VILNIAUS BALDAI

ANNO 1883

Better Faster Stronger

RESPONSIBLE PERSONS' CONFIRMATION

16.03.2015

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 2014, 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, cash flow and also that Consolidated Annual Report shows fair bussines inveronment as well as description of the Company's performance.

Chief Executive Officer	Rimantas Vaitkus
Chief Financial Officer	Ausra Kibirkstiene

VILNIAUS BALDAI AB

CONSOLIDATED AND COMPANY'S FINANCIAL STATEMENTS FOR THE YEAR 2014, PREPARED ACCORDING TO INTERNATIONAL FINANCIAL REPORTING STANDARDS AS ADOPTED BY THE EUROPEAN UNION PRESENTED TOGETHER WITH INDEPENDENT AUDITOR'S REPORT

CONTENTS

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Independent Auditor's Report

To the Shareholders of Vilniaus Baldai AB

Report on the Financial Statements

We have audited the accompanying separate financial statements of Vilniaus Baldai AB (hereinafter "the Company"), which comprise the separate statement of financial position as at 31 December 2014, the separate statements of profit or loss and other comprehensive income, changes in equity and cash flows for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information, as set out on pages 40 to 78. We have also audited the accompanying consolidated financial statements of Vilniaus Baldai AB and its subsidiary (hereinafter "the Group"), which comprise the consolidated statement of financial position as at 31 December 2014, the consolidated statements of profit or loss and other comprehensive income, changes in equity and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes, as set out on pages 40 to 78.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these separate and consolidated financial statements in accordance with International Financial Reporting Standards, as adopted by the European Union, and for such internal control as management determines is necessary to enable the preparation of the financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these separate and consolidated 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 about whether these financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the separate and consolidated financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of these financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Company's and the Group's preparation and fair presentation of these 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 Company's and the Group's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Company's and the Group's management, as well as evaluating the overall presentation of the separate and consolidated financial statements.

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

Company code: 111494971
VAT code: LT114949716

Opinion

In our opinion, the separate financial statements give a true and fair view of the financial position of Vilniaus Baldai AB as at 31 December 2014 and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards, as adopted by the European Union.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of Vilniaus Baldai AB and its subsidiary as at 31 December 2014 and of the consolidated financial performance and consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards, as adopted by the European Union.

Other Matter

The separate financial statements of Vilniaus Baldai AB and consolidated financial statements of Vilniaus Baldai AB and its subsidiary as at and for the year ended 31 December 2013 were audited by another auditor who expressed an unqualified opinion on those financial statements on 17 March 2014.

Report on Other Legal and Regulatory Requirements

Furthermore, we have read the consolidated annual report of Vilniaus Baldai AB for the year ended 31 December 2014, set out on pages 5 to 39 of the financial statements, and have not identified any material inconsistencies between the financial information included in the consolidated annual report and the consolidated financial statements of Vilniaus Baldai AB for the year ended 31 December 2014.

On behalf of KPMG Baltics, UAB

Domantas Dabulis
Partner pp
Certified Auditor

Gintarė Vilimaitė-Kučinskienė
Certified Auditor

Vilnius, the Republic of Lithuania
16 March 2015

Confirmed ___ ___ 2015
at the Board Meeting

COMPANIES COMPOSING THE GROUP

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

GENERAL INFORMATION ABOUT THE COMPANY:

Name	Joint stock company Vilniaus Baldai AB
Legal form	Joint stock company
Code	121922783
VAT payer's code	LT219227811
Authorised capital	LTL 15,545,068, divided into 3,886,267 ordinary registered shares with the par value of LTL 4 each
Office address	Savanoriu Ave. 178B, LT-03154 Vilnius
Telephone	(8~5) 252 57 00
Fax	(8~5) 231 11 30
E-mail	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	Savanoriu Ave. 178B, LT-03154 Vilnius
Telephone	(8~5) 252 57 44
Fax	(8~5) 252 57 44
E-mail	aleksas.rimkus@ari-lux.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. OBJECTIVE 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 joint stock company Vilniaus Baldai is the Company that cherishes time-honoured traditions, applies modern technologies and enjoys a stable and continuous business growth.

Year 2014 was successful for Vilniaus Baldai AB as sales revenue grew reaching LTL 213.1 million. The Company's product range was extended by child's room furniture, which requires advanced production technologies. New products and production volume growth led to the installation of new equipment and creation of new work places. Production efficiency improvement, production planning improvement and processes optimization were the main focus areas of the Company in 2014. We hope that ongoing changes will contribute to the implementation of the Company's strategy, while the rational use of the resources of the Company, increase of productivity aiming for the European standards and strict quality control will ensure better operating results of the Company in the future.

Main risks faced by the Group:

Economic risk factors. The sales of Vilniaus Baldai AB to the main customer Swedish concern IKEA made over 97% of all the sales of the Company in the year 2014 (in 2013 – 98%, in 2012 – 98%). In 2014, the Company's sales revenue comprised sales of furniture which account for 98% of total sales (in 2013 – 99%) and sales of raw materials and waste of raw materials.

The Company competes with the world furniture producers.

Political risk factors. Critical changes in the business environment are related to the still unstable global economic situation. 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 unstable situation of business affects 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, improvement of technological processes. The Company pays great attention to the improvement of operating conditions and training and qualification improvement of the employees, implementation of LEAN management principles and methods. Trade Union, representing the interests of the employees, operates actively in the Company.

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. 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. Vilniaus Baldai AB pays significant attention to the maintenance of production equipment, optimization of technological processes and increase of working efficiency. The physical and moral condition of the main facilities is good and does not cause any risk to the activity of the Company.

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 comply with the environment protection management requirements. The Company was granted FSC production line certificate. The annual audit of the functioning of quality management system and environmental management system according to EN ISO 9001 and EN ISO 14001 was performed in June 2014. No non-conformity issues or findings were identified during the audit. In 2014 Vilniaus Baldai AB paid LTL 4 thousand of the environment pollution taxes, as well as LTL 176 thousand for the waste utilisation services. There were no manufacturing restrictions because of the environment pollution.

Repayment of loans. The repayment of loans is made according to the contractual schedules. All the payments to the bank are made on time. Information on the 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 Company's financial statements for the year 2014 (Notes 12 and 23).

1. OBJECTIVE 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)

Characteristics of internal control and risk management systems related to the preparation of consolidated financial statements of the Company and the Group. The compliance with the requirements for the preparation of the set of the consolidated financial statements, internal control and financial risk management systems, legal acts regulating the preparation of the set of the consolidated financial statements is supervised by the Audit Committee established on 16 September 2013.

The Audit Committee:

Tomas Bubinas	
Position Independent Member of the Audit Committee, elected to the Audit Committee on 16.09.2013, end of the term – 2017	
Work experience Since 2013 Chief Operating Officer at Biotechpharma UAB 2010–2012 Senior Director at TEVA Biopharmaceuticals USA 2001–2010 Chief Financial Officer at SICOR Biotech / TEVA Baltic 1999–2001 Senior Manager at PricewaterhouseCoopers 1994–1999 Senior Auditor, Manager at Coopers & Lybrand	
Education Master degree in Economics at Vilnius University and Executive MBA of BMI (Baltic Management Institute), a fellow member of the Association of Chartered Certified Accountants (ACCA) and a registered Lithuanian Sworn Auditor	
Participation in Vilniaus Baldai AB authorised capital	**Number of shares and of voting rights**
-	-

Vaidas Savukynas	
Position Board member, elected to the Board on 08.10.2014, end of the term – 2016 Member of the Audit Committee, elected to the Audit Committee on 16.09.2013, end of the term – 2017	
Work experience Since 2013 Chief Financial Officer at Invalda Privatus Kapitalas AB 2011–2013 Chief Financial Officer at food retail chain Narodnyi in Kyrgyz Republic 2010–2010 Director of Administration at Zemaitijos Pienas AB 1998–2009 Chief Financial Officer and Financial Analyst at concern MG Baltic and its companies (MG Baltic Trade, Apranga, Minvista) 1993–1995 Chief Executive Officer at brokerage company Bankoras 1990–1993 Marketing Manager at Lietuvos Birza AB	
Education Vilnius University diploma in economics, Master degree in Social Sciences at Stockholm University (Sweden), Financial sector schemes introductory courses in Leeds University (Great Britain)	
Participation in Vilniaus Baldai AB authorised capital	**Number of shares and of voting rights**
-	-

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

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 2012–2014:

