. Where a company chooses to form only one collegial body, it is recommended that it should be a supervisory body, i.e. the supervisory board. In such a case, the supervisory board is responsible for the effective monitoring of the functions performed by the company's chief executive officer.	No	The Company does not follow this recommendation. It has just one collegial body – the Board.

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2.4. The collegial supervisory body to be elected by the general shareholders' meeting should be set up and should act in the manner defined in Principles III and IV. Where a company should decide not to set up a collegial supervisory body but rather a collegial management body, i.e. the board, Principles III and IV should apply to the board as long as that does not contradict the essence and purpose of this body.	No	The Company follows the majority of the provisions defined in Principle III. It does not follow the provisions defined in Principle IV on the establishment of committees.
2.5. Company's management and supervisory bodies should comprise such number of board (executive directors) and supervisory (non-executive directors) board members that no individual or small group of individuals can dominate decision-making on the part of these bodies.	Yes	The Board of the Company consists of 3 members. All the 3 members represent the interests of the shareholders and aim for the benefit of the Company.
2.6. Non-executive directors or members of the supervisory board should be appointed for specified terms subject to individual re-election, at maximum intervals provided for in the Lithuanian legislation with a view to ensuring necessary development of professional experience and sufficiently frequent reconfirmation of their status. A possibility to remove them should also be stipulated however this procedure should not be easier than the removal procedure for an executive director or a member of the management board.	No	Members of the Supervisory Board and the directors' consultants are not appointed by the Company.
2.7. Chairman of the collegial body elected by the general shareholders' meeting may be a person whose current or past office constitutes no obstacle to conduct independent and impartial supervision. Where a company should decide not to set up a supervisory board but rather the board, it is recommended that the chairman of the board and chief executive officer of the company should be a different person. Former company's chief executive officer should not be immediately nominated as the chairman of the collegial body elected by the general shareholders' meeting. When a company chooses to depart from these recommendations, it should furnish information on the measures it has taken to ensure impartiality of the supervision.	Yes	Chief Executive Officer of the Company is not a Board member. Chairman of the Board of the Company is not and was not the chief executive officer of the Company. There is no obstacles in independent and fair supervision.
Principle III: The order of the formation of a collegial body to be elected by a general shareholders' meeting		
The order of the formation a collegial body to be elected by a general shareholders' meeting should ensure representation of minority shareholders, accountability of this body to the shareholders and objective monitoring of the company's operation and its management bodies.		
3.1. The mechanism of the formation of a collegial body to be elected by a general shareholders' meeting (hereinafter in this Principle referred to as the 'collegial body') should ensure objective and fair monitoring of the company's management bodies as well as representation of minority shareholders.	Yes	The Board formation mechanism allows to ensure proper monitoring of the Company. Only a person, having the proper qualification can become a Board member. The Board of the Company consists of the members not working at the Company.
3.2. Names and surnames of the candidates to become members of a collegial body, information about their education, qualification, professional background, positions taken and potential conflicts of interest should be disclosed early enough before the general shareholders' meeting so that the shareholders would have sufficient time to make an informed voting decision. All factors affecting the candidate's independence, the sample list of which is set out in Recommendation 3.7, should be also disclosed. The collegial body should also be informed on any subsequent changes in the provided information. The collegial body should, on yearly basis, collect data provided in this item on its members and disclose this in the company's annual report.	Yes	Information about current Board members is presented in the Company's periodic reports.

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3.3. Should a person be nominated for members of a collegial body, such nomination should be followed by the disclosure of information on candidate's particular competences relevant to his/her service on the collegial body. In order shareholders and investors are able to ascertain whether member's competence is further relevant, the collegial body should, in its annual report, disclose the information on its composition and particular competences of individual members which are relevant to their service on the collegial body.	Yes	The information on the composition of the Board is published in the annual report.
3.4. In order to maintain a proper balance in terms of the current qualifications possessed by its members, the collegial body should determine its desired composition with regard to the company's structure and activities, and have this periodically evaluated. The collegial body should ensure that it is composed of members who, as a whole, have the required diversity of knowledge, judgment and experience to complete their tasks properly. The members of the audit committee, collectively, should have a recent knowledge and relevant experience in the fields of finance, accounting and/or audit for the stock exchange listed companies.	Yes	Members of the Company's Board have significant experience in Companies' management, diversity of knowledge and experience to complete their tasks properly.
3.5. All new members of the collegial body should be offered a tailored program focused on introducing a member with his/her duties, corporate organization and activities. The collegial body should conduct an annual review to identify fields where its members need to update their skills and knowledge.	Yes	Members of the Company's Board have significant experience in companies' management. The Company's Board members are acquainted with Company's organisation, its activity and management specifics.
3.6. In order to ensure that all material conflicts of interest related with a member of the collegial body are resolved properly, the collegial body should comprise a sufficient number of independent members.	No	The independence of the elected Board members was not evaluated in the Company as well as the content of the notion of the sufficiency of independent members.
3.7. A member of the collegial body should be considered to be independent only if he is free of any business, family or other relationship with the company, its controlling shareholder or the management of either, that creates a conflict of interest such as to impair his judgment. Since all cases when member of the collegial body is likely to become dependant are impossible to list, moreover, relationships and circumstances associated with the determination of independence may vary amongst companies and the best practices of solving this problem are yet to evolve in the course of time, assessment of independence of a member of the collegial body should be based on the contents of the relationship and circumstances rather than their form. The key criteria for identifying whether a member of the collegial body can be considered to be independent are the following: 1) He/she is not an executive director or member of the board (if a collegial body elected by the general shareholders' meeting is the supervisory board) of the company or any associated company and has not been such during the last five years; 2) He/she is not an employee of the company or some any company and has not been such during the last three years, except for cases when a member of the collegial body does not belong to the senior management and was elected to the collegial body as a representative of the employees; 3) He/she is not receiving or has been not receiving significant additional remuneration from the company or associated company other than remuneration for the office in the collegial body. Such additional remuneration includes participation in share options or some other performance based pay systems; it does not include compensation payments for the previous office in the company (provided that such payment is no way related with later position) as per pension plans (inclusive of deferred compensations);	No	At the General Meeting of the shareholders the persons were elected to the members of the Board, who are independent and acting with an aim for the benefit of the Company, however they do not correspond to the recommendation on independence of this code.

4) He/she is not a controlling shareholder or representative of such shareholder (control as defined in the Council Directive 83/349/EEC Article 1 Part 1); 5) He/she does not have and did not have any material business relations with the company or associated company within the past year directly or as a partner, shareholder, director or superior employee of the subject having such relationship. A subject is considered to have business relations when it is a major supplier or service provider (inclusive of financial, legal, counseling and consulting services), major client or organization receiving significant payments from the company or its group; 6) He/she is not and has not been, during the last three years, partner or employee of the current or former external audit company of the company or associated company; 7) He/she is not an executive director or member of the board in some other company where executive director of the company or member of the board (if a collegial body elected by the general shareholders' meeting is the supervisory board) is non-executive director or member of the supervisory board, he/she may not also have any other material relationships with executive directors of the company that arise from their participation in activities of other companies or bodies; 8) He/she has not been in the position of a member of the collegial body for over than 12 years; 9) He/she is not a close relative to an executive director or member of the board (if a collegial body elected by the general shareholders' meeting is the supervisory board) or to any person listed in above items 1 to 8. Close relative is considered to be a spouse (common-law spouse), children and parents. 3.8. The determination of what constitutes independence is fundamentally an issue for the collegial body itself to determine. The collegial body may decide that, despite a particular member meets all the criteria of independence laid down in this Code, he cannot be considered independent due to special personal or company-related circumstances.		
3.9. Necessary information on conclusions the collegial body has come to in its determination of whether a particular member of the body should be considered to be independent should be disclosed. When a person is nominated to become a member of the collegial body, the company should disclose whether it considers the person to be independent. When a particular member of the collegial body does not meet one or more criteria of independence set out in this Code, the company should disclose its reasons for nevertheless considering the member to be independent. In addition, the company should annually disclose which members of the collegial body it considers to be independent.	No	The Company did not use Board members' independence evaluation and disclosure practice.
3.10. When one or more criteria of independence set out in this Code has not been met throughout the year, the company should disclose its reasons for considering a particular member of the collegial body to be independent. To ensure accuracy of the information disclosed in relation with the independence of the members of the collegial body, the company should require independent members to have their independence periodically re-confirmed.	No	The Company did not use Board members' independence evaluation and disclosure practice.

3.11. In order to remunerate members of a collegial body for their work and participation in the meetings of the collegial body, they may be remunerated from the company's funds. The general shareholders' meeting should approve the amount of such remuneration.	Not applicable	The Board members are not remunerated from the Company's funds for their work and participation at the Board meetings.
Principle IV: The duties and liabilities of a collegial body elected by the general shareholders' meeting		
The corporate governance framework should ensure proper and effective functioning of the collegial body elected by the general shareholders' meeting, and the powers granted to the collegial body should ensure effective monitoring of the company's management bodies and protection of interests of all the company's shareholders.		
4.1. The collegial body elected by the general shareholders' meeting (hereinafter in this Principle referred to as the 'collegial body') should ensure integrity and transparency of the company's financial statements and the control system. The collegial body should issue recommendations to the company's management bodies and monitor and control the company's management performance.	Yes	The Chief Executive Officer of the Company at least once in a month reports to the company's Board and receives its recommendations. The Board of the Company confirms the annual report prepared by the Chief Executive Officer.
4.2. Members of the collegial body should act in good faith, with care and responsibility for the benefit and in the interests of the company and its shareholders with due regard to the interests of employees and public welfare. Independent members of the collegial body should (a) under all circumstances maintain independence of their analysis, decision-making and actions (b) do not seek and accept any unjustified privileges that might compromise their independence, and (c) clearly express their objections should a member consider that decision of the collegial body is against the interests of the company. Should a collegial body have passed decisions independent member has serious doubts about, the member should make adequate conclusions. Should an independent member resign from his office, he should explain the reasons in a letter addressed to the collegial body or audit committee and, if necessary, respective company-not-pertaining body (institution).	Yes	Members of the Company's Board act in good faith for the benefit and in the interests of the Company. They try to maintain own independence in making decisions.
4.3. Each member should devote sufficient time and attention to perform his duties as a member of the collegial body. Each member of the collegial body should limit other professional obligations of his (in particular any directorships held in other companies) in such a manner they do not interfere with proper performance of duties of a member of the collegial body. In the event a member of the collegial body should be present in less than a half of the meetings of the collegial body throughout the financial year of the company, shareholders of the company should be notified.	Yes	Board members perform their functions properly: actively participate in the Board meetings and devote sufficient time and attention to perform their duties. Board meetings are attended by all members.
4.4. Where decisions of a collegial body may have a different effect on the company's shareholders, the collegial body should treat all shareholders impartially and fairly. It should ensure that shareholders are properly informed on the company's affairs, strategies, risk management and resolution of conflicts of interest. The company should have a clearly established role of members of the collegial body when communicating with and committing to shareholders.	Yes	The Company follows this recommendation.
4.5. It is recommended that transactions (except insignificant ones due to their low value or concluded when carrying out routine operations in the company under usual conditions), concluded between the company and its shareholders, members of the supervisory or managing bodies or other natural or legal persons that exert or may exert influence on the company's management should be subject to approval of the collegial body. The decision concerning approval of such transactions should be deemed adopted only provided the majority of the independent members of the collegial body voted for such a decision.	Yes	The transactions between the Company and its shareholders, Supervisory Board or management bodies or other bodies that may have influence on management of the Company are confirmed according to the Articles of the Association of the Company.

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4.6. The collegial body should be independent in passing decisions that are significant for the company's operations and strategy. Taken separately, the collegial body should be independent of the company's management bodies. Members of the collegial body should act and pass decisions without an outside influence from the persons who have elected it. Companies should ensure that the collegial body and its committees are provided with sufficient administrative and financial resources to discharge their duties, including the right to obtain, in particular from employees of the company, all the necessary information or to seek independent legal, accounting or any other advice on issues pertaining to the competence of the collegial body and its committees.	Yes	The Company's Board has financial resources and does not depend on the Company's management.
4.7. Activities of the collegial body should be organized in a manner that independent members of the collegial body could have major influence in relevant areas where chances of occurrence of conflicts of interest are very high. Such areas to be considered as highly relevant are issues of nomination of company's directors, determination of directors' remuneration and control and assessment of company's audit. Therefore when the mentioned issues are attributable to the competence of the collegial body, it is recommended that the collegial body should establish nomination, remuneration, and audit committees. Companies should ensure that the functions attributable to the nomination, remuneration, and audit committees are carried out. However they may decide to merge these functions and set up less than three committees. In such case a company should explain in detail reasons behind the selection of alternative approach and how the selected approach complies with the objectives set forth for the three different committees. Should the collegial body of the company comprise small number of members, the functions assigned to the three committees may be performed by the collegial body itself, provided that it meets composition requirements advocated for the committees and that adequate information is provided in this respect. In such case provisions of this Code relating to the committees of the collegial body (in particular with respect to their role, operation, and transparency) should apply, where relevant, to the collegial body as a whole.	No	Due to the simple structure of the Company the nomination and remuneration committees are not carried out. Question regarding establishment of nomination and remuneration committees will be solved in future after analyzing situation, evaluating financial expenses and other factors, implementing best practices in the market. The Company is a public interest company that is a subsidiary of the public limited company Invalda, which forms the Audit Committee, and its financial statements are consolidated. Given these circumstances and following Paragraph 6 Article 52 of the Law on Audit of the Republic of Lithuania, the Company does not form an Audit Committee. The issue of the demand for such committee at the Company itself may be discussed in the future with regard to the situation, the financial costs and other factors and by taking advantage of the market's best practices.
4.8. The key objective of the committees is to increase efficiency of the activities of the collegial body by ensuring that decisions are based on due consideration, and to help organize its work with a view to ensuring that the decisions it takes are free of material conflicts of interest. Committees should present the collegial body with recommendations concerning the decisions of the collegial body. Nevertheless the final decision shall be adopted by the collegial body. The recommendation on creation of committees is not intended, in principle, to constrict the competence of the collegial body or to remove the matters considered from the purview of the collegial body itself, which remains fully responsible for the decisions taken in its field of competence.	No	The Committees of Nomination and Remuneration are not established. The Committee of Audit is established in Invalda AB which is the public interest parent company and the financial statements of the Company are consolidated.
4.9. Committees established by the collegial body should normally be composed of at least three members. In companies with small number of members of the collegial body, they could exceptionally be composed of two members. Majority of the members of each committee should be constituted from independent members of the collegial body. In cases when the company chooses not to set up a supervisory board, remuneration and audit committees should be entirely comprised of non-executive directors. Chairmanship and membership of the committees should be decided with due regard to the need to ensure that committee membership is refreshed and that undue reliance is not placed on particular individuals.	No	The Committees of Nomination and Remuneration are not established because of the structural simplicity of the Company's management. The Audit Committee of Invalda AB consists of 2 members, one of them is independent.