	2014	2013	2012
Net profitability = net profit / sales * 100	7.73%	8.62%	11.73%
Average return on assets ROA = net profit / (assets at the beginning of the period + assets at the end of the period) / 2 *100	19.88%	16.03%	25.16%
Return on equity ROE = net profit / equity*100	49.01%	27.84%	37.49%
Net earnings per share EPS = net profit / number of shares	4.24	3.68	6.95
Debt ratio = liabilities / assets	0.61	0.36	0.27
Debt to equity coefficient = liabilities / share capital	1.55	0.56	0.37
Current ratio = current assets / current liabilities	0.99	1.15	2.43
Asset's turnover = sales / assets	2.49	2.08	2.34
Book value of share = equity / number of shares	8.65	13.23	18.53
Turnover (thousand LTL)	213,066	166,116	230,141
Gross profit (thousand LTL)	27,448	24,781	43,701
Net profit (thousand LTL)	16,476	14,311	26,996
EBITDA (million LTL)	24.7	21.1	34.9
Dividends per share (for the prior accounting period)	LTL 8.8	LTL 9	LTL 10
Earnings per share P/E	12.5	13.1	7.1
The lowest share price	LTL 45.23	LTL 45.58	LTL 35.56
The highest share price	LTL 58.35	LTL 58.35	LTL 51.45
Closing price	LTL 52.83	LTL 48.34	LTL 49.03
Capitalisation (thousand LTL)	205,311	187,862	190,544

PRODUCTION AND SALES

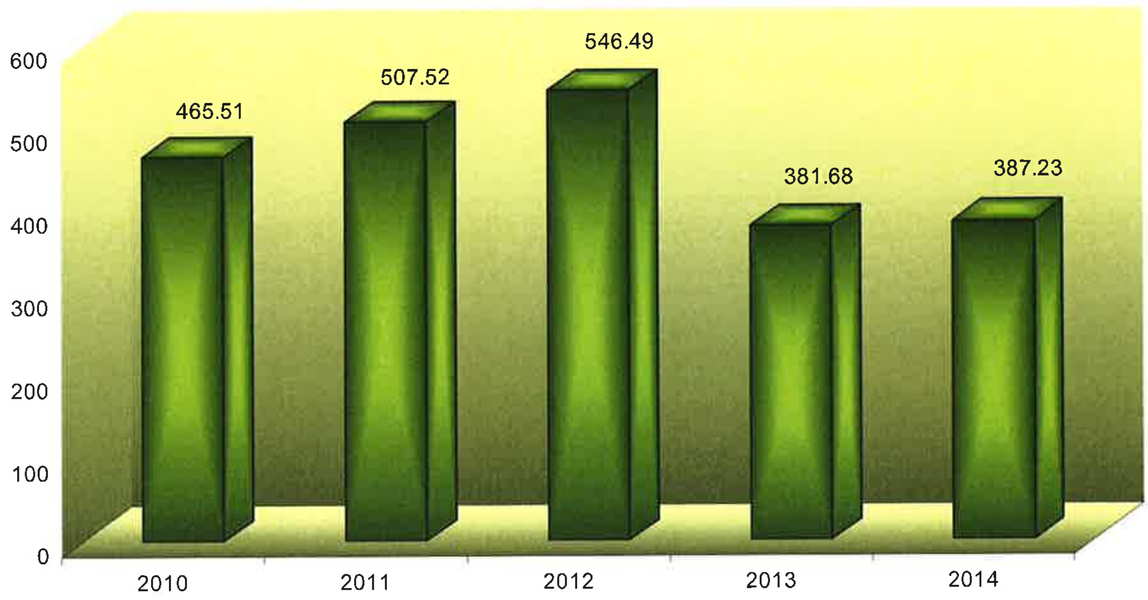
Vilniaus Baldai AB designs, produces flat-pack furniture. The production of the Company is produced from wood particle boards, the most modern technology of board on frame is used, according to which the produced furniture is lighter, however massively looking. When employing this technology less raw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

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

The volumes of Company's production in terms of value in the period of 2010–2014:

Production	2014 thousand LTL	2013 thousand LTL	2012 thousand LTL	2011 thousand LTL	2010 thousand LTL
Furniture	207,941	154,581	231,875	224,016	192,721
Other production	-	-	1,475	1,832	-
Total	**207,941**	**154,581**	**233,350**	**225,848**	**192,721**

Production per employee, working on employment contract basis, 2010–2014 (thousand LTL / per year):



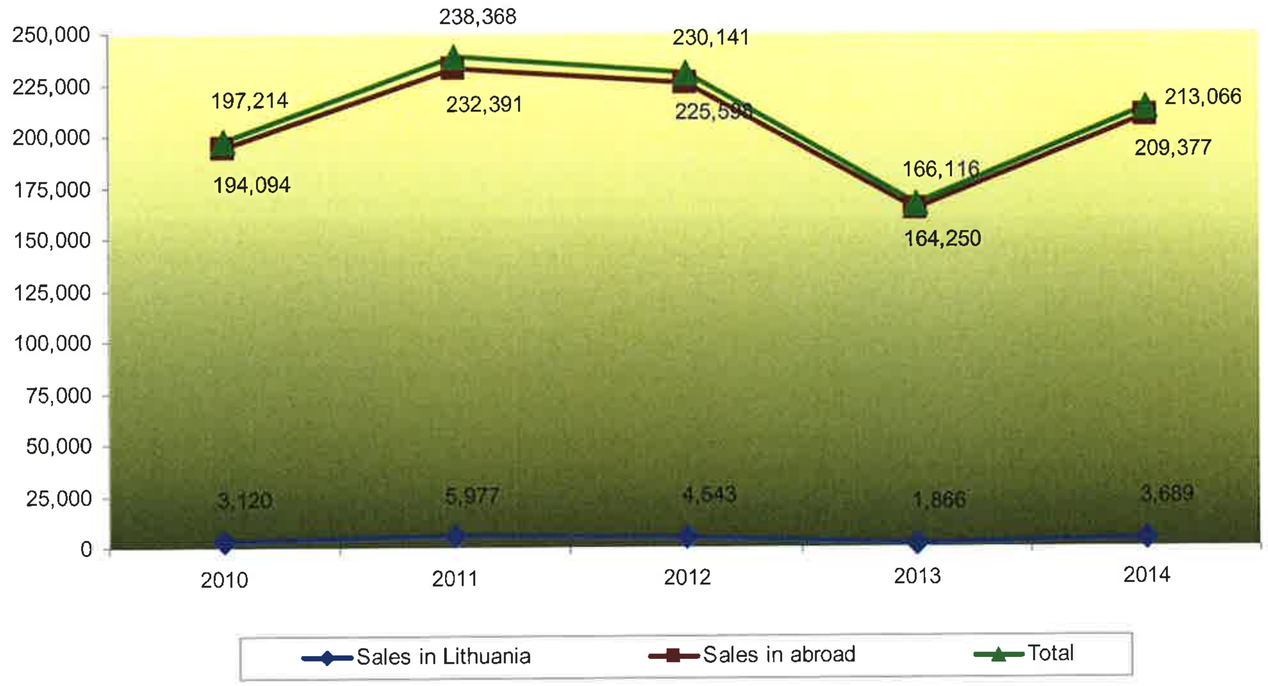
PRODUCTION AND SALES (cont'd)

Production sales according to the markets in the period of 2012–2014:

Sales	2014		2013		2012	
	thousand LTL	%	thousand LTL	%	thousand LTL	%
Sales in Lithuania	3,689	1.73	1,866	1.12	4,543	1.97
Sales abroad	209,377	98.27	164,250	98.88	225,598	98.03
Total	**213,066**	**100.00**	**166,116**	**100.00**	**230,141**	**100.00**

The Company's sales in Lithuania mostly comprise sales of raw materials and waste of raw materials.

Sales of the Company in the period of 2010–2014, in LTL thousand:



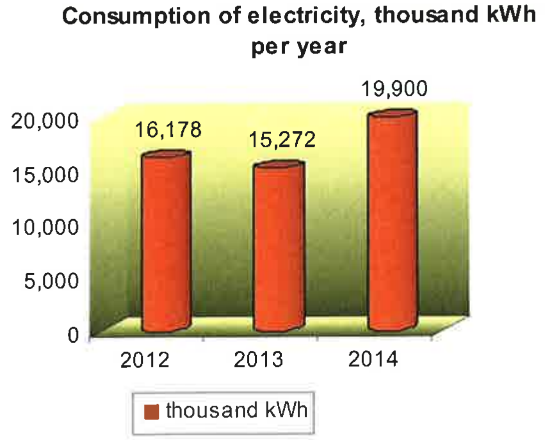
SUPPLY

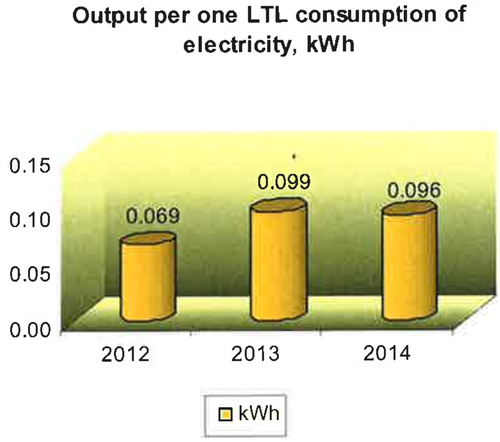
Vilniaus Baldai AB has introduced an effective system of the purchase of raw materials and services. The Company maintains strong strategic relations with suppliers and constantly searches for new opportunities in the markets of raw materials and services. The purchase process is distinguished into strategic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

The Company establishes long-term contracts with its suppliers. The Company acquires the main raw materials from the local, Slovak, Polish and German suppliers. The main suppliers are IKEA Industry Lietuva UAB, IKEA Components S.R.O, IKEA Industry Polska Sp.zo.o, Sherwin – Williams Lietuva UAB, Rehau UAB, and DS Smith Packaging Lithuania UAB. The local supply of the raw materials is pre-conditioned by the cheap transportation costs and good relations with the major suppliers.