4.10. Authority of each of the committees should be determined by the collegial body. Committees should perform their duties in line with authority delegated to them and inform the collegial body on their activities and performance on regular basis. Authority of every committee stipulating the role and rights and duties of the committee should be made public at least once a year (as part of the information disclosed by the company annually on its corporate governance structures and practices). Companies should also make public annually a statement by existing committees on their composition, number of meetings and attendance over the year, and their main activities. Audit committee should confirm that it is satisfied with the independence of the audit process and describe briefly the actions it has taken to reach this conclusion.	No	The Committees of Nomination and Remuneration are not established because of the structural simplicity of the Company's management.
4.11. In order to ensure independence and impartiality of the committees, members of the collegial body that are not members of the committee should commonly have a right to participate in the meetings of the committee only if invited by the committee. A committee may invite or demand participation in the meeting of particular officers or experts. Chairman of each of the committees should have a possibility to maintain direct communication with the shareholders. Events when such are to be performed should be specified in the regulations for committee activities.	No	The Committees of Nomination and Remuneration are not established because of the structural simplicity of the Company's management.
4.12. Nomination Committee. 4.12.1. Key functions of the nomination committee should be the following: • Identify and recommend, for the approval of the collegial body, candidates to fill board vacancies. The nomination committee should evaluate the balance of skills, knowledge and experience on the management body, prepare a description of the roles and capabilities required to assume a particular office, and assess the time commitment expected. Nomination committee can also consider candidates to members of the collegial body delegated by the shareholders of the company; • Assess on regular basis the structure, size, composition and performance of the supervisory and management bodies, and make recommendations to the collegial body regarding the means of achieving necessary changes; • Assess on regular basis the skills, knowledge and experience of individual directors and report on this to the collegial body; • Properly consider issues related to succession planning; • Review the policy of the management bodies for selection and appointment of senior management. 4.12.2. Nomination committee should consider proposals by other parties, including management and shareholders. When dealing with issues related to executive directors or members of the board (if a collegial body elected by the general shareholders' meeting is the supervisory board) and senior management, chief executive officer of the company should be consulted by, and entitled to submit proposals to the nomination committee.	No	The Committees of Nomination and Remuneration are not established because of the structural simplicity of the Company's management.

4.13. Remuneration Committee. 4.13.1. Key functions of the remuneration committee should be the following: • Make proposals, for the approval of the collegial body, on the remuneration policy for members of management bodies and executive directors. Such policy should address all forms of compensation, including the fixed remuneration, performance-based remuneration schemes, pension arrangements, and termination payments. Proposals considering performance-based remuneration schemes should be accompanied with recommendations on the related objectives and evaluation criteria, with a view to properly aligning the pay of executive director and members of the management bodies with the long-term interests of the shareholders and the objectives set by the collegial body; • Make proposals to the collegial body on the individual remuneration for executive directors and member of management bodies in order their remunerations are consistent with company's remuneration policy and the evaluation of the performance of these persons concerned. In doing so, the committee should be properly informed on the total compensation obtained by executive directors and members of the management bodies from the affiliated companies; • Make proposals to the collegial body on suitable forms of contracts for executive directors and members of the management bodies; • Assist the collegial body in overseeing how the company complies with applicable provisions regarding the remuneration-related information disclosure (in particular the remuneration policy applied and individual remuneration of directors); • Make general recommendations to the executive directors and members of the management bodies on the level and structure of remuneration for senior management (as defined by the collegial body) with regard to the respective information provided by the executive directors and members of the management bodies. 4.13.2. With respect to stock options and other share-based incentives which may be granted to directors or other employees, the committee should: • Consider general policy regarding the granting of the above mentioned schemes, in particular stock options, and make any related proposals to the collegial body; • Examine the related information that is given in the company's annual report and documents intended for the use during the shareholders meeting; • Make proposals to the collegial body regarding the choice between granting options to subscribe shares or granting options to purchase shares, specifying the reasons for its choice as well as the consequences that this choice has. 4.13.3. Upon resolution of the issues attributable to the competence of the remuneration committee, the committee should at least address the chairman of the collegial body and/or chief executive officer of the company for their opinion on the remuneration of other executive directors or members of the management bodies.	No	The Committees of Nomination and Remuneration are not established because of the structural simplicity of the Company's management.
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4.14. Audit Committee. 4.14.1. Key functions of the audit committee should be the following: • Observe the integrity of the financial information provided by the company, in particular by reviewing the relevance and consistency of the accounting methods used by the company and its group (including the criteria for the consolidation of the accounts of companies in the group); • At least once a year review the systems of internal control and risk management to ensure that the key risks (inclusive of the risks in relation with compliance with existing laws and regulations) are properly identified, managed and reflected in the information provided; • Ensure the efficiency of the internal audit function, among other things, by making recommendations on the selection, appointment, reappointment and removal of the head of the internal audit department and on the budget of the department, and by monitoring the responsiveness of the management to its findings and recommendations. Should there be no internal audit authority in the company, the need for one should be reviewed at least annually; • Make recommendations to the collegial body related with selection, appointment, reappointment and removal of the external auditor (to be done by the general shareholders' meeting) and with the terms and conditions of his engagement. The committee should investigate situations that lead to a resignation of the audit company or auditor and make recommendations on required actions in such situations; • Monitor independence and impartiality of the external auditor, in particular by reviewing the audit company's compliance with applicable guidance relating to the rotation of audit partners, the level of fees paid by the company, and similar issues. In order to prevent occurrence of material conflicts of interest, the committee, based on the auditor's disclosed inter alia data on all remunerations paid by the company to the auditor and network, should at all times monitor nature and extent of the non-audit services. Having regard to the principals and guidelines established in the 16 May 2002 Commission Recommendation 2002/590/EC, the committee should determine and apply a formal policy establishing types of non-audit services that are (a) excluded, (b) permissible only after review by the committee, and (c) permissible without referral to the committee; • Review efficiency of the external audit process and responsiveness of management to recommendations made in the external auditor's management letter.	No	Invalda AB Audit committee supervises the preparation of the consolidated financial statement, internal control and risk management systems, compliance with the legal acts, which regulate the preparation of the consolidated financial statement. The Company is a public interest company that is a subsidiary of the public limited company Invalda and its financial statements are consolidated. The main functions of the Audit Committee of Invalda AB are: 1. to advise for the Board of Invalda AB about the reliability, assignment, repeated assignment and dismissal of the external audit company and about the conditions of the agreement with external audit company; 2. to observe the process of external audit; 3. to observe if external audit company and its auditors keep the principles of independency and objectivity; 4. to observe the process of preparation of financial statements; 5. to observe the efficiency of internal control and risk management systems and to evaluate the need of internal audit functions once per financial year.
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4.14.2. All members of the committee should be furnished with complete information on particulars of accounting, financial and other operations of the company. Company's management should inform the audit committee of the methods used to account for significant and unusual transactions where the accounting treatment may be open to different approaches. In such case a special consideration should be given to company's operations in offshore centers and/or activities carried out through special purpose vehicles (organizations) and justification of such operations. 4.14.3. The audit committee should decide whether participation of the chairman of the collegial body, chief executive officer of the company, chief financial officer (or superior employees in charge of finances, treasury and accounting), or internal and external auditors in the meetings of the committee is required (if required, when). The committee should be entitled, when needed, to meet with any relevant person without executive directors and members of the management bodies present. 4.14.4. Internal and external auditors should be secured with not only effective working relationship with management, but also with free access to the collegial body. For this purpose the audit committee should act as the principal contact person for the internal and external auditors. 4.14.5. The audit committee should be informed of the internal auditor's work program, and should be furnished with internal audit's reports or periodic summaries. The audit committee should also be informed of the work program of the external auditor and should be furnished with report disclosing all relationships between the independent auditor and the company and its group. The committee should be timely furnished information on all issues arising from the audit. 4.14.6. The audit committee should examine whether the company is following applicable provisions regarding the possibility for employees to report alleged significant irregularities in the company, by way of complaints or through anonymous submissions (normally to an independent member of the collegial body), and should ensure that there is a procedure established for proportionate and independent investigation of these issues and for appropriate follow-up action. 4.14.7. The audit committee should report on its activities to the collegial body at least once in every six months, at the time the yearly and half-yearly statements are approved.		
4.15. Every year the collegial body should conduct the assessment of its activities. The assessment should include evaluation of collegial body's structure, work organization and ability to act as a group, evaluation of each of the collegial body member's and committee's competence and work efficiency and assessment whether the collegial body has achieved its objectives. The collegial body should, at least once a year, make public (as part of the information the company annually discloses on its management structures and practices) respective information on its internal organization and working procedures, and specify what material changes were made as a result of the assessment of the collegial body of its own activities.	No	There was no such practice.

Principle V: The working procedure of the company's collegial bodies

The working procedure of supervisory and management bodies established in the company should ensure efficient operation of these bodies and decision-making and encourage active co-operation between the company's bodies.

5.1. The company's supervisory and management bodies (hereinafter in this Principle the concept 'collegial bodies' covers both the collegial bodies of supervision and the collegial bodies of management) should be chaired by chairpersons of these bodies. The chairperson of a collegial body is responsible for proper convocation of the collegial body meetings. The chairperson should ensure that information about the meeting being convened and its agenda are communicated to all members of the body. The chairperson of a collegial body should ensure appropriate conducting of the meetings of the collegial body. The chairperson should ensure order and working atmosphere during the meeting.	Yes	This provision is adopted in the Company by collegial management – the Board.
5.2. It is recommended that meetings of the company's collegial bodies should be carried out according to the schedule approved in advance at certain intervals of time. Each company is free to decide how often to convene meetings of the collegial bodies, but it is recommended that these meetings should be convened at such intervals, which would guarantee an interrupted resolution of the essential corporate governance issues. Meetings of the company's supervisory board should be convened at least once in a quarter, and the company's board should meet at least once a month.	Yes	Meetings of the Company's Board are arranged at least once in a month.
5.3. Members of a collegial body should be notified about the meeting being convened in advance in order to allow sufficient time for proper preparation for the issues on the agenda of the meeting and to ensure fruitful discussion and adoption of appropriate decisions. Alongside with the notice about the meeting being convened, all the documents relevant to the issues on the agenda of the meeting should be submitted to the members of the collegial body. The agenda of the meeting should not be changed or supplemented during the meeting, unless all members of the collegial body are present or certain issues of great importance to the company require immediate resolution.	Yes	The Company follows provisions listed in this recommendation.
5.4. In order to co-ordinate operation of the company's collegial bodies and ensure effective decision-making process, chairpersons of the company's collegial bodies of supervision and management should closely co-operate by co-coordinating dates of the meetings, their agendas and resolving other issues of corporate governance. Members of the company's board should be free to attend meetings of the company's supervisory board, especially where issues concerning removal of the board members, their liability or remuneration are discussed.	No	The Company can not implement this principle, because Company has just collegial management – the Board.

Principle VI: The equitable treatment of shareholders and shareholder rights

The corporate governance framework should ensure the equitable treatment of all shareholders, including minority and foreign shareholders. The corporate governance framework should protect the rights of the shareholders.

6.1. It is recommended that the company's capital should consist only of the shares that grant the same rights to voting, ownership, dividend and other rights to all their holders.	Yes	The Company's capital consist only of the ordinary shares that grant the same rights to all their holders.
6.2. It is recommended that investors should have access to the information concerning the rights attached to the shares of the new issue or those issued earlier in advance, i.e. before they purchase shares.	Yes	The Company follows provisions listed in this recommendation.
6.3. Transactions that are important to the company and its shareholders, such as transfer, investment, and pledge of the company's assets or any other type of encumbrance should be subject to approval of the general shareholders' meeting. All shareholders should be furnished with equal opportunity to familiarize with and participate in the decision making process when significant corporate issues, including approval of transactions referred to above, are discussed.	No	The Company does not follow this provision because of the developed routine practice, which was resulted by the quicker and timely decision-making process. The Company's Board adopts the decisions on these matters.

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(all amounts are in LTL thousand unless otherwise stated)

6.4. Procedures of convening and conducting a general shareholders' meeting should ensure equal opportunities for the shareholders to effectively participate at the meetings and should not prejudice the rights and interests of the shareholders. The venue, date, and time of the shareholders' meeting should not hinder wide attendance of the shareholders. Prior to the shareholders' meeting, the company's supervisory and management bodies should enable the shareholders to lodge questions on issues on the agenda of the general shareholders' meeting and receive answers to them.	Yes	All the shareholders of the Company are informed about date, venue and time of the General Meeting. Prior to the General Meeting of Shareholders all the shareholders have possibility to receive information, related to the agenda of General Meeting.
6.5. It is recommended that documents on the course of the general shareholders' meeting, including draft resolutions of the meeting, should be placed on the publicly accessible website of the company in advance. It is recommended that the minutes of the general shareholders' meeting after signing them and/or adopted resolutions should be also placed on the publicly accessible website of the company. Seeking to ensure the right of foreigners to familiarize with the information, whenever feasible, documents referred to in this recommendation should be published in English and/or other foreign languages. Documents referred to in this recommendation may be published on the publicly accessible website of the company to the extent that publishing of these documents is not detrimental to the company or the company's commercial secrets are not revealed.	No	The Company discloses the documents prepared for the General Meeting, including the drafts of the resolutions of the meetings via the information disclosure system of AB NASDAQ OMX Vilnius Stock Exchange. The information is e-mailed to each shareholder, requesting it. This information is not publicly accessible on the website of the Company.
6.6. Shareholders should be furnished with the opportunity to vote in the general shareholders' meeting in person and in absentia. Shareholders should not be prevented from voting in writing in advance by completing the general voting ballot.	Yes	Shareholders of the Company can implement the right to participate at the General Meeting of Shareholders either in person, or through the representative, if a person has the duly issued Power of Attorney. The Company also provides the possibilities for the shareholders to vote by completing the general voting ballot.
6.7. With a view to increasing the shareholders' opportunities to participate effectively at shareholders' meetings, the companies are recommended to expand use of modern technologies in voting processes by allowing the shareholders to vote in general meetings via terminal equipment of telecommunications. In such cases security of telecommunication equipment, text protection and a possibility to identify the signature of the voting person should be guaranteed. Moreover, companies could furnish its shareholders, especially foreigners, with the opportunity to watch shareholder meetings by means of modern technologies.	Not applicable	Up till now the Company has not had any need to implement this recommendation. Shareholders of the Company can vote through the authorized person or completing the general voting ballot.
Principle VII: The avoidance of conflicts of interest and their disclosure		
The corporate governance framework should encourage members of the corporate bodies to avoid conflicts of interest and assure transparent and effective mechanism of disclosure of conflicts of interest regarding members of the corporate bodies.		
7.1. Any member of the company's supervisory and management body should avoid a situation, in which his/her personal interests are in conflict or may be in conflict with the company's interests. In case such a situation did occur, a member of the company's supervisory and management body should, within reasonable time, inform other members of the same collegial body or the company's body that has elected him/her, or to the company's shareholders about a situation of a conflict of interest, indicate the nature of the conflict and value, where possible.	Yes	The Company follows provisions listed in this recommendation.
7.2. Any member of the company's supervisory and management body may not mix the company's assets, the use of which has not been mutually agreed upon, with his/her personal assets or use them or the information which he/she learns by virtue of his/her position as a member of a corporate body for his/her personal benefit or for the benefit of any third person without a prior agreement of the general shareholders' meeting or any other corporate body authorized by the meeting.	Yes	

7.3. Any member of the company's supervisory and management body may conclude a transaction with the company, a member of a corporate body of which he/she is. Such a transaction (except insignificant ones due to their low value or concluded when carrying out routine operations in the company under usual conditions) must be immediately reported in writing or orally, by recording this in the minutes of the meeting, to other members of the same corporate body or to the corporate body that has elected him/her or to the company's shareholders. Transactions specified in this recommendation are also subject to recommendation 4.5.	Yes	The Company follows provisions listed in this recommendation.
7.4. Any member of the company's supervisory and management body should abstain from voting when decisions concerning transactions or other issues of personal or business interest are voted on.	Yes	The Company's Board members are acquainted with these principles and must follow these recommendations.
Principle VIII: Company's remuneration policy		
Remuneration policy and procedure for approval, revision and disclosure of directors' remuneration established in the company should prevent potential conflicts of interest and abuse in determining remuneration of directors, in addition it should ensure publicity and transparency both of company's remuneration policy and remuneration of directors.		
8.1. A company should make a public statement of the company's remuneration policy (hereinafter the remuneration statement). This statement should be part of the company's annual accounts. Remuneration statement should also be posted on the company's website.	No	The Company does not establish a statement of the remuneration policy. There is no confirmed remuneration policy in the Company. The Company publishes in the annual information the amount of the remuneration of chief management and the averages of the remuneration of the Company's administration and workers. The above mentioned information is presented in compliance with the practice common in the Company and the Republic of Lithuania.
8.2. Remuneration statement should mainly focus on directors' remuneration policy for the following year and, if appropriate, the subsequent years. The statement should contain a summary of the implementation of the remuneration policy in the previous financial year. Special attention should be given to any significant changes in company's remuneration policy as compared to the previous financial year.	No	The Company's remuneration policy is not confirmed at the Company. The Company does not establish the remuneration statement, because the majority of the points of Principle VIII are not relevant to the present structure of the Company.
8.3. Remuneration statement should leastwise include the following information: • Explanation of the relative importance of the variable and non-variable components of directors' remuneration; • Sufficient information on performance criteria that entitles directors to share options, shares or variable components of remuneration; • Sufficient information on the linkage between the remuneration and performance; • The main parameters and rationale for any annual bonus scheme and any other non-cash benefits; • A description of the main characteristics of supplementary pension or early retirement schemes for directors.	No	The Company's remuneration policy is not confirmed at the Company. The Company does not establish the remuneration statement, because the majority of the points of Principle VIII are not relevant to the present structure of the Company.
8.4. Remuneration statement should also summarize and explain company's policy regarding the terms of the contracts executed with executive directors and members of the management bodies. It should include, inter alia, information on the duration of contracts with executive directors and members of the management bodies, the applicable notice periods and details of provisions for termination payments linked to early termination under contracts for executive directors and members of the management bodies.	No	The Company's remuneration policy is not confirmed at the Company. The Company does not prepare the remuneration statement, because the majority of the points of Principle VIII are not relevant to the present structure of the Company.

8.5. The information on preparatory and decision-making processes, during which a policy of remuneration of directors is being established, should also be disclosed. Information should include data, if applicable, on authorities and composition of the remuneration committee, names and surnames of external consultants whose services have been used in determination of the remuneration policy as well as the role of shareholders' annual general meeting.	No	The Company's remuneration policy is not confirmed at the Company. The Company does not prepare the remuneration statement, because the majority of the points of Principle VIII are not relevant to the present structure of the Company.
8.6. Without prejudice to the role and organization of the relevant bodies responsible for setting directors' remunerations, the remuneration policy or any other significant change in remuneration policy should be included into the agenda of the shareholders' annual general meeting. Remuneration statement should be put for voting in shareholders' annual general meeting. The vote may be either mandatory or advisory.	No	The Company's remuneration policy is not confirmed at the Company. The company does not prepare the remuneration statement, because the majority of the points of Principle VIII are not relevant to the present structure of the Company.
8.7. Remuneration statement should also contain detailed information on the entire amount of remuneration, inclusive of other benefits, that was paid to individual directors over the relevant financial year. This document should list at least the information set out in items 8.7.1 to 8.7.4 for each person who has served as a director of the company at any time during the relevant financial year. 8.7.1. The following remuneration and/or emoluments-related information should be disclosed: • The total amount of remuneration paid or due to the director for services performed during the relevant financial year, inclusive of, where relevant, attendance fees fixed by the annual general shareholders meeting; • The remuneration and advantages received from any undertaking belonging to the same group; • The remuneration paid in the form of profit sharing and/or bonus payments and the reasons why such bonus payments and/or profit sharing were granted; • If permissible by the law, any significant additional remuneration paid to directors for special services outside the scope of the usual functions of a director; • Compensation receivable or paid to each former executive director or member of the management body as a result of his resignation from the office during the previous financial year; • Total estimated value of non-cash benefits considered as remuneration, other than the items covered in the above points. 8.7.2. As regards shares and/or rights to acquire share options and/or all other share-incentive schemes, the following information should be disclosed: • The number of share options offered or shares granted by the company during the relevant financial year and their conditions of application; • The number of shares options exercised during the relevant financial year and, for each of them, the number of shares involved and the exercise price or the value of the interest in the share incentive scheme at the end of the financial year; • The number of share options unexercised at the end of the financial year; their exercise price, the exercise date and the main conditions for the exercise of the rights; • All changes in the terms and conditions of existing share options occurring during the financial year. 8.7.3. The following supplementary pension schemes-related information should be disclosed: • When the pension scheme is a defined-benefit scheme, changes in the directors' accrued benefits under that scheme during the relevant financial year; • When the pension scheme is defined-contribution scheme, detailed information on contributions paid or payable by the company in respect of that director during the relevant financial year.	No	The Company's remuneration policy is not confirmed at the Company. The Company does not prepare the remuneration statement, because the majority of the points of Principle VIII are not relevant to the present structure of the Company.

8.7.4. The statement should also state amounts that the company or any subsidiary company or entity included in the consolidated annual financial statements of the company has paid to each person who has served as a director in the company at any time during the relevant financial year in the form of loans, advance payments or guarantees, including the amount outstanding and the interest rate.		The Company's remuneration policy is not confirmed at the Company. The Company does not prepare the remuneration statement, because the majority of the points of Principle VIII are not relevant to the present structure of the Company.
8.8. Schemes anticipating remuneration of directors in shares, share options or any other right to purchase shares or be remunerated on the basis of share price movements should be subject to the prior approval of shareholders' annual general meeting by way of a resolution prior to their adoption. The approval of scheme should be related with the scheme itself and not to the grant of such share-based benefits under that scheme to individual directors. All significant changes in scheme provisions should also be subject to shareholders' approval prior to their adoption; the approval decision should be made in shareholders' annual general meeting. In such case shareholders should be notified on all terms of suggested changes and get an explanation on the impact of the suggested changes.	Not applicable	Schemes anticipating remuneration of directors in shares, share options or any other right to purchase shares or be remunerated on the basis of share price movements should be not used in the Company.
8.9. The following issues should be subject to approval by the shareholders' annual general meeting: • Grant of share-based schemes, including share options, to directors; • Determination of maximum number of shares and main conditions of share granting; • The term within which options can be exercised; • The conditions for any subsequent change in the exercise of the options, if permissible by law; • All other long-term incentive schemes for which directors are eligible and which are not available to other employees of the company under similar terms. Annual general meeting should also set the deadline within which the body responsible for remuneration of directors may award compensations listed in this article to individual directors.		
8.10. Should national law or company's Articles of Association allow, any discounted option arrangement under which any rights are granted to subscribe to shares at a price lower than the market value of the share prevailing on the day of the price determination, or the average of the market values over a number of days preceding the date when the exercise price is determined, should also be subject to the shareholders' approval.		
8.11. Provisions of Articles 8.8 and 8.9 should not be applicable to schemes allowing for participation under similar conditions to company's employees or employees of any subsidiary company whose employees are eligible to participate in the scheme and which has been approved in the shareholders' annual general meeting.		

8.12. Prior to the annual general meeting that is intended to consider decision stipulated in Article 8.8, the shareholders must be provided an opportunity to familiarize with draft resolution and project-related notice (the documents should be posted on the company's website). The notice should contain the full text of the share-based remuneration schemes or a description of their key terms, as well as full names of the participants in the schemes. Notice should also specify the relationship of the schemes and the overall remuneration policy of the directors. Draft resolution must have a clear reference to the scheme itself or to the summary of its key terms. Shareholders must also be presented with information on how the company intends to provide for the shares required to meet its obligations under incentive schemes. It should be clearly stated whether the company intends to buy shares in the market, hold the shares in reserve or issue new ones. There should also be a summary on scheme-related expenses the company will suffer due to the anticipated application of the scheme. All information given in this article must be posted on the company's website.		Schemes anticipating remuneration of directors in shares, share options or any other right to purchase shares or be remunerated on the basis of share price movements should not be used in the Company.
Principle IX: The role of stakeholders in corporate governance		
The corporate governance framework should recognize the rights of stakeholders as established by law and encourage active co-operation between companies and stakeholders in creating the company value, jobs and financial sustainability. For the purposes of this Principle, the concept "stakeholders" includes investors, employees, creditors, suppliers, clients, local community and other persons having certain interest in the company concerned.		
9.1. The corporate governance framework should assure that the rights of stakeholders that are protected by law are respected.	Yes	The Company follows all the requirements provided by the laws, ensuring the rights of stakeholders. The Company's employees make an influence on the Company's management through the Trade Union; the relationships with the creditors, suppliers and clients are stipulated in the contracts established with them.
9.2. The corporate governance framework should create conditions for the stakeholders to participate in corporate governance in the manner prescribed by law. Examples of mechanisms of stakeholder participation in corporate governance include: employee participation in adoption of certain key decisions for the company; consulting the employees on corporate governance and other important issues; employee participation in the company's share capital; creditor involvement in governance in the context of the company's insolvency, etc.		
9.3. Where stakeholders participate in the corporate governance process, they should have access to relevant information.		

Principle X: Information disclosure and transparency

The corporate governance framework should ensure that timely and accurate disclosure is made on all material information regarding the company, including the financial situation, performance and governance of the company.