ENERGY

Vilniaus Baldai AB pays a lot of attention on reduction of energy costs. During 2014 the Company consumed 19,900 thousand kWh of electricity (2013 – 15,272 thousand kWh, 2012 – 16,178 thousand kWh). The electricity consumption for production of LTL 1 amounted to 0.096 kWh (2013 – 0.099 kWh, 2012 – 0.069 kWh).





EMPLOYEES

The Company pays great attention and allocates funds for the improvement of working conditions and trainings, qualification improvement of the personnel, implementation of LEAN principles and methods. 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.

At the end of 2014, the number of work places at the Group and the Company was increased as a result of the restart of the manufacturing processes in the second manufacturing facility. 671 employees worked at the Group and 629 employees at the Company at the end of 2014 (488 at the Group and 454 at the Company at the end of 2013). The average age of the employees is 42 years.

The average number of the Company's recorded employees, working on an employment contract basis, in the period of 2010–2014:

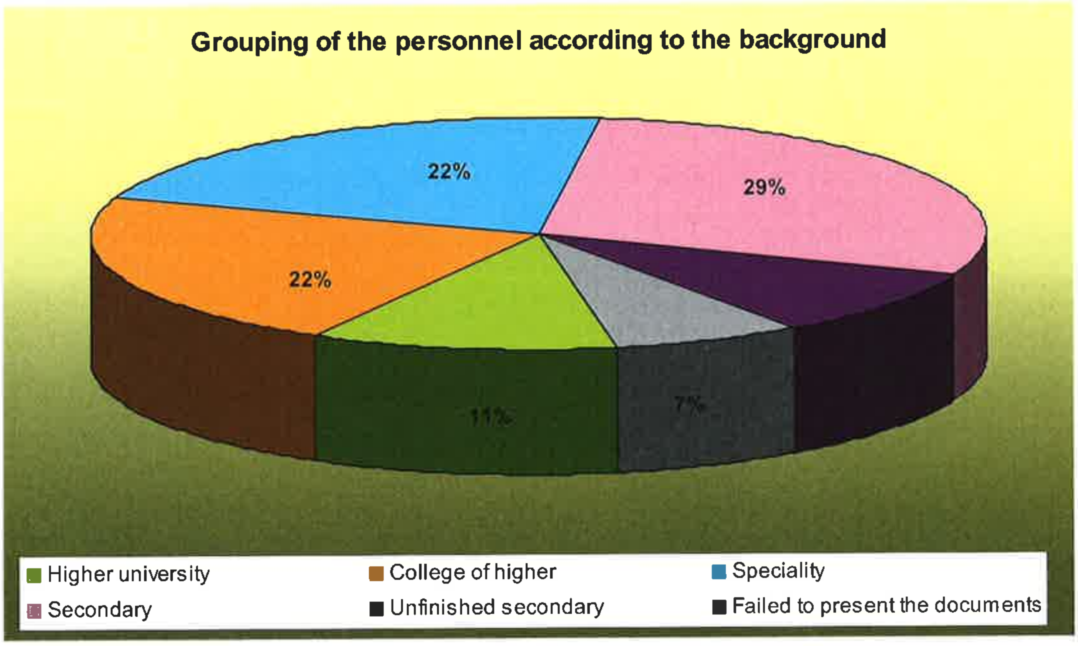
	2014	2013	2012	2011	2010
Executive personnel	4	4	4	4	5
Specialists	36	33	35	35	38
Workers	497	368	388	406	371
Total	**537**	**405**	**427**	**445**	**414**

EMPLOYEES (cont'd)

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 2010–2014, LTL:

	2014	2013	2012	2011	2010
Executive personnel	17,100	20,568	19,766	18,756	16,184
Specialists	4,990	4,886	4,971	4,422	4,101
Workers	2,864	2,810	2,964	2,757	2,637
Total	**3,120**	**3,159**	**3,283**	**3,063**	**2,924**



The collective agreement is concluded in the Company. The collective agreement was renewed on 23 January 2014. 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 legislation for the employees of the Company. The collective agreement includes the working contract formation, change, termination, work and rest time, payment for the 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. If the terms and conditions of the collective agreement are more favourable compared to the working contract, then the collective agreement is followed.

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

All information is presented in the annual financial statements and the explanatory notes.

4. INFORMATION ABOUT OWN SHARES

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

During the ordinary general meeting of shareholders held on 29 April 2014 a decision was passed to make a transfer of LTL 25,000 thousand to the Company's retained earnings from the reserve for the acquisition of own shares.

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 AFTER FINANCIAL YEAR END

There were no other significant events at the Company subsequent to the end of the reporting period prior to the approval of the consolidated annual report.

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

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

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 FINANCIAL INSTRUMENTS AND WHEN IT IS IMPORTANT FOR THE 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 Group's assets, liabilities, financial position and operation results.

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

The Company has signed contracts with the FMI Finasta AB (Maironio Str. 11, Vilnius) on the management of the Company's securities accounting and the payment of dividends to the shareholders.

11. STRUCTURE OF THE ISSUER'S AUTHORISED CAPITAL

Structure of the authorised 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 the par value of LTL 4 each. The shares are uncertificated. 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 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 non-property rights:

1. to receive a part of the 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 Law on Companies 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 items 1–4, are granted to those persons who were the 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 Law on Companies of the Republic of Lithuania. The right to vote at the general shareholders' meetings may be prohibited or restricted by the Law on Companies 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 Law on Companies of the Republic of Lithuania;
13. to file a claim with the court for reparation of the Company's damage resulting from nonfeasance or malfeasance by the Company's executive and board members of their obligations prescribed by the Law on Companies 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 Law on Companies of the Republic of Lithuania, other laws or the Company's regulations.

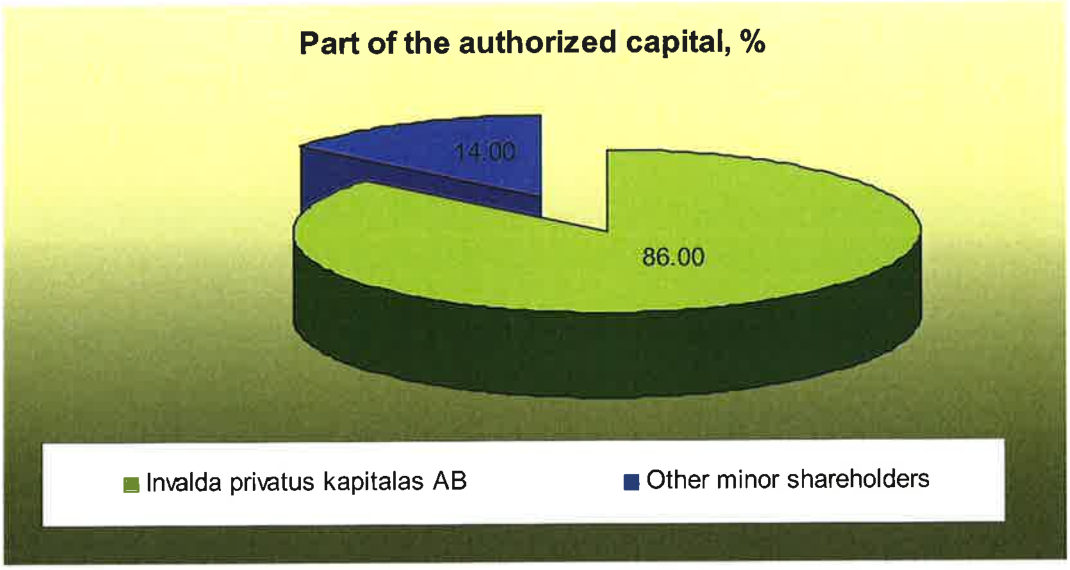
12. SHAREHOLDERS

Total number of the shareholders as of 31 December 2014 is 1,365.

The shareholders who had upon the property rights or possessed more than 5 % of the issuer's authorised capital as of 31 December 2014:

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 Privatus Kapitalas AB, company code 303075527, Seimyniskiu Str. 1 A, Vilnius	3,342,160	86.00	86.00

12. SHAREHOLDERS (cont'd)



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

There are no voting rights restrictions.

The Company 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 Nasdaq OMX Vilnius AB.

The main characteristics of shares:

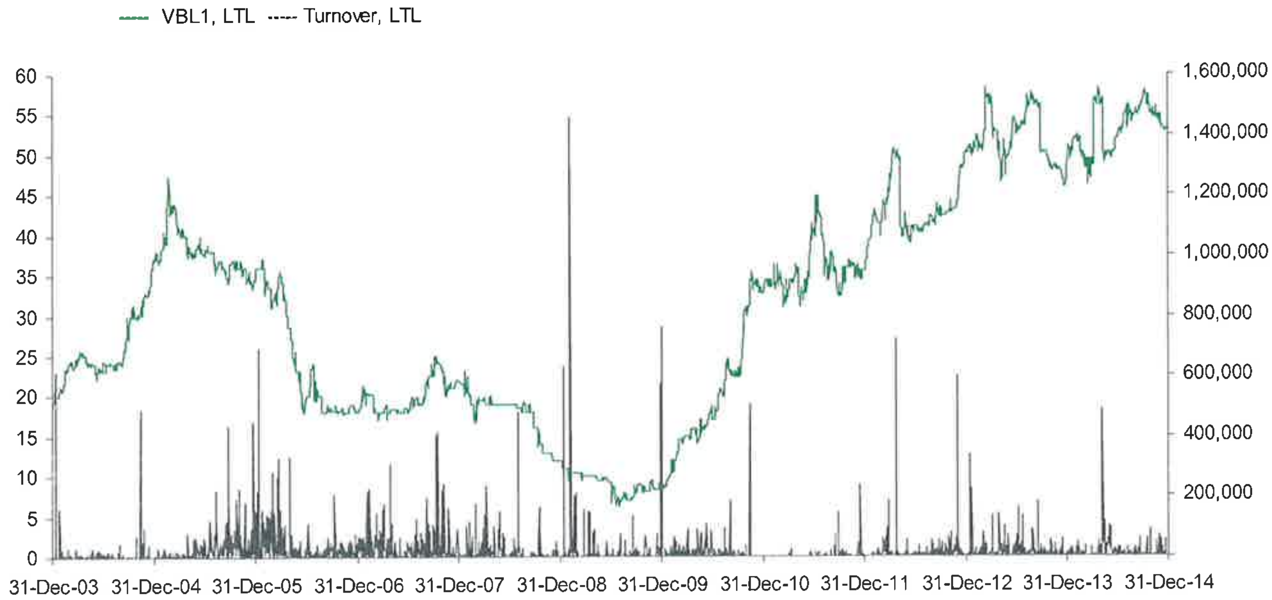
Type of shares	VP ISIN code	Abbreviation	Number of shares, units.	Nominal value, LTL	Total nominal value, LTL
Ordinary registered shares	LT0000104267	VBL1L	3,886,267	4	15,545,068

The trade of the shares of the Company:

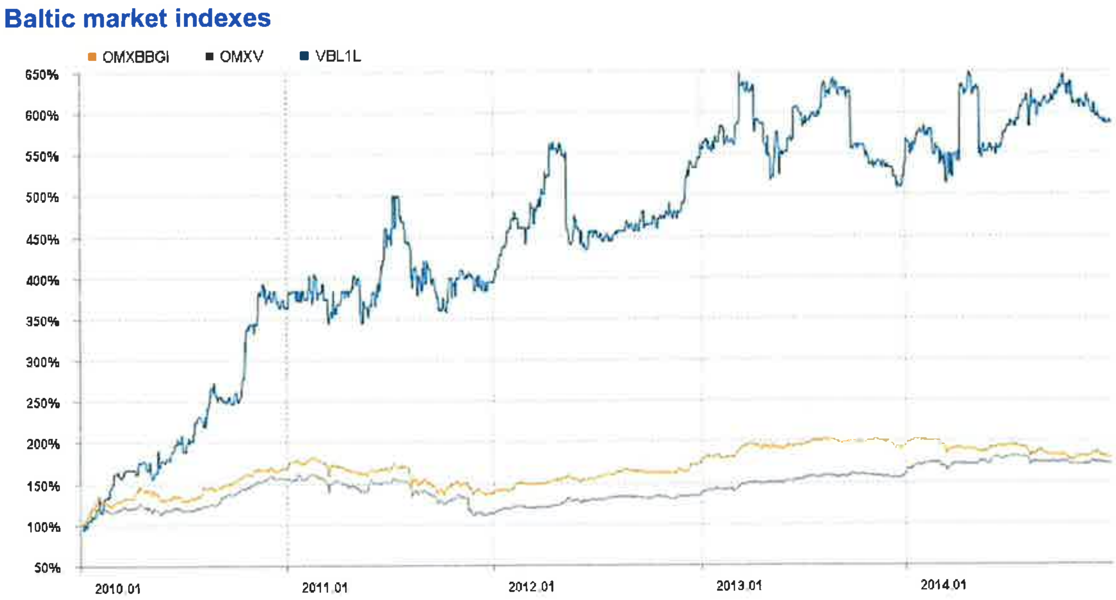
	2014	2013
Price of the shares, LTL:		
- opening	48.34	50.07
- highest	58.35	58.35
- lowest	45.23	45.58
- closing	52.83	48.34
Turnover of shares, units	88,124	119,891
Turnover of shares, LTL	4,695,899	6,265,589
Total number of transactions, units	1,488	1,708
Capitalization, million LTL	205.31	187.86

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

Shares turnover and price of Vilniaus Baldai AB in the period of 2004–2014:



Comparison of the price of shares of Vilniaus Baldai AB with the OMXBB and OMXV index in the period of 2010–2014:



Index/Equity	31.12.2009	31.12.2014	+/-%
OMX Baltic Benchmark GI	314.42	566.56	80.19
OMX Vilnius	261.77	452.42	72.83
VBL1L	2,607 EUR	15,300 EUR	486.98

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.

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 and 27.04.2012, end of the term – 2016	
Work experience Since May 2013 Adviser, Chairman of the Board of Invalda Privatus Kapitalas AB 2006–May 2013 Adviser of Invalda LT AB, Board member (since May 2007 until May 2013 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 Privatus Kapitalas AB	39.63% of shares and of voting rights

Mr. Dalius Kaziunas	
Position Board member, elected to the Board on 29.04.2010, re-elected on 27.04.2012 end of the term – 2016	
Work experience Since May 2013 CEO, Board member of Invalda Privatus Kapitalas AB 2012–May 2013 President of Invalda LT AB, Board member (until 30.04.2012) 2008–2011 Adviser and Board member of Invalda LT AB 2008–2009 Director of Bankas Finasta AB 1996–February 2008 assistant of financial broker of FMI Finasta AB, financial broker, Director	
Participation in the activities of other companies	**Number of shares and of voting rights**
CEO and Board member of Invalda Privatus Kapitalas AB	0.60% of shares and of voting rights
Chairman of the Board of Lauko Gelininkystes Bandymu Stotis UAB	-
Member of the Supervisory Board at Vernitas AB	-
Member of the Board of Invetex UAB	-

15. ISSUER'S BODIES (cont'd)

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

Mr. Vaidas Savukynas

Position

Board member, elected to the Board on 08.10.2014, end of the term – 2016
Member of the Audit Committee, elected to the Audit Committee on 16.09.2013, end of the term – 2017

Work experience

Since 2013 Chief Financial Officer at Invalda Privatus Kapitalas AB
2011–2013 Chief Financial Officer at food retail chain Narodnyi in Kyrgyz Republic
2010–2010 Director of Administration at Zemaitijos Pienas AB
1998–2009 Chief Financial Officer and Financial Analyst at concern MG Baltic and its companies (MG Baltic Trade, Apranga, Minvista)
1993–1995 Chief Executive Officer at brokerage company Bankoras
1990–1993 Marketing Manager at Lietuvos Birza AB

Participation in the activities of other companies	Number of shares and of voting rights
CFO at Invalda Privatus Kapitalas AB	-
Member of the Chairman of Invetex AB	-
CEO of Krevina UAB	-
CEO of Investiciju Tinklas UAB	-
CEO Justum UAB	-
CEO Vedasva UAB	-
CEO LT Investicijos UAB	-
CEO Akvilas UAB	-

Mr. Rimantas Vaitkus

Position

General Director since 12.05.2014

Work experience

2013–2014 Project Office Director of Lietuvos Energija UAB
2011–2013 CEO of Visagino Atomine Elektrine UAB
2011–2011 External Relation Director of Visagino Atomine Elektrine UAB
2010–2011 CEO of VST AB
2009–2010 CEO of LEO LT UAB
2008–2009 CEO of Rytu Skirstomieji Tinklai AB
2001–2008 Country General Manager of IBM Lietuva UAB
1998–2001 Vice-Minister of the Ministry of Economy

Participation in the activities of other companies	Number of shares and of voting rights
Board member of KIRIGAMI DESIGN UAB	-

15. ISSUER'S BODIES (cont'd)

Mrs. Ausra Kibirkstiene	
Position Chief Financial Officer since 18.08.2008	
Work experience 2001–2008 Manager of accounting system Navision of Litesko UAB 2005–2008 Chief Accountant of Druskininku Dujos UAB 1996–2001 Accountant of Bite Lietuva UAB	
Participation in the activities of other companies	**Number of shares and of voting rights**
-	-

The Company's key management personnel includes the Company's General Director and Chief Financial Officer. In 2014 the average monthly remuneration to the management of the Company amounted to LTL 33.79 thousand (2013 – LTL 37.33 thousand). The remuneration is not paid to the Board members of the Company.