10.1. The company should disclose information on: • The financial and operating results of the company; • Company objectives; • Persons holding by the right of ownership or in control of a block of shares in the company; • Members of the company's supervisory and management bodies, chief executive officer of the company and their remuneration; • Material foreseeable risk factors; • Transactions between the company and connected persons, as well as transactions concluded outside the course of the company's regular operations; • Material issues regarding employees and other stakeholders; • Governance structures and strategy. This list should be deemed as a minimum recommendation, while the companies are encouraged not to limit themselves to disclosure of the information specified in this list. 10.2. It is recommended that consolidated results of the whole group to which the company belongs should be disclosed when information specified in item 1 of Recommendation 10.1 is under disclosure. 10.3. It is recommended that information on the professional background, qualifications of the members of supervisory and management bodies, chief executive officer of the company should be disclosed as well as potential conflicts of interest that may have an effect on their decisions when information specified in item 4 of Recommendation 10.1 about the members of the company's supervisory and management bodies is under disclosure. It is also recommended that information about the amount of remuneration received from the company and other income should be disclosed with regard to members of the company's supervisory and management bodies and chief executive officer as per Principle VIII. 10.4. It is recommended that information about the links between the company and its stakeholders, including employees, creditors, suppliers, local community, as well as the company's policy with regard to human resources, employee participation schemes in the company's share capital, etc. should be disclosed when information specified in item 7 of Recommendation 10.1 is under disclosure.	Yes	The information about the Company, indicated in these recommendations, is disclosed only in the following sources: in the annual report of the Company, financial statements, reports on the purchase/loss of blocks of shares, the reports on the essential events, announcing this information in the information disclosure system of NASDAQ OMX Vilnius AB Stock Exchange.
10.5. Information should be disclosed in such a way that neither shareholders nor investors are discriminated with regard to the manner or scope of access to information. Information should be disclosed to all simultaneously. It is recommended that notices about material events should be announced before or after a trading session on the Vilnius Stock Exchange, so that all the company's shareholders and investors should have equal access to the information and make informed investing decisions.	Yes	The information on the information disclosure of NASDAQ OMX Vilnius AB Stock Exchange is presented in the Lithuanian and English languages simultaneously. The Stock Exchange announces the received information on its website and in the trading system, in this way ensuring the simultaneous presentation of the information to everybody. The Company strives to announce the information before or after a trading session of Stock Exchange. The Company does not disclose the information, which might have impact on the value of its shares, in any comments, interviews or other ways till such information is announced officially through the information system of the Stock Exchange.

CONSOLIDATED ANNUAL REPORT FOR THE YEAR ENDED 31 DECEMBER 2009

(all amounts are in LTL thousand unless otherwise stated)

10.6. Channels for disseminating information should provide for fair, timely and cost-efficient access to relevant information by users. It is recommended that information technologies should be employed for wider dissemination of information, for instance, by placing the information on the company's website. It is recommended that information should be published and placed on the company's website not only in Lithuanian, but also in English, and, whenever possible and necessary, in other languages as well.	Yes	The company sends the reports simultaneously to the Commission of Stock Exchange and NASDAQ OMX Vilnius AB Stock Exchange. In this way the independent and timely accessibility of the information is ensured. The information on the major events is presented in the Lithuanian and English languages.
10.7. It is recommended that the company's annual reports and other periodical accounts prepared by the company should be placed on the company's website. It is recommended that the company should announce information about material events and changes in the price of the company's shares on the Stock Exchange on the company's website too.	No	The Company announces on its website annual financial information and other periodic reports prepared by the Company, announcements about material events and changes on the Stock Exchange in prices of Company shares.
Principle XI: The selection of the company's auditor		
The mechanism of the selection of the company's auditor should ensure independence of the firm of auditor's conclusion and opinion.		
11.1. An annual audit of the company's financial statements and report should be conducted by an independent firm of auditors in order to provide an external and objective opinion on the company's financial statements.	No	The independent firm of auditors conducts the audit of the annual financial statements and the annual report. The audit of the interim financial statement is not conducted.
11.2. It is recommended that the company's supervisory board and, where it is not set up, the company's board should propose a candidate firm of auditors to the general shareholders' meeting.	Yes	Company follows this principle. A candidate firm of auditors to the General Meeting is proposed by Board of the Company.
11.3. It is recommended that the company should disclose to its shareholders the level of fees paid to the firm of auditors for non-audit services rendered to the company. This information should be also known to the company's supervisory board and, where it is not formed, the company's board upon their consideration which firm of auditors to propose for the general shareholders' meeting.	Yes	Company's auditor unprovided consulting services to the Company.

Statements of financial position

		As of 31 December 2009	Group As of 31 December 2008	As of 31 December 2007	As of 31 December 2009	Company As of 31 December 2008	As of 31 December 2007
Notes							
ASSETS							
Non-current assets							
Intangible assets	5	270	270	306	270	270	305
Property, plant and equipment	6						
Land and buildings		13,386	14,090	14,817	13,386	14,090	14,817
Machinery and equipment		19,704	23,173	28,223	19,700	23,151	28,187
Vehicles		164	61	185	164	61	185
Other property, plant and equipment		803	829	950	795	817	932
Total property, plant and equipment		34,057	38,153	44,175	34,045	38,119	44,121
Non-current financial assets							
Investments in subsidiaries	7	-	-	-	17	17	17
Investments in associates	7	-	-	22,695	-	-	26,250
Other non-current financial assets		2	2	2	2	2	2
Total non-current financial assets		2	2	22,697	19	19	26,269
Total non-current assets		34,329	38,425	67,178	34,334	38,408	70,695
Current assets							
Inventories	8	14,005	12,458	11,580	14,005	12,458	11,580
Accounts receivable							
Trade receivables	9	12,201	10,534	11,162	12,201	10,538	11,166
Loans to related parties	10	15,999	28,732	-	15,999	28,732	-
Prepayments and deferred charges		271	475	367	271	474	366
Other receivables	11	1,129	1,249	2,163	1,123	1,231	2,143
Total accounts receivable		29,600	40,990	13,692	29,594	40,975	13,675
Cash and cash equivalents	12	56	18	61	10	11	27
Total current assets		43,661	53,466	25,333	43,609	53,444	25,282
Total assets		77,990	91,891	92,511	77,943	91,852	95,977

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The accompanying notes set out in pages 44 – 77 are an integral part of these financial statements.

Statements of financial position (cont'd)

		As of 31 December 2009	Group As of 31 December 2008	As of 31 December 2007	As of 31 December 2009	Company As of 31 December 2008	As of 31 December 2007
	Notes						
EQUITY AND LIABILITIES							
Equity							
Share capital	1	15,545	15,545	15,545	15,545	15,545	15,545
Legal reserve	13	1,554	1,422	1,222	1,554	1,422	1,222
Retained earnings		27,814	12,356	4,960	27,770	12,315	8,491
Total equity		44,913	29,323	21,727	44,869	29,282	25,258
Liabilities							
Non-current liabilities							
Grants and subsidies		5	19	31	-	-	-
Borrowings	14	3,843	6,261	23,358	3,843	6,261	23,358
Deferred income tax liability	22	214	362	384	214	362	384
Total non-current liabilities		4,062	6,642	23,773	4,057	6,623	23,742
Current liabilities							
Borrowings	14	7,750	37,672	30,105	7,750	37,672	30,105
Trade payables	15	15,876	15,433	13,874	15,902	15,530	13,936
Current income tax payable		2,966	764	688	2,966	764	688
Other current liabilities and accrued expenses	16	2,423	2,057	2,344	2,399	1,981	2,248
Total current liabilities		29,015	55,926	47,011	29,017	55,947	46,977
Total liabilities		33,077	62,568	70,784	33,074	62,570	70,719
Total equity and liabilities		77,990	91,891	92,511	77,943	91,852	95,977

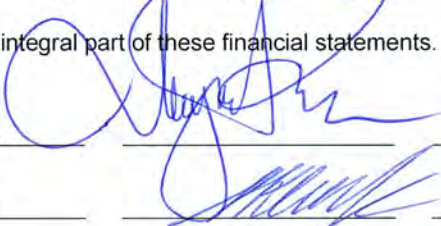
The accompanying notes set out in pages 44 – 77 are an integral part of these financial statements.

General Director	Nerijus Pacevicius	2 April 2010
Chief Accountant	Ausra Kibirkstiene	2 April 2010

Statements of comprehensive income

	Notes	Group		Company	
		2009	2008	2009	2008
Revenue	17	148,966	137,523	148,966	137,523
Cost of sales	18	(119,992)	(129,055)	(120,124)	(129,265)
Gross profit		28,974	8,468	28,842	8,258
Operating expenses	19	(8,711)	(8,360)	(8,593)	(8,195)
Other income and gains	20	1,287	18,495	1,298	8,905
Other expenses and losses	20	(1,803)	(781)	(1,803)	(781)
Operating profit		19,747	17,822	19,744	8,187
Finance income	21	839	384	839	377
Finance costs	21	(1,341)	(3,615)	(1,341)	(3,615)
Finance costs - net		(502)	(3,231)	(502)	(3,238)
Share of loss of associate	7	-	(6,070)	-	-
Profit before income tax		19,245	8,521	19,242	4,949
Income tax expense	22	(3,655)	(925)	(3,655)	(925)
Profit for the year		15,590	7,596	15,587	4,024
Other comprehensive income		-	-	-	-
Total comprehensive income for the year		15,590	7,596	15,587	4,024
Basic and diluted earnings per share (in LTL)	23	4.01	1.95	4.01	1.04

The accompanying notes set out in pages 44 – 77 are an integral part of these financial statements.

General Director	Nerijus Pacevicius		2 April 2010
Chief Accountant	Ausra Kibirkstiene		2 April 2010

Statements of cash flows

	Group		Company	
	2009	2008	2009	2008
Cash flows from (to) operating activities				
Profit before income tax	19,245	8,521	19,242	4,949
Adjustments for:				
Depreciation and amortization	6,229	6,888	6,222	6,878
Result from the disposal of non-current assets	44	(424)	44	(424)
Result from the disposal of investment	1,102	(16,375)	1,102	(6,750)
Write-off of non-current assets	128	-	123	-
Change in allowance for inventories	(544)	116	(544)	116
Share of (profit) loss of an associated company	-	6,070	-	-
Interest expenses	420	3,359	420	3,359
Other	(5)	-	-	-
	26,619	8,155	26,609	8,128
Changes in working capital:				
Decrease (increase) in inventories	(1,003)	(994)	(1,003)	(994)
Decrease in prepayments	(101)	67	(101)	67
Decrease (increase) in trade receivables	(1,851)	628	(1,847)	628
Decrease (increase) in other receivables and other current assets	425	739	412	737
Increase in trade payables	443	1,559	372	1,594
Salaries, wages and social security (payable)	27	(78)	17	(88)
(Decrease) in other current liabilities	363	(209)	425	(179)
Income tax (paid)	(1,600)	(871)	(1,600)	(871)
Net cash flows from operating activities	23,322	8,996	23,284	9,022
Cash flows from (to) investing activities				
Loans granted to related party	(14,757)	(34,732)	(14,757)	(34,732)
Loan repayments received from related party	19,740	6,000	19,740	6,000
Received interest	681	150	681	150
(Acquisition) of property, plant and equipment	(2,202)	(1,151)	(2,200)	(1,150)
Proceeds from disposal of property, plant and equipment	30	733	27	733
Proceeds from sale of investments (Note 7)	(1,102)	33,000	(1,102)	33,000
Net cash flows from (to) investing activities	2,390	4,000	2,389	4,001

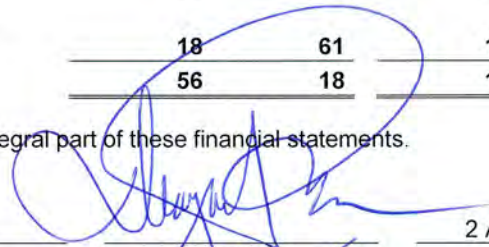
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The accompanying notes set out in pages 44 – 77 are an integral part of these financial statements.

Statements of cash flows (cont'd)

	Group		Company	
	2009	2008	2009	2008
Cash flows from (to) financing activities				
Repayments of borrowings	(24,549)	(9,530)	(24,549)	(9,530)
Interest (paid)	(1,125)	(3,509)	(1,125)	(3,509)
Net cash flows (to) financial activities	(25,674)	(13,039)	(25,674)	(13,039)
Net (decrease) increase in cash and cash equivalents	38	(43)	(1)	(16)
Cash and cash equivalents at the beginning of the year	18	61	11	27
Cash and cash equivalents at the end of the year	56	18	10	11

The accompanying notes set out in pages 44 – 77 are an integral part of these financial statements.

General Director	Nerijus Pacevicius		2 April 2010
Chief Accountant	Ausra Kibirkstiene		2 April 2010

VILNIAUS BALDAI AB**CONSOLIDATED AND COMPANY'S FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2009**

(all amounts are in LTL thousand unless otherwise stated)

Notes to the financial statements**1 General information**

Vilniaus Baldai AB (hereinafter the Company) is a public limited liability company registered in the Republic of Lithuania. The address of its registered office is as follows:

Savanorių Ave. 178,
Vilnius,
Lithuania.

The Company is engaged in furniture production and trade. The Company was registered on 9 February 1993, its shares are traded in the Main List on the NASDAQ OMX Vilnius AB.

As of 31 December 2009 and 2008 the shareholders of the Group and the Company were:

	2009		2008	
	Number of votes held	Percentage	Number of votes held	Percentage
Invalda AB with related companies	2,798,395	72.01	2,658,546	68.41
Swedbank clients AS	311,927	8.03	302,392	7.78
Other minor shareholders	775,945	19.96	925,329	23.81
Total	3,886,267	100.00	3,886,267	100.00

All the shares of the Company are ordinary shares with the par value of LTL 4 each and were fully paid as of 31 December 2009 and 2008. The share capital did not change in 2009 and 2008. The Company did not hold its own shares.

The Group consists of Vilniaus Baldai AB and its subsidiary joint stock company ARI-LUX UAB (hereinafter the Group). ARI-LUX UAB information as of 31 December 2009:

Company	Registration address	Share of ownership held by the Company, %	Share capital	Income (loss) for the reporting period	Equity	Main activities
ARI-LUX UAB	Savanorių Ave. 178, Vilnius	100	10	3	60	Packaging of accessories

As of 31 December 2009 the number of employees of the Group and the Company was 433 and 413, respectively (as of 31 December 2008 – 579 and 534, respectively).

The Company's management approved these financial statements on 2 April 2010. The shareholders of the Company have a statutory right to approve these financial statements or not to approve them and to require preparation of another set of financial statements.

VILNIAUS BALDAI AB

CONSOLIDATED AND COMPANY'S FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2009

(all amounts are in LTL thousand unless otherwise stated)

2 Accounting principles

The principal accounting policies adopted in preparing the Group and the Company's financial statements for the year ended 31 December 2009 are as follows:

2.1. Basis of preparation

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.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Company's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 2.25. Although these estimates are based on management's best knowledge of current events and actions, actual results ultimately may differ from those estimates.

a) Relevant new or amended standards and interpretations effective in 2009

IAS 1 (Revised), Presentation of Financial Statements (effective for annual periods beginning on or after 1 January 2009). The revised standard prohibit the presentation of items of income and expenses (that is, 'non-owner changes in equity') in the statement of changes in equity, requiring 'non-owner changes in equity' to be presented separately from owner changes in equity. All non-owner changes in equity are required to be shown in a performance statement, but entities can choose whether to present one performance statement (the statement of comprehensive income) or two statements (the income statement and statement of comprehensive income). Where entities restate or reclassify comparative information, they will be required to present a restated balance sheet as at the beginning of comparative period in addition to the current requirement to present balance sheets at the end of the current period and comparative period. The Group and the Company applies IAS 1 (Revised) from 1 January 2009.

Improving Disclosures about Financial Instruments - Amendment to IFRS 7 'Financial Instruments: Disclosures' (effective for annual periods beginning on or after 1 January 2009). The amendment requires enhanced disclosures about fair value measurements and liquidity risk. The entity will be required to disclose an analysis of financial instruments using a three-level fair value measurement hierarchy. The amendment (a) clarifies that the maturity analysis of liabilities should include issued financial guarantee contracts at the maximum amount of the guarantee in the earliest period in which the guarantee could be called; and (b) requires disclosure of remaining contractual maturities of financial derivatives if the contractual maturities are essential for an understanding of the timing of the cash flows. The Group and the Company will further have to disclose a maturity analysis of financial assets it holds for managing liquidity risk, if that information is necessary to enable users of its financial statements to evaluate the nature and extent of liquidity risk.

IFRS 8, 'Operating segments' (effective for annual periods beginning on or after 1 January 2009). IFRS 8 replaces IAS 14, 'Segment reporting', and aligns segment reporting with the requirements of the US standard SFAS 131, 'Disclosures about segments of an enterprise and related information'. The new standard requires a 'management approach', under which segment information is presented on the same basis as that used for internal reporting purposes. The standard is applicable to the Group and the Company and is applied from 1 January 2009. Information on operating segments is provided in Note 4.

IAS 23 (Revised) 'Borrowing Costs', including amendment published by IASB in May 2008 as part of annual improvement project (effective from 1 January 2009). The amendment requires an entity to capitalise borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset (one that takes a substantial period of time to get ready for use or sale) as part of the cost of that asset. The option of immediately expensing those borrowing costs will be removed. In 2009 this standard was not applicable to the Group and the Company as there were no qualifying assets.

2 Accounting principles (cont'd)

2.1. Basis of preparation (cont'd)

(b) New and amended standards and interpretations effective in 2009 but not relevant to the Group and the Company

The following new and amended standards and interpretations as adopted by EU are mandatory for accounting periods beginning on or after 1 January 2009 but are not relevant to the Group's and the Company's operations:

IAS 32 (Amendment), 'Financial instruments: Presentation', and IAS 1 (Amendment), 'Presentation of financial statements' – 'Puttable financial instruments and obligations arising on liquidation' (effective from 1 January 2009). The amended standards require entities to classify puttable financial instruments and instruments, or components of instruments that impose on the entity an obligation to deliver to another party a pro rata share of the net assets of the entity only on liquidation as equity, provided the financial instruments have particular features and meet specific conditions. These amendments do not have an impact on the Group's and Company's financial statements.

IFRS 1 (Amendment) 'First time adoption of IFRS' and IAS 27 'Consolidated and separate financial statements' (effective from 1 January 2009). The amended standard allows first-time adopters to use a deemed cost of either fair value or the carrying amount under previous accounting practice to measure the initial cost of investments in subsidiaries, jointly controlled entities and associates in the separate financial statements. The amendment also removes the definition of the cost method from IAS 27 and replaces it with a requirement to present dividends as income in the separate financial statements of the investor. The amendment does not have any impact on the Group's and the Company's financial statements.

IFRS 2 (Amendment), 'Share-based payment' (effective from 1 January 2009). The amended standard deals with vesting conditions and cancellations. It clarifies that vesting conditions are service conditions and performance conditions only. Other features of a share-based payment are not vesting conditions. As such these features would need to be included in the grant date fair value for transactions with employees and others providing similar services, that is, these features would not impact the number of awards expected to vest or valuation thereof subsequent to grant date. All cancellations, whether by the entity or by other parties, should receive the same accounting treatment. This amendment does not have an impact on the Group's and the Company's financial statements.

IFRIC 13, 'Customer loyalty programmes' (effective from 1 July 2008). IFRIC 13 clarifies that where goods or services are sold together with a customer loyalty incentive (for example, loyalty points or free products), the arrangement is a multiple-element arrangement and the consideration receivable from the customer is allocated between the components of the arrangement using fair values. IFRIC 13 is not relevant to the Group's and the Company's operations, because it does not operate any loyalty programmes.

On the 23 January 2009, the EU endorsed the Improvements to IFRSs standard published in May 2008 which amends 20 existing standards, basis of conclusions and guidance. These improvements include changes in presentation, recognition and measurement as well as terminology and editorial changes. Most of these changes are effective for periods beginning on or after 1 January 2009. These amendments do not have significant impact on the Group's and the Company's financial statements.

IFRIC 11, IFRS 2 - Group and Treasury Share Transactions (IFRIC 11 as adopted by the EU is effective for annual periods beginning on or after 1 March 2008, early adoption permitted). The interpretation contains guidelines on the following issues: an entity grants its employees rights to its equity instruments that may or must be repurchased from a third party in order to settle obligations towards the employees; or an entity or its owner grants the entity's employees rights to the entity's equity instruments. Adoption of the interpretation did not have any impact on the Group's and the Company's financial statements.

IFRIC 12, Service Concession Arrangements (IFRIC 12 as adopted by the EU is effective for annual periods beginning on or after 30 March 2009, early adoption permitted). The interpretation contains guidance on applying the existing standards by service providers in public-to-private service concession arrangements. Application of IFRIC did not have any impact on the Company's and the Group's financial statements.

2 Accounting principles (cont'd)

2.1. Basis of preparation (cont'd)

IFRIC 14, IAS 19 - The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction (IFRIC 14 as adopted by the EU is effective for annual periods beginning on or after 31 December 2008, early adoption permitted). The interpretation contains guidance on when refunds or reductions in future contributions may be regarded as available for the purposes of the asset ceiling test in IAS 19, Employee Benefits. The interpretation did not have any effect on the Group's and the Company's financial statements.

(c) Standards and amendments to existing standards that are not yet effective, endorsed by EU and have not been early adopted by the Group and the Company

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

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

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

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

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

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

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

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

2 Accounting principles (cont'd)

2.1. Basis of preparation (cont'd)

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

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

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

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

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

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

d) Standards and amendments to existing standards that are not yet effective, not endorsed by EU and have not been early adopted by the Company

Additional Exemptions for First-time Adopters - Amendments to IFRS 1 'First-time Adoption of IFRS' (effective for annual periods beginning on or after 1 January 2010; not yet adopted by the EU).

IAS 24 'Related Party Disclosures' (amended November 2009, effective for annual periods beginning on or after 1 January 2011; not yet adopted by the EU). IAS 24 was revised in 2009 by: (a) simplifying the definition of a related party, clarifying its intended meaning and eliminating inconsistencies from the definition and by (b) providing a partial exemption from the disclosure requirements for government-related entities.

IFRS 9 'Financial Instruments' (issued in November 2009, effective for annual periods beginning on or after 1 January 2013, with earlier application permitted; not yet adopted by the EU). IFRS 9 replaces those parts of IAS 39 relating to the classification and measurement of financial assets.

IFRIC 19 'Extinguishing Financial Liabilities with Equity Instruments' (effective for annual periods beginning on or after 1 July 2010; not yet adopted by the EU). This IFRIC clarifies the accounting when an entity renegotiates the terms of its debt with the result that the liability is extinguished through the debtor issuing its own equity instruments to the creditor. A gain or loss is recognised in the profit and loss account based on the fair value of the equity instruments compared to the carrying amount of the debt.

VILNIAUS BALDAI AB

CONSOLIDATED AND COMPANY'S FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2009

(all amounts are in LTL thousand unless otherwise stated)

2 Accounting principles (cont'd)

2.1. Basis of preparation (cont'd)

Prepayments of a Minimum Funding Requirement - Amendment to IFRIC 14 (effective for annual periods beginning on or after 1 January 2011; not yet adopted by the EU). This amendment will have a limited impact as it applies only to companies that are required to make minimum funding contributions to a defined benefit pension plan. It removes an unintended consequence of IFRIC 14 related to voluntary pension prepayments when there is a minimum funding requirement.

2.2. 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.

2.3. Principles of consolidation

The consolidated financial statements of the Group include Vilnius 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.

The purchase method of accounting is used for acquired businesses. Companies acquired or disposed of during the year are included in the consolidated financial statements from the date of acquisition or to the date of disposal.

Investments into associates where significant influence is exercised by the Group are accounted for using the equity method in the consolidated financial statements.

Consolidated financial statements are prepared on the basis of the same accounting principles applied to similar transactions and other events under similar circumstances.

2.4. 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.

2 Accounting principles (cont'd)

2.5. Property, plant and equipment

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

The Company disclosed in its financial statements for 2008 and previous years that revaluation model under IAS16 was selected for buildings as subsequent measurement model, but the Company did not follow this policy. The revaluation was performed only once in 1999 for buildings included in the books at that time and no subsequent revaluation was performed on regular bases either for those assets which had been revalued in 1999 or for new acquisitions after 1999. The Company decided to remove this inconsistency between disclosed accounting policy and the accounting treatment followed in practice in 2009. To achieve true and fair presentation of the financial statements the Company reversed impact of revaluation performed in 1999 and corrected this prior-period error retrospectively as required by IAS 8 para. 49 (Note 3).

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 capitalised as part of the costs of those assets, if the commencement date for capitalisation is on or after 1 January 2009.

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

The Group capitalises borrowing costs that could have been avoided if it had not made capital expenditure on qualifying assets. Borrowing costs capitalised 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 capitalised.

2.6. Financial assets

According to IAS 39 "Financial Instruments: Recognition and Measurement" 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. All purchases and sales of financial assets are recognized on the trade date. When financial assets are recognized initially, they are measured at fair value, plus, in the case of investments not at fair value through profit or loss, directly attributable transaction costs.

2 Accounting principles (cont'd)

2.6. Financial assets (cont'd)

Loans and receivables

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

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

2.7. Investments into subsidiaries and associates

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.

An assessment of recoverable amount of investment in associates is performed when there is an indication that the asset has been impaired or the impairment losses recognized in prior years no longer exist.

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, an impairment loss is recognized. Where goodwill forms part of a cash-generating unit and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured based on the relative values of the operation disposed of and the portion of the cash-generating unit retained.

2.8. Inventories

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

2.9. 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 noncurrent assets.

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

2.10. Cash and cash equivalents

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

For the purposes of the cash flow statement, cash and cash equivalents comprise cash on hand, deposits held at call with banks, and other short-term highly liquid investments.

2 Accounting principles (cont'd)

2.11. Share capital

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

2.12. Dividends distribution

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

2.13. Borrowings

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

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

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

2.14. Leases

A company and a 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 capitalised 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.

A company and a 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.

2.15. 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.

2 Accounting principles (cont'd)

2.15. Grants (cont'd)

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.

2.16. Trade payables

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

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

2.17. Employee benefits

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

2.18. 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.

2.19. 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 20 % in 2009 (15 % in 2008). Starting from 1 January 2010 the income tax applied to the companies in the Republic of Lithuania is 15 %.

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.

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.

2 Accounting principles (cont'd)

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

2.21. 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.

2.22. 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.

2.23. Impairment of assets

Financial assets

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

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

2 Accounting principles (cont'd)

2.23. Impairment of assets (cont'd)

Fixed assets

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

2.24. 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.

2.25. 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 key assumptions concerning the future and other key sources of estimation uncertainty at the statement of financial position date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed 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. Further details are given in Note 2.5.