Remuneration to the management member of the Company:

	2014	2013
Wages, salaries	619	684
Social security	192	212
Total	**811**	**896**

During 2014 the Company did not transfer any assets to the Board members, Head of the Company, Chief Accountant, it also did not provide 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 CHANGED

During 2014 no material agreements were signed which would become effective, would change or would be terminated if the control of the issuer changed. Furthermore, there were no agreements signed during 2014 between the Company and its body, employees which allow compensations if they resign or are fired without the justified reason or their work finishes as a result of the change of the issuer's control.

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 as of 31 December 2014 were: ARI-LUX UAB (the subsidiary), Invalda Privatus Kapitalas AB (ultimate shareholder) and all companies controlled by Invalda Privatus Kapitalas AB (as of 31 December 2013: ARI-LUX UAB (the subsidiary), Invalda LT AB (shareholder), Invalda Privatus Kapitalas AB (shareholder) and all companies controlled by Invalda LT AB and Invalda Privatus Kapitalas).

In 2014, Invalda Privatus Kapitalas AB and Invalda LT AB completed the share purchase and sale transaction of Vilniaus Baldai AB. After the transaction, Invalda Privatus Kapitalas AB holds 86.00% of Vilniaus Baldai AB shares and votes attached.

Transactions with the Group's related parties during 2014 and 2013 and the balances as of 31 December 2014 and 2013 are provided in the notes (Note 25) to the consolidated and Company's financial statements for the year 2014.

18. DATA ON THE PUBLICLY DISCLOSED INFORMATION

The information publicly disclosed by Vilniaus Baldai AB during 2014 is presented in the Company's website www.vilniausbaldai.lt.

Summary of publicly disclosed information during 2014:

Date of disclosure	Brief description of disclosed information
08.01.2014	Vilniaus Baldai AB investor's calendar for 2014
18.02.2014	Vilniaus Baldai AB sales and result of activity during the period of January–December 2013
18.02.2014	Vilniaus Baldai AB non-audited interim condensed consolidated financial statements for the twelve months of 2013
17.03.2014	Vilniaus Baldai AB annual audited information for the year 2013
08.04.2014	Convocation of Vilniaus Baldai AB Ordinary General Shareholders Meeting
08.04.2014	Draft resolutions of the Annual General Shareholders Meeting of Vilniaus Baldai AB
15.04.2014	Vilniaus Baldai AB investor's calendar is changing
18.04.2014	Vilniaus Baldai AB sales and result of activity during the period of January–March 2014
18.04.2014	Vilniaus Baldai AB non-audited condensed interim consolidated financial statements for the three months of 2014
22.04.2014	Announcement regarding CEO of Vilniaus Baldai AB
22.04.2014	Regarding appointment of interim CEO of Vilniaus Baldai AB
28.04.2014	Vilniaus Baldai AB received notification of the shareholders of the company regarding signed Vilniaus Baldai AB shares sale agreement
29.04.2014	Notification on transaction concluded by managers of the company
29.04.2014	Notification on transaction concluded by managers of the company
29.04.2014	Resolutions of the Annual General Shareholders Meeting of Vilniaus Baldai AB on 29.04.2014
07.05.2014	Vilniaus Baldai AB will be led by Rimantas Vaitkus
13.05.2014	Notification on transaction concluded by managers of the company
16.05.2014	Procedure for the payout of dividends for the year 2013
28.05.2014	Vilniaus Baldai AB received notification of the shareholders of the company regarding the closing of Vilniaus Baldai AB shares sale deal
28.05.2014	Announcement regarding resignation of member of the board of Vilniaus Baldai AB
29.05.2014	Notification about disposal of voting rights
29.05.2014	Notification about acquisition of voting rights
01.08.2014	Vilniaus Baldai AB sales and result of activity during the period of January–June 2014
01.08.2014	Vilniaus Baldai AB non-audited condensed interim consolidated financial statements for the six months of 2014
17.09.2014	Convocation of the Extraordinary General Shareholders Meeting of Vilniaus Baldai AB
17.09.2014	Draft resolutions of the Extraordinary General Shareholders Meeting of Vilniaus Baldai AB
08.10.2014	Resolutions of the Extraordinary Shareholders Meeting of Vilniaus Baldai AB on 08.10.2014
23.10.2014	Vilniaus Baldai AB sales and result of activity during the period of January–September 2014
23.10.2014	Vilniaus Baldai AB interim condensed consolidated financial statements for the nine months of 2014

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 2014:

Date	Person	Number of shares	Share price, LTL	Total value of transaction, LTL	Form of transaction	Type of transaction	Placement of transaction
28.04.2014	Invalda LT AB	1,764,405	45.45	80,197,788.59	Transfer	Sale - purchase	XOFF
28.04.2014	Invalda Privatus Kapitalas AB	1,764,405	45.45	80,197,788.59	Acquisition	Sale - purchase	XOFF
08.05.2014	Invalda LT AB	460,000	45.92	21,124,120.00	Acquisition	Pledge without transfer of ownership	XOFF

Explanations:
XOFF – OTC trade.

General Director Rimantas Vaitkus

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

Following Article 21 paragraph 3 of the Law on Securities of the Republic of Lithuania and 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 APP-LICAB-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.	Yes	Next year the Company will specifically focus on productivity and quality improvement. This will be achieved by applying LEAN methodology in such areas as production processes, performance management, employee skills and their involvement in continuous improvement activities. The Company plans consistent sales and production output growth, profitability improvement in 2015.
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 at least once in a month. Extraordinary – upon the suggestion of the 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 only one collegial body – the Board.
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 non-executive directors 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 departure 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 are no obstacles for 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.
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 and Audit Committee have 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 experience in companies' management. The Company's Board members are acquainted with the 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 dependent 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 in no way related with later position) as per pension plans (inclusive of deferred compensations);	No	At the General Meeting of 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, counselling 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.	No	The remuneration is not paid to the Board members of the Company.
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 natural or legal persons that may have influence on management of the Company are confirmed according to the Articles of Association of the Company.
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	The Committees of Nomination and Remuneration are not established because of the structural simplicity of the Company's management. Question regarding establishment of nomination and remuneration committees will be solved in the future after analysing situation, evaluating financial expenses and other factors, implementing best practices in the market. The compliance with the requirements for the preparation of the set of the consolidated financial statements, internal control and financial risk management systems, legal acts regulating the preparation of the set of the consolidated financial statements is supervised by the Audit Committee established on 16 September 2013.

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 because of the structural simplicity of the Company's management. The compliance with the requirements for the preparation of the set of the consolidated financial statements, internal control and financial risk management systems, legal acts regulating the preparation of the set of the consolidated financial statements is supervised by the Audit Committee established on 16 September 2013.
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.	No	The Committees of Nomination and Remuneration are not established because of the structural simplicity of the Company's management. The Audit Committee of Vilniaus Baldai 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:	No	The Committees of Nomination and Remuneration are not established because of the structural simplicity of the Company's management.

• 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.		
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.	Yes	The compliance with the requirements for the preparation of the set of the consolidated financial statements, internal control and financial risk management systems, legal acts regulating the preparation of the set of the consolidated financial statements is supervised by the Audit Committee established on 16 September 2013. The main functions of the Audit Committee of Vilniaus Baldai AB are: 1. to advice for the Board on the selection, assignment, repeated assignment and dismissal of the external audit company and on 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.

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 centres 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 body – 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 the 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 cannot implement this principle, because the Company only has a collegial management body, i.e. 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 consists of 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 fully follows the 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 established routine practice, which resulted from the faster and timely decision-making process. The Company's Board adopts decisions on these matters.

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 the 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 the 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.	Yes	The Company discloses the documents prepared for the General Meeting, including draft resolutions of the meetings via the information disclosure system of AB NASDAQ OMX Vilnius Stock Exchange. The information is e-mailed to each shareholder on request. This information is also 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 their shareholders, especially foreigners, with the opportunity to watch shareholder meetings by means of modern technologies.	Not appli-cable	Until 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 these recommendations.
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 these recommendations.
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 prepare a statement of the remuneration policy. 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 procedure set out by the legislation of the Republic of Lithuania and at the Company.
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 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.
8.3. 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; however, remuneration statement should not include information which should not be disclosed for commercial reasons.	No	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.
8.4. 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 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 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 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 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 previous 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 previous financial year and their conditions of application; • The number of shares options exercised during the previous 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 upcoming 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 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 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 appli-cable	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 are 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.	Not appli-cable	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 are not 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 **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 in the following sources: in the consolidated 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 and on the Company's website.
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 until such information is announced officially through the information system of the Stock Exchange.