Tax legislation

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 Accounting principles (cont'd)

2.25. Use of estimates in the preparation of financial statements (cont'd)

Recent volatility in global and Lithuanian financial markets

The ongoing global financial and economic crisis that emerged out of the severe reduction in global liquidity which commenced in the middle of 2008 (often referred to as the "Credit Crunch") has resulted in, among other things, a lower level of capital market funding, lower liquidity levels across the banking sector and wider economy, and, at times, higher interbank lending rates and very high volatility in stock and currency markets. The uncertainties in the global financial markets have also led to failures of banks and other corporates, and to bank rescues in the United States of America, Western Europe, Russia and elsewhere. The full extent of the impact of the ongoing global financial and economic crisis is proving to be difficult to anticipate or completely guard against.

Management is unable to reliably determine the effects on the Company's future financial position of any further deterioration in the Company's operating environment as a result of the ongoing crisis. Management believes it is taking all the necessary measures to support the sustainability of the Company's business in the current circumstances.

2.26. 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.

2.27. 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.

2.28. 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 recognised 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 adjusted to correspond to the presentation of the current year.

VILNIAUS BALDAI AB**CONSOLIDATED AND COMPANY'S FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2009**

(all amounts are in LTL thousand unless otherwise stated)

3 Correction of prior-period error on measurement and disclosure

The Company disclosed in its financial statements for 2008 and previous years that revaluation model under IAS16 was selected for buildings as subsequent measurement model, but the Company did not follow this policy. The revaluation was performed only once in 1999 for buildings included in the books at that time and no subsequent revaluation was performed on regular bases either for those assets which had been revalued in 1999 or for new acquisitions after 1999. The Company decided to remove this inconsistency between disclosed accounting policy and the accounting treatment followed in practice.

To apply consistent accounting policy for all buildings acquired by the Group and the Company the correction of prior period error on buildings measurement and their accounting policy disclosure was performed in 2009. Revaluation reserve was restated as the Management of the Group and the Company believes that cost model is the appropriate accounting policy for buildings that are used for production purposes.

Revaluation of buildings (revaluation surplus and accumulated depreciation of revaluation surplus) was restated retrospectively.

3.1. Recalculated items of the statement of financial position as of 31 December 2008

	Group			Company		
	Previously reported	Adjustment	Adjusted	Previously reported	Adjustment	Adjusted
ASSETS						
Non-current assets						
Property, plant and equipment						
Land and buildings	21,446	(7,356)	14,090	21,446	(7,356)	14,090
Total property, plant and equipment	45,509	(7,356)	38,153	45,475	(7,356)	38,119
Total non-current assets	45,781	(7,356)	38,425	45,764	(7,356)	38,408
Current assets						
Inventories	12,467	(9)	12,458	12,467	(9)	12,458
Total current assets	53,475	(9)	53,466	53,453	(9)	53,444
Total assets	99,256	(7,365)	91,891	99,217	(7,365)	91,852

VILNIAUS BALDAI AB

CONSOLIDATED AND COMPANY'S FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2009
(all amounts are in LTL thousand unless otherwise stated)

3 Correction of prior period error on measurement and disclosure (cont'd)

3.1. Recalculated items of the statement of financial position as of 31 December 2008 (cont'd)

	Group			Company		
	Previously reported	Adjustment	Adjusted	Previously reported	Adjustment	Adjusted
EQUITY AND LIABILITIES						
Equity						
Revaluation reserve	8,012	(8,012)	-	8,012	(8,012)	-
Retained earnings (deficit)	10,084	2,272	12,356	10,043	2,272	12,315
Total equity	35,063	(5,740)	29,323	35,022	(5,740)	29,282
Liabilities						
Non-current liabilities						
Deferred income tax liability	1,987	(1,625)	362	1,987	(1,625)	362
Total non-current liabilities	8,267	(1,625)	6,642	8,248	(1,625)	6,623
Total equity and liabilities	99,256	(7,365)	91,891	99,217	(7,365)	91,852

3.2. Recalculated items of the statement of financial position as of 31 December 2007

	Group			Company		
	Previously reported	Adjustment	Adjusted	Previously reported	Adjustment	Adjusted
ASSETS						
Non-current assets						
Property, plant and equipment						
Land and buildings	22,508	(7,691)	14,817	22,508	(7,691)	14,817
Total property, plant and equipment	51,866	(7,691)	44,175	51,812	(7,691)	44,121
Total non-current assets	74,869	(7,691)	67,178	78,386	(7,691)	70,695
Current assets						
Inventories	11,587	(7)	11,580	11,587	(7)	11,580
Total current assets	25,340	(7)	25,333	25,289	(7)	25,282
Total assets	100,209	(7,698)	92,511	103,675	(7,698)	95,977

VILNIAUS BALDAI AB
CONSOLIDATED AND COMPANY'S FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2009

(all amounts are in LTL thousand unless otherwise stated)

3 Correction of prior period error on measurement and disclosure (cont'd)
3.2. Recalculated items of the statement of financial position as of 31 December 2007 (cont'd)

	Group			Company		
	Previously reported	Adjustment	Adjusted	Previously reported	Adjustment	Adjusted
EQUITY AND LIABILITIES						
Equity						
Revaluation reserve	8,356	(8,356)	-	8,356	(8,356)	-
Retained earnings (deficit)	2,917	2,043	4,960	6,448	2,043	8,491
Total equity	28,040	(6,313)	21,727	31,571	(6,313)	25,258
Liabilities						
Non-current liabilities						
Deferred income tax liability	1,769	(1,385)	384	1,769	(1,385)	384
Total non-current liabilities	25,158	(1,385)	23,773	25,127	(1,385)	23,742
Total equity and liabilities	100,209	(7,698)	92,511	103,675	(7,698)	95,977

3.3. Recalculated items of the statement of comprehensive income for the year ended 31 December 2008

	Group			Company		
	Previously reported	Adjustment	Adjusted	Previously reported	Adjustment	Adjusted
Cost of sales	(129,298)	243	(129,055)	(129,508)	243	(129,265)
Gross profit	8,225	243	8,468	8,015	243	8,258
Operating expenses	(8,450)	90	(8,360)	(8,285)	90	(8,195)
Operating profit	17,489	333	17,822	7,854	333	8,187
Profit before income tax	8,188	333	8,521	4,616	333	4,949
Income tax expense	(1,165)	240	(925)	(1,165)	240	(925)
Profit for the year	7,023	573	7,596	3,451	573	4,024
Basic and diluted earnings per share	1.81	0.15	1.95	0.89	0.15	1.04

VILNIAUS BALDAI AB**CONSOLIDATED AND COMPANY'S FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2009**

(all amounts are in LTL thousand unless otherwise stated)

4 Segment information

Management 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 analysed as single reportable segment – furniture production and trade, therefore is not further disclosed in these financial statements.

The entity is domiciled in Lithuania. Breakdown of revenue by the location where production is delivered:

	Group		Company	
	2009	2008	2009	2008
European Union countries	116,993	79,366	116,993	79,366
Other than European Union countries	31,472	56,729	31,472	56,729
Lithuania	501	1,428	501	1,428
	<u>148,966</u>	<u>137,523</u>	<u>148,966</u>	<u>137,523</u>

5 Intangible assets

	Software	
	Group	Company
Cost:		
Balance as of 31 December 2007	1,216	1,213
Additions	218	218
Write-offs	(412)	(409)
Balance as of 31 December 2008	<u>1,022</u>	<u>1,022</u>
Additions	190	190
Write-offs	(2)	(2)
Balance as of 31 December 2009	<u>1,210</u>	<u>1,210</u>
Accumulated amortisation:		
Balance as of 31 December 2007	910	908
Charge for the year	254	253
Write-offs	(412)	(409)
Balance as of 31 December 2008	<u>752</u>	<u>752</u>
Charge for the year	190	190
Write-offs	(2)	(2)
Balance as of 31 December 2009	<u>940</u>	<u>940</u>
Net book value as of 31 December 2009	<u>270</u>	<u>270</u>
Net book value as of 31 December 2008	<u>270</u>	<u>270</u>

Amortization expenses of intangible assets are included within operating expenses in the statement of comprehensive income. Part of the non-current intangible assets of and the Group and the Company with the acquisition cost of LTL 650 thousand as of 31 December 2009 (as of 31 December 2008 – LTL 477 thousand) was fully amortised but was still in use.

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6 Property, plant and equipment

To apply consistent accounting policy for all buildings acquired by the Group and the Company the correction of prior period error on buildings measurement and their accounting policy disclosure was performed in 2009 (Note 3).

Group

	Land and buildings	Machinery and equipment	Vehicles	Other property, plant and equipment	Total
Cost:					
Balance as of 31 December 2007	22,962	59,596	374	2,912	85,844
Additions	145	599	-	189	933
Disposals and retirements	(460)	(564)	(241)	(114)	(1,379)
Balance as of 31 December 2008	22,647	59,631	133	2,987	85,398
Additions	-	1,769	118	268	2,155
Disposals and retirements	-	(2,112)	-	(145)	(2,257)
Balance as of 31 December 2009	22,647	59,288	251	3,110	85,296
Accumulated depreciation:					
Balance as of 31 December 2007	8,145	31,373	189	1,962	41,669
Charge for the year	674	5,648	16	308	6,646
Disposals and retirements	(262)	(563)	(133)	(112)	(1,070)
Balance as of 31 December 2008	8,557	36,458	72	2,158	47,245
Charge for the year	704	5,037	15	292	6,048
Disposals and retirements	-	(1,911)	-	(143)	(2,054)
Balance as of 31 December 2009	9,261	39,584	87	2,307	51,239
Net book value as of 31 December 2009	13,386	19,704	164	803	34,057
Net book value as of 31 December 2008	14,090	23,173	61	829	38,153

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6 Property, plant and equipment (cont'd)
Company

	Land and buildings	Machinery and equipment	Vehicles	Other property, plant and equipment	Total
Cost:					
Balance as of 31 December 2007	22,962	59,549	374	2,894	85,779
Additions	145	599	-	188	932
Disposals and retirements	(460)	(564)	(241)	(111)	(1,376)
Balance as of 31 December 2008	22,647	59,584	133	2,971	85,335
Additions	-	1,769	118	266	2,153
Disposals and retirements	-	(2,069)	-	(145)	(2,214)
Balance as of 31 December 2009	22,647	59,284	251	3,092	85,274
Accumulated depreciation:					
Balance as of 31 December 2007	8,145	31,362	189	1,962	41,658
Charge for the year	674	5,634	16	301	6,625
Disposals and retirements	(262)	(563)	(133)	(109)	(1,067)
Balance as of 31 December 2008	8,557	36,433	72	2,154	47,216
Charge for the year	704	5,027	15	286	6,032
Disposals and retirements	-	(1,876)	-	(143)	(2,019)
Balance as of 31 December 2009	9,261	39,584	87	2,297	51,229
Net book value as of 31 December 2009	13,386	19,700	164	795	34,045
Net book value as of 31 December 2008	14,090	23,151	61	817	38,119

Depreciation charge for the year was recognised as follows:

	Group		Company	
	2009	2008	2009	2008
Cost of sales	5,526	5,968	5,512	5,948
Operating expenses	388	427	386	426
Inventories – finished goods	134	251	134	251
	<u>6,048</u>	<u>6,646</u>	<u>6,032</u>	<u>6,625</u>

Property, plant and equipment of the Company with a net book value of LTL 24,987 thousand as of 31 December 2009 (LTL 28,656 thousand as of 31 December 2008) was pledged to the banks as a collateral for the loans (Note 14).

Part of property, plant and equipment of the Group and the Company with the acquisition cost of LTL 15,749 thousand was fully depreciated as of 31 December 2009 (LTL 15,232 thousand as of 31 December 2008) but was still in active use. The major part of the fully depreciated property, plant and equipment consists of machinery and equipment.

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7 Investments into subsidiaries and associates

Acquisitions cost of investments of the Company into subsidiaries and associates as of 31 December 2009 and 2008 are presented below:

	2009		2008	
	Share capital	Acquisition cost	Share capital	Acquisition cost
ARI-LUX UAB	100%	17	100%	17
		17		17

The investments into the associate under the equity method in consolidated financial statements of the Group in 2009 and 2008 are as follows:

	Group	
	2009	2008
Balance at the beginning of the year	-	22,695
Share of profit for the year	-	(6,070)
Carrying amount (at the moment of disposal)	-	16,625
Disposal of interest in associate	-	(16,625)
Balance at the end of the year	-	-

Changes in the carrying amount of investments of the Company into subsidiaries and associates in 2009 and 2008 are presented below:

	Company	
	2009	2008
Balance at the beginning of the year	17	26,267
Value changes	-	-
Carrying amount (at the moment of disposal)	17	26,267
Disposal of interest in associate	-	(26,250)
Balance at the end of the year	17	17

In the cash flow statement, proceeds from disposal of associate comprise:

	Group		Company	
	2009	2008	2009	2008
Net book amount (at the moment of disposal)	-	16,625	-	26,250
Gain (loss) on disposal of associate (Note 20)	(1,102)	16,375	(1,102)	6,750
Proceeds from disposal of associate	(1,102)	33,000	(1,102)	33,000

On 10 December 2008 the Company signed a shares purchase-sale agreement for the disposal of the Giriu Bizonas UAB ordinary shares. The Company held the 122,497 ordinary shares with the par value of LTL 100 each (25% of the share capital) as at 31 December 2007. According to the agreement the selling price was LTL 33,000 thousand. On 2 July 2009 the Company signed the additional agreement regarding price adjustment of Giriu bizonas UAB shares. According to the additional agreement the final sales price of the shares was reduced by LTL 1,102 thousand.

The Group accounted for the investment into Giriu Bizonas UAB in the consolidated financial statement as of 1 January – 10 December 2008 using the equity method in accordance to Giriu Bizonas UAB financial data as of 2008.

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8 Inventories

	Group		Company	
	2009	2008	2009	2008
Raw materials	5,672	7,783	5,672	7,783
Work in progress	2,102	2,170	2,102	2,170
Finished goods	6,348	3,169	6,348	3,169
Goods for resale	3	-	3	-
	14,125	13,122	14,125	13,122
Less: write down to net realizable value	(120)	(664)	(120)	(664)
	14,005	12,458	14,005	12,458

Raw materials consist of wood, accessories, plastics, chemical materials and other materials used in production.

In 2009 an additional allowance in the amount of LTL 120 thousand was accounted for. During 2009 inventories for which the allowance in the amount of LTL 664 thousand was recorded, were disposed of or written off. Changes in the allowance for inventories for the years 2009 and 2008 have been included into cost of goods sold.

As disclosed in Note 14, in order to secure the repayment of loans, the Group and the Company pledged inventories with the total acquisition cost of LTL 9,000 thousand as of 31 December 2009 and 2008.

9 Trade receivables

	Group		Company	
	2009	2008	2009	2008
Trade receivables, gross	12,201	10,534	12,201	10,538
Less: impairment for doubtful trade receivables	-	-	-	-
	12,201	10,534	12,201	10,538

Trade receivables are non-interest bearing and are generally on 30 days terms.

As of 31 December 2009 no allowance was recognised for trade receivables of the Group and the Company with the nominal value of LTL 12,201 thousand (LTL 10,534 thousand and LTL 10,538 thousand in 2008, respectively).

The ageing analysis of the Group's trade receivables as of 31 December 2009 and 2008 is as follows:

	Trade receivables neither past due nor impaired	Trade receivables past due, but not impaired					Total
		Less than 30 days	30 - 60 days	60 - 90 days	90 - 120 days	More than 120 days	
2008	10,443	25	15	25	26	-	10,534
2009	12,130	42	10	-	-	19	12,201

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9 Trade receivables (cont'd)

The ageing analysis of the Company's trade receivables as of 31 December 2009 and 2008 is as follows:

	Trade receivables neither past due nor impaired	Trade receivables past due but not impaired					Total
		Less than 30 days	30 – 60 days	60 - 90 days	90 - 120 days	More than 120 days	
2008	10,447	25	15	25	26	-	10,538
2009	12,130	42	10	-	-	19	12,201

10 Loans to related parties

	Group		Company	
	2009	2008	2009	2008
Loans to related parties	15,999	28,732	15,999	28,732
	<u>15,999</u>	<u>28,732</u>	<u>15,999</u>	<u>28,732</u>

As of 31 December 2009 the Group's and Company's balance of loans granted to Invalda AB was LTL 15,999 thousand (LTL 28,732 thousand in 2008). As of 31 December 2009 the Company signed the updated loan agreement with Invalda AB for the amount of EUR 4,634 thousand (LTL 15,999 thousand). The annual interest rate for the loan is fixed at 5.5 %. The loan including all interest accrued is due on 31 December 2010.

11 Other receivables

	Group		Company	
	2009	2008	2009	2008
Refundable VAT	1,123	1,227	1,123	1,227
Other receivables	6	22	-	4
	<u>1,129</u>	<u>1,249</u>	<u>1,123</u>	<u>1,231</u>
Less: allowance for doubtful other receivables	-	-	-	-
	<u>1,129</u>	<u>1,249</u>	<u>1,123</u>	<u>1,231</u>

Other receivables of the Group and the Company were neither past due nor impaired as of 31 December 2009 and 2008.

12 Cash and cash equivalents

	Group		Company	
	2009	2008	2009	2008
Cash at bank	52	14	6	7
Cash on hand	4	4	4	4
	<u>56</u>	<u>18</u>	<u>10</u>	<u>11</u>

The Company's foreign currency accounts in Danske Bank A/S Lithuania branch and future cash inflows into them are pledged to the banks as collateral in relation to the loans (Note 14).

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13 ReservesLegal reserve

A legal reserve is a compulsory reserve under Lithuanian legislation. Annual transfers of not less than 5 % of net profit are compulsory until the reserve reaches 10 % of the share capital.

14 Borrowings

	Group		Company	
	As of 31 December 2009	As of 31 December 2008	As of 31 December 2009	As of 31 December 2008
Non-current borrowings				
Bank borrowings	3,757	6,261	3,757	6,261
Finance lease	86	-	86	-
	<u>3,843</u>	<u>6,261</u>	<u>3,843</u>	<u>6,261</u>
Current borrowings				
Current portion of non-current bank borrowings	2,504	14,623	2,504	14,623
Credit line facility (overdraft)	5,234	11,115	5,234	11,115
Borrowings from related parties	-	11,934	-	11,934
Current portion of non-current finance lease	12	-	12	-
	<u>7,750</u>	<u>37,672</u>	<u>7,750</u>	<u>37,672</u>
	<u>11,593</u>	<u>43,933</u>	<u>11,593</u>	<u>43,933</u>

Terms of repayment of non-current and current borrowings of the Group and the Company are as follows:

	Group		Company	
	As of 31 December 2009		As of 31 December 2009	
	Fixed Interest rate	Variable interest rate	Fixed interest rate	Variable interest rate
2010	-	7,750	-	7,750
2011	-	2,517	-	2,517
2012	-	1,267	-	1,267
2013	-	59	-	59
	<u>-</u>	<u>11,593</u>	<u>-</u>	<u>11,593</u>

Actual interest rates are close to the effective interest rates. As of 31 December 2009 the weighted average annual interest rate of the Group's and the Company's borrowings outstanding was 5.3 % (6.5 % as of 31 December 2008). In 2009 and 2008 the period of revising variable interest rates on borrowings was 6 months.

Weighted average interest rates of borrowings outstanding at the year end:

	Group		Company	
	2009	2008	2009	2008
Current borrowings	5.74%	6.7%	5.74%	6.7%
Non-current borrowings	4.93%	5.4%	4.93%	5.4%
Finance lease	5.00%	-	5.00%	-

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14 Borrowings (cont'd)

Parts of borrowings at the end of the year in national and foreign currencies:

	Group		Company	
	2009	2008	2009	2008
Borrowings denominated in:				
EUR	11,593	31,999	11,593	31,999
LTL	-	11,934	-	11,934
	<u>11,593</u>	<u>43,933</u>	<u>11,593</u>	<u>43,933</u>

In January 2009 the Company has repaid to Invalda AB the part of the loans amounting to LTL 4,000 thousand. 21 January 2009 the Company signed a mutual liabilities set off agreement with Invalda AB according to which the outstanding balance of the loans payable to Invalda AB amounting to LTL 7,934 thousand was set off with loans receivable from Invalda AB of the same amount. In this way the parties fully covered the liabilities.

8 January 2010 the Company prolonged the maturity of the credit line amounting to LTL 12,500 thousand till 25 February 2011.

The Company pledged buildings and machinery and equipment with a net book value of LTL 24,987 thousand as of 31 December 2009 (LTL 28,656 thousand as of 31 December 2008), the inventories in turnover with the net book value of LTL 9,000 thousand as of 31 December 2009 and 2008 as well as current and future cash inflows into Company's bank accounts in Danske Bank A/S Lithuania branch.

15 Trade payables

Trade payables are non-interest bearing and are normally settled on 30 days terms.

16 Other current and accrued liabilities

	Group		Company	
	2009	2008	2009	2008
Payroll related liabilities	1,945	1,585	1,925	1,523
Operation taxes payable	109	-	105	-
Other payables and accrued liabilities	<u>369</u>	<u>472</u>	<u>369</u>	<u>458</u>
	<u>2,423</u>	<u>2,057</u>	<u>2,399</u>	<u>1,981</u>

Terms and conditions of the above financial liabilities:

- Other payables are non-interest bearing and are normally settled on 15 – 30 day terms.

17 Revenue

	Group		Company	
	2009	2008	2009	2008
Sales of goods	148,959	137,514	148,959	137,514
Revenue from services	<u>7</u>	<u>9</u>	<u>7</u>	<u>9</u>
	<u>148,966</u>	<u>137,523</u>	<u>148,966</u>	<u>137,523</u>

The main customer of the Company is IKEA Supply AG in 2009 sales are amounting to LTL 148,001 thousand, i.e. 99 % (in 2008 sales were amounting to LTL 135,869 thousand, i.e. 99 %). The Company is working with this customer on the basis of the short-term agreements since 1998.

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18 Cost of sales

	Group		Company	
	2009	2008	2009	2008
Materials	87,073	91,622	87,073	91,622
Wages, salaries and social security	16,280	19,303	15,782	18,795
Depreciation*	5,517	5,956	5,512	5,948
Acquired furniture and materials	1,298	1,807	1,298	1,807
Other production expenses	9,824	10,367	10,459	11,093
	<u>119,992</u>	<u>129,055</u>	<u>120,124</u>	<u>129,265</u>

* The depreciation charge of the Group included in the cost of sales (Note 6) is decreased by LTL 9 thousand subsidy received for the acquisition of property, plant and equipment (LTL 12 thousand for the year 2008).

19 Operating expenses

	Group		Company	
	2009	2008	2009	2008
Wages, salaries and social security	3,755	4,460	3,653	4,338
Transportation and logistics expenses	753	143	753	136
Depreciation and amortization	578	681	576	679
Charity and support expenses	300	2	300	2
Utilities, maintenance and communications	665	630	665	625
Audit and consultation expenses	761	833	761	833
Business trips expenses	77	88	77	88
Security expenses	27	130	27	130
Other	1,795	1,393	1,781	1,364
	<u>8,711</u>	<u>8,360</u>	<u>8,593</u>	<u>8,195</u>

20 Other operating income (expenses)

	Group		Company	
	2009	2008	2009	2008
Other operating income				
Rent and utilities income	1,232	1,639	1,232	1,639
Gain on disposal of property, plant and equipment	13	481	13	481
Gain (loss) on disposal of investments (Note 7)	-	16,375	-	6,750
Other income	42	-	53	35
	<u>1,287</u>	<u>18,495</u>	<u>1,298</u>	<u>8,905</u>
Other operating expenses				
Losses on disposal of property, plant and equipment	(57)	(57)	(57)	(57)
Direct costs of rent income	(642)	(703)	(642)	(703)
Gain (loss) on disposal of investments (Note 7)	(1,102)	-	(1,102)	-
Other expenses	(2)	(21)	(2)	(21)
	<u>(1,803)</u>	<u>(781)</u>	<u>(1,803)</u>	<u>(781)</u>

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21 Income (expenses) from financial and investment activities

	Group		Company	
	2009	2008	2009	2008
Finance income				
Interest income on loans to related parties	790	150	790	150
Currency exchange gain	49	227	49	227
Other finance income	-	7	-	-
	<u>839</u>	<u>384</u>	<u>839</u>	<u>377</u>
Finance costs				
Interest expenses	(1,210)	(3,509)	(1,210)	(3,509)
Currency exchange (expenses)	(131)	(106)	(131)	(106)
	<u>(1,341)</u>	<u>(3,615)</u>	<u>(1,341)</u>	<u>(3,615)</u>

22 Income tax

	Group		Company	
	2009	2008	2009	2008
Components of the income tax expense (income)				
Income tax expenses for the reporting year	3,969	947	3,969	947
Adjustments in respect of prior year	(166)	-	(166)	-
Total current tax	<u>3,803</u>	<u>947</u>	<u>3,803</u>	<u>947</u>
Origination and reversal of temporary differences	(77)	(113)	(77)	(113)
Impact of change in the tax rate	(71)	91	(71)	91
Total deferred tax	<u>(148)</u>	<u>(22)</u>	<u>(148)</u>	<u>(22)</u>
Income tax expense	<u>3,655</u>	<u>925</u>	<u>3,655</u>	<u>925</u>

Deferred income tax asset and liability as of 31 December 2009 was accounted for using tax rate of 15 % (in 2008 – 20 %).

The reported amount of income tax expenses for the year can be reconciled to the amount of income tax expenses that would result from applying the statutory income tax rate of 20 % and 15 % to pre-tax income:

	Group		Company	
	2009	2008	2009	2008
Profit (loss) before tax	19,245	8,521	19,242	4,949
Income tax (expenses) computed at statutory tax rate	3,849	1,278	3,848	742
Expenses not deductible for tax purposes	501	171	490	171
Income not subject to tax	(254)	(614)	(242)	(78)
Correction of income tax for the previous periods	(165)	-	(165)	-
Profit relief due to investments	(85)	-	(85)	-
Charity expenses deductible twice for tax purposes	(120)	(1)	(120)	(1)
Effect of change in income tax rate	(71)	91	(71)	91
Income tax expenses (income)	<u>3,655</u>	<u>925</u>	<u>3,655</u>	<u>925</u>

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22 Income tax (cont'd)

The analysis of deferred tax assets and deferred tax liabilities is as follows:

	Group		Company	
	2009	2008	2009	2008
Deferred tax assets:				
– Deferred tax asset to be recovered after more than 12 months	-	-	-	-
– Deferred tax asset to be recovered within 12 months	59	185	59	185
Deferred tax liabilities:				
– Deferred tax liability to be recovered after more than 12 months	(273)	(547)	(273)	(547)
– Deferred tax liability to be recovered within 12 months	-	-	-	-
	(214)	(362)	(214)	(362)

The movement in the Group's and Company's deferred tax assets and liabilities (prior to and after offsetting the balances) during a period was as follows:

Group	2007	Credited (debited) to income tax expenses	2008	Credited (debited) to income tax expenses	2009
Deferred tax assets					
– Inventories	82	50	132	(114)	18
– Accrued charges	-	-	53	(12)	41
	82	50	185	(126)	59
Deferred tax liabilities					
– Investments	(467)	(80)	(547)	274	(273)
	(467)	(80)	(547)	274	(273)
Deferred tax liabilities, net	(385)	(30)	(362)	148	(214)
Company					
Deferred tax assets					
– Inventories	82	50	132	(114)	18
– Accrued charges	-	-	53	(12)	41
	82	50	185	(126)	59
Deferred tax liabilities					
– Investments	(467)	(80)	(547)	274	(273)
	(467)	(80)	(547)	274	(273)
Deferred tax liabilities, net	(385)	(30)	(362)	148	(214)

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when the deferred income taxes relate to the same fiscal authority.