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 Bank of Lithuania 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.	Yes	The Company announces on its website annual information and other periodic reports prepared by the Company, announcements about material events and changes of the Company's share prices on the Stock Exchange.
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 interim and annual 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 reviews the annual report to check whether there are no material inconsistencies between the financial information included in it and in the audited financial statements. The audit of the interim financial statements 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.	No	The audit company did not provide any non-audit services.

Statement of financial position

	Notes	Group		Company	
		As of 31 December 2014	As of 31 December 2013	As of 31 December 2014	As of 31 December 2013
ASSETS					
Non-current assets					
Intangible assets	4	130	126	130	126
Property, plant and equipment	5				
Land and buildings		11,378	11,995	11,378	11,995
Machinery and equipment		35,237	34,345	35,235	34,343
Vehicles		295	403	295	403
Other property, plant and equipment		1,108	2,239	1,104	2,235
Total property, plant and equipment		48,018	48,982	48,012	48,976
Investments in subsidiaries	6	-	-	17	17
Deferred income tax asset	21	232	159	232	159
Total non-current assets		**48,380**	**49,267**	**48,391**	**49,278**
Current assets					
Inventories	7	15,676	13,538	15,676	13,538
Trade receivables	8	15,685	12,041	15,685	12,041
Prepayments		234	217	232	216
Current income tax prepayment		629	1,735	629	1,735
Other receivables	9	1,293	1,145	1,280	1,107
Cash and cash equivalents	10	3,783	2,082	3,692	2,062
Total current assets		**37,300**	**30,758**	**37,194**	**30,699**
Total assets		**85,680**	**80,025**	**85,585**	**79,977**

(cont'd on the next page)

The accompanying notes set out in pages 47–78 are an integral part of these financial statements.

Statement of financial position (cont'd)

		Group		Company	
	Notes	As of 31 December 2014	As of 31 December 2013	As of 31 December 2014	As of 31 December 2013
EQUITY AND LIABILITIES					
Equity					
Share capital	1	15,545	15,545	15,545	15,545
Legal reserve	11	1,554	1,554	1,554	1,554
Reserve for acquisition of own shares	11	-	25,000	-	25,000
Retained earnings	15	16,519	9,302	16,459	9,278
Total equity		**33,618**	**51,401**	**33,558**	**51,377**
Liabilities					
Non-current liabilities					
Non-current borrowings	12	12,373	225	12,373	225
Provisions for employee benefits	14	2,055	1,660	2,055	1,660
Total non-current liabilities		**14,428**	**1,885**	**14,428**	**1,885**
Current liabilities					
Current portion of non-current borrowings	12	12,380	55	12,380	55
Credit line	12	5,386	5,547	5,386	5,547
Trade payables	13	12,372	14,974	12,373	14,987
Other current liabilities and accrued liabilities	15	7,496	6,163	7,460	6,126
Total current liabilities		**37,634**	**26,739**	**37,599**	**26,715**
Total liabilities		**52,062**	**28,624**	**52,027**	**28,600**
Total equity and liabilities		**85,680**	**80,025**	**85,585**	**79,977**

The accompanying notes set out in pages 47–78 are an integral part of these financial statements.

General Director	Rimantas Vaitkus	16 March 2015
Chief Accountant	Ausra Kibirkstiene	16 March 2015

Statement of profit or loss and other comprehensive income

		Group		Company	
	Notes	**2014**	**2013**	**2014**	**2013**
Revenue	16	213,066	166,116	213,066	166,116
Cost of sales	17	(185,618)	(141,335)	(185,825)	(141,478)
Gross profit		**27,448**	**24,781**	**27,241**	**24,638**
Operating expenses	18	(9,726)	(9,863)	(9,563)	(9,699)
Other income	19	1,562	1,672	1,569	1,679
Other expenses	19	(934)	(939)	(933)	(939)
Operating profit		**18,350**	**15,651**	**18,314**	**15,679**
Finance income	20	13	78	13	78
Finance costs	20	(408)	(69)	(408)	(69)
Result from financing activities		(395)	9	(395)	9
Profit before income tax		**17,955**	**15,660**	**17,919**	**15,688**
Income tax expense	21	(1,479)	(1,349)	(1,479)	(1,349)
Net profit for the reporting period		**16,476**	**14,311**	**16,440**	**14,339**
Other comprehensive income that will not be reclassified to profit or loss		(60)	58	(60)	58
Total comprehensive income for the reporting period		**16,416**	**14,369**	**16,380**	**14,397**
Attributable to owners of the Company:					
Net profit		16,476	14,311	16,440	14,339
Other comprehensive income		(60)	58	(60)	58
Total comprehensive income		16,416	14,369	16,380	14,397
Basic and diluted earnings per share (in LTL)	22	4.24	3.68	4.23	3.69

The accompanying notes set out in pages 47–78 are an integral part of these financial statements.

General Director	Rimantas Vaitkus	16 March 2015
Chief Accountant	Ausra Kibirkstiene	16 March 2015

Statement of changes in equity

Group	Notes	Attributable to the owners of the Company				
		Share capital	Reserve for acquisition of own shares	Legal reserve	Retained earnings	Total
Balance as of 31 December 2012		**15,545**	**25,000**	**1,554**	**29,909**	**72,008**
Net profit for the reporting period		-	-	-	14,311	14,311
Other comprehensive income	14	-	-	-	58	58
Total comprehensive income		-	-	-	**14,369**	**14,369**
Transactions with owners						
Dividends declared	15	-	-	-	(34,976)	(34,976)
Total transactions with owners		-	-	-	**(34,976)**	**(34,976)**
Balance as of 31 December 2013		**15,545**	**25,000**	**1,554**	**9,302**	**51,401**
Net profit for the reporting period		-	-	-	16,476	16,476
Other comprehensive income	14	-	-	-	(60)	(60)
Total comprehensive income		-	-	-	**16,416**	**16,416**
Transactions with owners						
Dividends declared	15	-	-	-	(34,199)	(34,199)
Total transactions with owners		-	-	-	**(34,199)**	**(34,199)**
Recovery of reserve for acquisition of own shares		-	**(25.000)**	-	**25,000**	-
Balance as of 31 December 2014		**15,545**	-	**1,554**	**16,519**	**33,618**

(cont'd on the next page)

The accompanying notes set out in pages 47–78 are an integral part of these financial statements.

Statement of changes in equity (cont'd)

Company

	Notes	Share capital	Reserve for acquisition of own shares	Legal reserve	Retained earnings	Total
Balance as of 31 December 2012		**15,545**	**25,000**	**1,554**	**29,857**	**71,956**
Net profit for the reporting period		-	-	-	14,339	14,339
Other comprehensive income	14	-	-	-	58	58
Total comprehensive income		-	-	-	**14,397**	**14,397**
Transactions with owners						
Dividends declared	15	-	-	-	(34,976)	(34,976)
Total transactions with owners		-	-	-	**(34,976)**	**(34,976)**
Balance as of 31 December 2013		**15,545**	**25,000**	**1,554**	**9,278**	**51,377**
Net profit for the reporting period		-	-	-	16,440	16,440
Other comprehensive income	14	-	-	-	(60)	(60)
Total comprehensive income		-	-	-	**16,380**	**16,380**
Transactions with owners						
Dividends declared	15	-	-	-	(34,199)	(34,199)
Total transactions with owners		-	-	-	**(34,199)**	**(34,199)**
Recovery of reserve for acquisition of own shares		-	**(25,000)**	-	**25,000**	-
Balance as of 31 December 2014		**15,545**	-	**1,554**	**16,459**	**33,558**

The accompanying notes set out in pages 47–78 are an integral part of these financial statements.

General Director	Rimantas Vaitkus		16 March 2015
Chief Accountant	Ausra Kibirkstiene		16 March 2015

Statement of cash flows

	Group		Company	
	2014	**2013**	**2014**	**2013**
Cash flows from operating activities				
Profit before income tax	17,955	15,660	17,919	15,688
Adjustments for:				
Depreciation and amortization	6,319	5,409	6,316	5,407
Change in provisions for employee benefits	395	(13)	395	(13)
Result from the disposal of property, plant and equipment	2	(5)	2	(5)
Write-off of property, plant and equipment	45	14	44	13
Change in write down to net realizable value	-	(80)	-	(80)
Interest expenses (income)	371	(31)	371	(31)
Other	(60)	58	(60)	58
	25,027	21,012	24,987	21,037
Changes in working capital:				
Decrease (increase) in inventories	(2,138)	4,959	(2,138)	4,959
Decrease (increase) in prepayments	(17)	(71)	(16)	(71)
Decrease (increase) in trade receivables	(3,644)	380	(3,644)	380
Decrease (increase) in other receivables	(594)	258	(619)	256
Increase (decrease) in trade payables	(2,602)	(2,214)	(2,614)	(2,249)
Decrease in other current payables and liabilities	531	(2,007)	532	(1,964)
Cash flows from operating activities	**16,563**	**22,317**	**16,488**	**22,348**
Income tax (paid)	-	(340)	-	(340)
Net cash flows from operating activities	**16,563**	**21,977**	**16,488**	**22,008**
Cash flows from investing activities				
Loans granted to related party	-	(4,185)	-	(4,185)
Loan repayments received from related party	-	4,185	-	4,185
Received interest	-	106	-	106
Purchases of property, plant and equipment and intangible assets	(5,408)	(15,867)	(5,404)	(15,864)
Proceeds from disposal of non-current assets	2	6	2	6
Transfer (to) from time deposits	-	21,336	-	21,336
Net cash flows from (used in) investing activities	**(5,406)**	**5,581**	**(5,402)**	**5,584**

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The accompanying notes set out in pages 47–78 are an integral part of these financial statements.

Statement of cash flows (cont'd)

	Group		Company	
	2014	2013	2014	2013
Cash flows from (used in) financing activities				
Proceeds from loan from related party	-	332	-	332
Repayment of loan to related party	-	(332)	-	(332)
Proceeds from borrowings	44,029	13,059	44,029	13,059
Repayments of borrowings	(19,717)	(7,565)	(19,717)	(7,565)
Dividends paid	(33,433)	(34,107)	(33,433)	(34,107)
Interest paid	(335)	(34)	(335)	(34)
Net cash flows (used in) financing activities	**(9,456)**	**(28,647)**	**(9,456)**	**(28,647)**
Net (decrease) increase in cash and cash equivalents	**1,701**	**(1,089)**	**1,630**	**(1,055)**
Cash and cash equivalents at the beginning of the period	**2,082**	**3,171**	**2,062**	**3,117**
Cash and cash equivalents at the end of the period	**3,783**	**2,082**	**3,692**	**2,062**

The accompanying notes set out in pages 47–78 are an integral part of these financial statements.

General Director	Rimantas Vaitkus		16 March 2015
Chief Accountant	Ausra Kibirkstiene		16 March 2015

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 Savanoriu Ave. 178B, Vilnius, LT-03154, 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 2014 and 2013 the shareholders of the Group and the Company were:

	2014		2013	
	Number of votes held	**Percentage**	**Number of votes held**	**Percentage**
Invalda LT AB	-	-	1,764,405	45.40
Invalda Privatus Kapitalas AB	3,342,160	86.00	1,577,755	40.60
Other shareholders	544,107	14.00	544,107	14.00
Total	**3,886,267**	**100.00**	**3,886,267**	**100.00**

As of 31 December 2014, the Company's share capital amounted to LTL 15,545,068 and it was divided into 3,886,267 ordinary registered shares. 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 2014 and 2013. The share capital did not change in 2014 and 2013. The Company did not hold its own shares.

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at annual and general meetings of the Company. All shares rank equally with regard to the Company's residual assets.

The Group consists of Vilniaus Baldai AB and its subsidiary ARI-LUX UAB (hereinafter "the Group"). ARI-LUX UAB information as of 31 December 2014:

Company	Registration address	Share of ownership held by the Company, %	Share capital	Profit (loss) for the reporting period	Equity	Main activities
ARI-LUX UAB	Savanoriu Ave. 178, Vilnius	100	10	36	77	Packaging of accessories

As of 31 December 2014 the number of employees of the Group and the Company was 671 and 629, respectively (as of 31 December 2013 – 488 and 454, respectively).

These financial statements include the consolidated financial statements of the Group and the separate financial statements of the Company.

The Company's management approved these financial statements on 16 March 2015. 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.

2 Accounting principles

The principal accounting policies adopted in preparing the Group's and the Company's financial statements for the year 2014 are as follows:

2.1. Basis of preparation

These financial statements have been prepared in accordance with International Financial Reporting Standards (hereinafter the IFRSs), 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 IFRSs, as adopted by the European Union, 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 2.26. Although these estimates are based on management's best knowledge of current events and actions, actual results ultimately may differ from those estimates.

New standards, amendments and interpretations

Except for the changes below, the Group and the Company have consistently applied the accounting policies set out in Note 2 to all periods presented in these financial statements.

The Group and the Company have adopted the following new standards and amendments to standards, including any consequential amendments to other standards, with a date of initial application of 1 January 2014.

(i) IFRS 12: Disclosure of Interests in Other Entities

IFRS 12 brings together into a single standard all the disclosure requirements about an entity's interest in subsidiaries, joint arrangements, associates and unconsolidated structured entities. As a result of IFRS 12, the Group has expanded its disclosures about its interests in subsidiaries (Note 6).

IFRS 11 Joint Arrangements also became first applicable in 2014; however, it is not applicable to the Company as the Company does not participate in joint arrangements.

(ii) IFRS 10: Consolidated Financial Statements

As a result of IFRS 10 (2011), the Group has changed its accounting policy for determining whether it has control over and consequently whether it consolidates its investees. IFRS 10 (2011) introduces a new control model that focuses on whether the Group has power over an investee, exposure or rights to variable returns from its involvement with the investee and ability to use its power to affect those returns.

In accordance with the transitional provisions of IFRS 10 (2011), the Group reassessed the control conclusion for its investees at 1 January 2014. The Group concluded that there are no changes in control assessment as a consequence of new rules introduced by IFRS 10 (2011).

(iii) Other amendments to standards

The following amendments to standards with effective date of 1 January 2014 did not have any impact on these financial statements:
- IAS 27 (2011) Separate Financial Statements;
- IAS 28 (2011) Investments in Associates and Joint Ventures;
- Amendments to IAS 32 on Offsetting Financial Assets and Financial Liabilities;
- Amendments to IAS 27 on Investment Entities;
- Amendments to IAS 36 on Recoverable Amount Disclosures for Non-Financial Assets;
- Amendments to IAS 39 on Novation of Derivatives and Continuation of Hedge Accounting.

2 Accounting principles (cont'd)

2.1. Basis of preparation (cont'd)

Standards, interpretations and amendments to published standards that are not yet effective

A number of new standards, amendments and interpretations are effective for annual periods beginning after 1 January 2014, and have not been applied in preparing these financial statements. Those which may be relevant to the Group and the Company as well as management's judgements regarding the possible impact of initial application of new and revised standards and interpretations are set out below. The Group and the Company do not plan to adopt these amendments, standards and interpretations early.

(i) Amendments to IAS 19 – Defined Benefit Plans: Employee Contributions (effective for annual periods beginning on or after 1 February 2015)

The amendments are relevant only to defined benefit plans that involve contributions from employees or third parties meeting certain criteria. Namely that they are:

- set out in the formal terms of the plan;
- linked to service; and
- independent of the number of years of service.

When these criteria are met, a company is permitted (but not required) to recognise them as a reduction of the service cost in the period in which the related service is rendered. The Group and the Company do not expect the Amendment to have any impact on the financial statements since they do not have any defined benefit plans that involve contributions from employees or third parties.

(ii) IFRIC 21 Levies (effective for annual periods beginning on or after 17 June 2014)

The Interpretation provides guidance as to the identification of the obligating event giving rise to a liability, and to the timing of recognising a liability to pay a levy imposed by government. In accordance with the Interpretation, the obligating event is the activity that triggers the payment of that levy, as identified in the relevant legislation and as a consequence, the liability for paying the levy is recognised when this event occurs. The liability to pay a levy is recognised progressively if the obligating event occurs over a period of time. If the obligating event is the reaching of a minimum activity threshold, the corresponding liability is recognised when that minimum activity threshold is reached. The Interpretation sets out that an entity cannot have a constructive obligation to pay a levy that will be triggered by operating in a future period as a result of the entity being economically compelled to continue to operate in that future period. It is expected that the Interpretation, when initially applied, will not have a material impact on the financial statements, since it does not result in a change in the Group's and the Company's accounting policy regarding levies imposed by governments.

(iii) Annual Improvements to IFRSs

The improvements introduce eleven amendments to nine standards and consequential amendments to other standards and interpretations. Amendments to five of these standards are applicable to annual periods beginning on or after 1 February 2015, with earlier adoption permitted. Another four amendments to four standards are applicable to annual periods beginning on or after 1 January 2015, with earlier adoption permitted.

None of these amendments are expected to have a significant impact on the financial statements of the Group and the Company.

a. IFRS 1 First-time Adoption of International Financial Reporting Standards

The amendment clarifies that in its first IFRS financial statements, a first-time adopter is permitted but not required to apply a new or revised IFRS that is not yet mandatory but is available for early application.

b. IFRS 2 Share-based Payment

IFRS 2 has been amended to clarify the definition of 'vesting condition' by separately defining 'performance condition' and 'service condition.'