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23 Earnings per share

Basic and diluted earnings per share are calculated by dividing the net profit attributable to shareholders by the weighted average number of ordinary shares in issue during the year.

	Group	
	2009	2008
Net profit for the year	15,590	7,596
Weighted average number of shares in issue (thousand)	3,886	3,886
Basic earnings per share (in LTL)	4.01	1.95

As there were no changes in the share capital of the Company during 2009 and 2008, therefore the weighted average number of shares equals to the total number of shares.

24 Financial assets and liabilities and risk managementFinancial instruments by category

The accounting policies for financial instruments have been applied to the line items below:

	Group		Company	
	Category - Loans and receivables		Category - Loans and receivables	
	2009	2008	2009	2008
Financial assets				
Trade and other receivables	12,207	10,556	12,202	10,542
Loans to related parties	15,999	28,732	15,999	28,732
Cash and cash equivalents	56	18	10	11
Total	28,262	39,306	28,211	39,285
	Category - Financial liabilities measured at amortised cost		Category - Financial liabilities measured at amortised cost	
Financial liabilities				
Borrowings	11,495	43,933	11,495	43,933
Obligations under finance leases	98	-	98	-
Trade and other payables	16,158	15,715	16,184	15,813
Total	27,751	59,648	27,777	59,746

Liquidity risk

The Group's and the Company's policy is to maintain sufficient cash and cash equivalents or have available funding through an adequate amount of committed credit facilities to meet its commitments at a given date in accordance with its strategic plans. The Group's and the Company's liquidity (total current assets / total current liabilities) and quick ratios ((total current assets – inventories) / total current liabilities) as of 31 December 2009 were 1.50 and 1.02, respectively (the Group's and the Company's liquidity and quick ratio as of 31 December 2008 – 0.96 and 0.73, respectively).

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24 Financial assets and liabilities and risk management (cont'd)

As described in Note 14, in the beginning of the year 2010 the Company prolonged the maturity of the credit line facility amounting to LTL 12,500 thousand till 25 February 2011. The balance of this credit facility equal to LTL 5,234 thousand plus future interest was presented in the column 'Less than 3 months' in the table of undiscounted future cashflows of the Group and the Company as of 31 December 2009.

The table below summarises the maturity profile of the Group financial liabilities as of 31 December 2009 based on contractual undiscounted cashflows (planned payments with interest):

Group	On demand	Less than 3 months	3 to 12 months	1 to 5 years	More than 5 years	Total
Interest bearing loans and borrowings	-	36,082	2,190	6,704	-	44,976
Trade and other payables	279	15,436	-	-	-	15,715
Balance as of 31 December 2008	279	51,518	2,190	6,704	-	60,691
Interest bearing loans and borrowings	-	6,079	2,018	3,960	-	12,057
Trade and other payables	277	15,881	-	-	-	16,158
Balance as of 31 December 2009	277	21,960	2,018	3,960	-	28,215

The table below summarises the maturity profile of the Company's financial liabilities as of 31 December 2009 based on contractual undiscounted cashflows (planned payments with interest):

Company	On demand	Less than 3 months	3 to 12 months	1 to 5 years	More than 5 years	Total
Interest bearing loans and borrowings	-	36,082	2,190	6,704	-	44,976
Trade and other payables	279	15,534	-	-	-	15,813
Balance as of 31 December 2008	279	51,616	2,190	6,704	-	60,789
Interest bearing loans and borrowings	-	6,079	2,018	3,960	-	12,057
Trade and other payables	277	15,907	-	-	-	16,184
Balance as of 31 December 2009	277	21,986	2,018	3,960	-	28,241

Credit risk

The Group and the Company has significant concentration of trading counterparties. The main customer of the Group and the Company – IKEA Supply AG – as of 31 December 2009 and 2008 accounts for approximately 98 % of the total Group's and Company's trade receivables. Also the major part of the Company's sales is with this customer (Note 17).

The Group and the Company do not guarantee obligations of other parties. The maximum exposure to credit risk is represented by the carrying amount of each financial asset, in the statement of financial position. Consequently, the Management of the Group and the Company considers that its maximum exposure is reflected by the amount of trade receivables, net of allowance for doubtful accounts recognised at the statement of financial position date.

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24 Financial assets and liabilities and risk management (cont'd)

With respect to trade receivables and other receivables that are neither impaired nor past due, there are no indications as of the reporting date that the debtors will not meet their payments obligations since receivables balances are monitored on an ongoing basis.

Foreign exchange risk

Major currency risks of the Group and the Company occur due to the fact that the Group and the Company borrows foreign currency denominated funds as well as is being involved in imports and exports. The Group's and the Company's policy is to match cash flows arising from highly probable future sales and purchases in each foreign currency. The Group and the Company does not use any financial instruments to manage its exposure to foreign exchange risk other than aiming to borrow in EUR, to which LTL is pegged.

Monetary assets and liabilities stated in various currencies as of 31 December 2009 were as follows (stated in LTL):

	Group		Company	
	Assets	Liabilities	Assets	Liabilities
LTL	12,167	10,071	12,116	10,097
EUR	16,092	17,241	16,092	17,241
PLN	3	270	3	270
Total	28,262	27,582	28,211	27,608

The following table demonstrates the sensitivity to a reasonably possible change in respect currency exchange rate, with all other variable held constant of the Company's profit before tax (due to change in the fair value of monetary assets and liabilities).

	Increase/ decrease in exchange rate, %	Effect on the profit before tax
2009		
PLN	+10%	(27)
PLN	-10%	27
2008		
SEK	+10%	(94)
SEK	-10%	94

Interest rate risk

The major part of the Group's and the Company's borrowings is with variable interest rates, related to EURIBOR, which creates an interest rate risk. There are no financial instruments designated to manage the exposure to fluctuation in interest rates outstanding as of 31 December 2009 and 2008.

The following table demonstrates the sensitivity to a reasonably possible change in interest rates, with all other variables held constant, of the Group's and the Company's profit before tax (through the impact on floating rate borrowings). There is no impact on the Group's and the Company's equity except for the impact of the current portion of net income.

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24 Financial assets and liabilities and risk management (cont'd)

	Increase / decrease, %	Effect on profit before tax
2009		
LTL	+1%	(7)
EUR	+1%	(209)
 LTL	 -0.1%	 1
EUR	-0.1%	21
2008		
LTL	+1%	(119)
EUR	+1%	(320)
 LTL	 -0.1%	 12
EUR	-0.1%	32

Fair value of financial instruments

The Group's and the Company's principal financial instruments accounted for at amortised cost are trade and other current and non-current receivables, trade and other payables, long-term and short-term borrowings. The net book value of these amounts approximates their fair value.

Fair value is defined as the amount at which the instrument could be exchanged between knowledgeable willing parties in an arm's length transaction, other than in forced or liquidation sale. Fair values are obtained from quoted market prices, discounted cash flow models and option pricing models as appropriate.

The following methods and assumptions are used to estimate the fair value of each class of financial instruments:

- (a) The carrying amount of current trade accounts receivable, current trade accounts payable, other receivables and other payables and short-term borrowings approximates fair value.
- (b) The fair value of non-current debt is based on the quoted market price for the same or similar issues or on the current rates available for debt with the same maturity profile. The fair value of non-current borrowings with variable interest rates approximates their carrying amounts.

Credit quality of financial assets

The credit quality of financial assets that are neither past due nor impaired can be assessed by reference to historical information about counterparty default rates:

	Group		Company	
	Category - Loans and receivables		Category - Loans and receivables	
	2009	2008	2009	2008
Trade and other receivables with no history of counterparty defaults	12,136	10,465	12,130	10,451
Cash at bank that have high credit ratings	52	14	6	7
Total	12,188	10,479	12,136	10,458

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25 Capital management

The Group's and the Company's capital includes share capital, legal reserves and retained earnings. The primary objective of the capital management is to ensure that the Group and the Company comply with externally imposed capital requirements.

The Group and the Company manage their capital structure and make adjustments to it in the light of changes in economics conditions and the risk characteristics of its activities. To maintain or adjust the capital structure, the Company may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies or processes during the year end 31 December 2009.

The Company is obliged to keep its equity at no less than 50 % of its share capital, as imposed by the Law on Companies of the Republic of Lithuania.

Moreover the Group and the Company have externally imposed capital requirements from the banks. They require that ratio of equity and total assets would be not less than 0.35. The loans received from Invalda AB are considered as a part of equity when calculating the ratio.

The management monitors that the Company is in line with the both above mentioned capital requirements. No other capital management tools are used.

The calculation of equity and assets ratio is presented below:

	Group		Company	
	2009	2008	2009	2008
Total assets	77,990	91,891	77,943	91,852
Equity	44,913	29,323	44,869	29,282
Loans received from Invalda AB	-	11,934	-	11,934
Total equity	44,913	41,257	44,869	41,216
Equity to assets ratio	0.58	0.45	0.58	0.45

26 Commitments and contingencies

On 10 December 2008 the Company signed a shares purchase-sale agreement for the disposal of the Giriu Bizonas UAB ordinary shares. According to the addendum to the agreement the Company is committed to compensate to the acquirer 25% but not more than LTL 750 thousand of expenses related to the termination of agreement No. PR2005 – 69 concluded on 23 August 2005 by Giriu Bizonas UAB with Lietuvos Dujos AB. As of 31 December 2008 and 2009 the Company's financial statements did not include any provision regarding this contingency because the Company has evidence that the agreement between Giriu Bizonas UAB and Lietuvos Dujos AB will not be terminated during 2010.

Also according to this addendum next to the purchase-sale agreement the Company is committed to compensate 25% but not more than LTL 500 thousand of expenses related to the additional emission rights acquisition, if there is a need to acquire additional emission rights in the years 2009 – 2010. The Company's financial statements did not include any provision regarding this liability because the Company has evidence that there will be no need to acquire additional emission rights in 2010.

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27 Related party transactions

The parties are considered related when one party has the possibility to control the other one or have significant influence over the other party in making financial and operating decisions. The related parties of the Company during 2009 and 2008 were: ARI-LUX UAB (the subsidiary), Invalda AB (ultimate shareholder) and all companies controlled by Invalda AB and Giriu Bizonas UAB (associate till 10 December 2008). Transactions with related parties during 2009 and 2008 and the balances as of 31 December 2009 and 2008 were as follows:

a) Sales and purchases of goods and services and year-end balances arising from these sales/purchases

2009	Purchases	Sales	Receivables	Payables
ARI-LUX UAB	643	15	1	26
Invalda Nekilinojamojo Turto Valdymas UAB	113	257	70	-
Invalda Service UAB	116	-	-	26
Finasta AB FMI	23	-	-	-
Baltic Amadeus Infrastruktūros Paslaugos UAB	36	-	-	-
Informatikos Pasaulis UAB	81	-	-	1
	1,012	272	71	53

2008	Purchases	Sales	Receivables	Payables
Giriu Bizonas UAB	15,610	256	-	-
ARI-LUX UAB	738	39	4	98
Invalda Nekilinojamojo Turto Valdymas UAB	161	464	70	-
Invalda Service UAB	1,170	-	-	19
Bankas Finasta AB	330	-	-	389
Finasta AB FMI	14	1	-	3
Baltic Amadeus Infrastruktūros Paslaugos UAB	16	-	-	4
	18,039	760	74	513

b) Loans to Invalda AB

	2009	2008
At 1 January	28,732	-
Loans advanced during a year	14,941	28,732
Loans repayments received	(27,674)	-
Interest charged	780	146
Interest received	(780)	(146)
At 31 December	15,999	28,732

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27 Related party transactions (cont'd)*c) Borrowings from Invalda AB*

	2009	2008
At 1 January	11,934	11,934
Borrowings received during a year	-	-
Borrowings repaid during a year	(11,934)	-
Interest expensed	65	1,137
Interest paid	(65)	(1,094)
At 31 December 31	-	11,977

There have been no guarantees provided or received for any related party receivable or payable and no allowance has been made by the Group and the Company for to amounts owed by related parties.

Remuneration of the management and other payments

The General Director, Chief Accountant of the Company and General Director of subsidiary are considered to be the key management of the Group.

The Group's and the Company's management remuneration amounted to LTL 644 thousand and LTL 583 thousand in 2009 (LTL 799 thousand and LTL 720 thousand in 2008, respectively). In 2009 and 2008 the management of the Group and the Company did not receive any loans, guarantees; no other payments or property transfers were made or accrued.

28 Subsequent events

There were no significant events in the Group and the Company after the date of the financial statements, except for the change of the credit line maturity and repayment of loans as described in Note 14 to the financial statements.