2 Accounting principles (cont'd)

2.1. Basis of preparation (cont'd)

Standards, interpretations and amendments to published standards that are not yet effective (cont'd)

c. IFRS 3 Business Combinations

The amendment to IFRS 3 Business Combinations (with consequential amendments to other standards) clarifies that when contingent consideration is a financial instrument, its classification as a liability or equity is determined by reference to IAS 32, rather than to any other standard. It also clarifies that contingent consideration that is classified as an asset or a liability shall be measured at fair value at each reporting date.

IFRS 3 has also been amended to clarify that the standard does not apply to the accounting for the formation of all types of joint arrangements in IFRS 11 *Joint Arrangements* – i.e. including joint operations – in the financial statements of the joint arrangements themselves.

d. IFRS 8 Operating Segments

IFRS 8 has been amended to explicitly require the disclosure of judgements made by management in applying the aggregation criteria. The disclosures include a brief description of the operating segments that have been aggregated; and the economic indicators that have been assessed in determining that the operating segments share similar economic characteristics.

In addition, this amendment clarifies that a reconciliation of the total of the reportable segments' assets to the entity's assets is required only if this information is regularly provided to the entity's chief operating decision maker. This change aligns the disclosure requirements with those for segment liabilities.

e. IFRS 13 Fair Value Measurement

The IASB has clarified that, in issuing IFRS 13 and making consequential amendments to IAS 39 and IFRS 9, it did not intend to prevent entities from measuring short-term receivables and payables that have no stated interest rate at their invoiced amounts without discounting, if the effect of not discounting is immaterial.

The scope of the IFRS 13 portfolio exception – whereby entities are exempted from measuring the fair value of a group of financial assets and financial liabilities with offsetting risk positions on a net basis if certain conditions are met – has been aligned with the scope of IAS 39 and IFRS 9.

IFRS 13 has been amended to clarify that the portfolio exception potentially applies to contracts in the scope of IAS 39 and IFRS 9 regardless of whether they meet the definition of a financial asset or financial liability under IAS 32 – e.g. certain contracts to buy or sell non-financial items that can be settled net in cash or another financial instrument.

f. IAS 16 Property, Plant and Equipment and IAS 38 Intangible Assets

IAS 16 and IAS 38 have been amended to clarify that, at the date of revaluation:

- the gross carrying amount:
  - is adjusted in a manner that is consistent with the revaluation of the carrying amount of the asset – e.g. restated in proportion to the change in the carrying amount or by reference to observable market data; and
  - the accumulated depreciation (amortisation) is adjusted to equal the difference between the gross carrying amount and the carrying amount of the asset after taking into account accumulated impairment losses; or
- the accumulated depreciation (amortisation) is eliminated against the gross carrying amount of the asset.

g. IAS 24 Related Party Disclosures

The definition of a 'related party' is extended to include a management entity that provides key management personnel services to the reporting entity, either directly or through a group entity.

h. IAS 40 Investment Property

IAS 40 has been amended to clarify that an entity should assess whether an acquired property is an investment property under IAS 40; and perform a separate assessment under IFRS 3 to determine whether the acquisition of the investment property constitutes a business combination.

Entities will still need to use judgement to determine whether the acquisition of an investment property is an acquisition of a business under IFRS 3.

2 Accounting principles (cont'd)

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 was the Company's and the Group's functional and presentation currency until 31 December 2014.

Starting from 2 February 2002 until 31 December 2014, Lithuanian litas was pegged to euro at the rate of 3.4528 litas for 1 euro, and the exchange rates in relation to other currencies were set daily by the Bank of Lithuania.

2.3. Principles of consolidation

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

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

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

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 Group and the Company 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.

2.5. Property, plant and equipment

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

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

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 profit or loss in the period the costs are incurred.

2 Accounting principles (cont'd)

2.5. Property, plant and equipment (cont'd)

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 are not stated at fair value and 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.

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

The Group and the Company capitalise borrowing costs that could have been avoided if they had not made capital expenditure on qualifying assets. Borrowing costs capitalised are calculated at the Group's and the Company'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

Financial assets are classified as financial assets at fair value through profit or loss, loans and receivables, and available-for-sale financial assets, as appropriate. The Group and the Company determine the classification of their financial assets based on the nature and purpose at initial recognition.

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

The Group's and the Company's financial assets include cash, time deposits, trade receivables and other receivables and loans.

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

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are carried at amortized cost using the effective interest rate method. Gains or losses are recognized in profit or loss when such assets are impaired, as well as through the amortization process. Loans and receivables are initially recorded at acquisition cost (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 using the effective interest rate method, less impairment.

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

2 Accounting principles (cont'd)

2.6 Financial asset (cont'd)

Trade receivables

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

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

Cash and cash equivalents

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

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

Effective interest rate method

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

Derecognition of financial assets

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is derecognised when:
- the rights to receive cash flows from the asset have expired;
- the Group and the Company retain the right to receive cash flows from the asset, but have assumed an obligation to pay them in full without material delay to a third party under a "pass through" arrangement; or
- the Group and the Company have transferred their rights to receive cash flows from the asset and either (a) have transferred substantially all the risks and rewards of the asset, or (b) have neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

2.7. Investments into subsidiaries in the Company's separate financial statements

Investments in subsidiaries are accounted at cost in the Company's separate financial statements. Cost of investment is decreased by impairment losses.

Impairment is determined by assessing the recoverable amount of the cash-generating unit. Where the recoverable amount of the cash-generating unit is lower than the carrying amount in the Company's statement of financial position, an impairment loss is recognized.

2.8. Inventories

Inventories are initially recorded at acquisition cost. Subsequent to initial recognition, inventories are valued at the lower of cost or net realizable value. 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 Accounting principles (cont'd)

2.9. Share capital

Ordinary registered shares are classified as share capital. Ordinary registered shares are stated at their par value.

2.10. Dividends

Dividends are recognised in the Company's financial statements in the period in which the dividends are approved by the Company's shareholders. Dividends paid are classified as cash flows from financing activities in the statement of cash flows.

2.11 Borrowings

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

Borrowings are initially recognized at the 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 profit or loss over the period of the borrowings using the effective interest method.

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

2.12 Leases

The Company and the Group are lessees

(a) Finance lease
Leases of property, plant and equipment where the Company and the Group have 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 lease 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 profit or loss on a straight-line basis over the period of the lease.

The Company and the Group are lessors

(c) Operating lease
Payments received under operating leases (net of any incentives given to the lessee) are recognized in profit or loss on a straight-line basis over the period of the lease.

2.13 Trade payables

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers.

Trade payables are recognized when the other party fulfils its contractual obligations and are initially recognised at fair value and subsequently measured at amortised cost using the effective interest rate method.

2 Accounting principles (cont'd)

2.14 Employee benefits

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

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

(c) Bonus plans
The Group and the Company recognise a liability and an expense for bonuses where contractually obliged or where there is a past practice that has created a constructive obligation.

(d) Provisions for pensions and jubilee payments
According to the terms of the collective employment agreement effective at the Group and the Company, each employee is entitled to a pension benefit amounting to 2 or 3 months' salary payment when leaving the Group and the Company after reaching the pension age and a jubilee benefit. Actuarial calculations are made to determine liability for such payments. The liability is recognised at present value discounted using market interest rate.

The Group and the Company recognise remeasurements of the pension benefit obligation in 'Other comprehensive income that will not be reclassified to profit or loss'. These amounts recognised as other comprehensive income are accounted for under equity. Jubilee benefits and long-service benefits are accounted for by the Group and the Company within profit or loss.

2.15. Provisions

Provisions are recognized when the Group and the Company have 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.

2.16. 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 standard income tax rate in the Republic of Lithuania was 15% in 2014 (15% in 2013).

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 Group and the Company change their activities due to which these losses were incurred except when the Group and the Company do not continue their activities due to reasons which do not depend on the Group and the Company themselves. The losses from disposal of securities and/or derivative financial instruments can be carried forward for 5 consecutive years and only be used to reduce the taxable income earned from the transactions of the same nature. Starting from 2010, tax losses can be transferred at no consideration or in exchange for certain consideration between the Group companies if certain conditions are met.

2 Accounting principles (cont'd)

2.16 Income tax (cont'd)

Deferred taxes are calculated using the 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 substantively enacted at the reporting date.

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

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

Deferred tax assets and liabilities are offset when they are related to taxes levied by the same tax authority and when there is a legally enforceable right to cover current payable taxes at net value.

Income tax and deferred tax for the accounting period

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

2.17. Revenue recognition

a) Sales of goods and services
Revenue is recognized when it is probable that the economic benefits associated with the transaction will flow to the Group and the Company 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 on a proportionate basis in profit or loss using the effective interest rate method. When a receivable is impaired, the Group and the Company reduce 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 is recognised using the original effective interest rate. Interest income is classified as cash flows from investing activities in the statement of cash flows.

2.18. 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 Accounting principles (cont'd)

2.19. Foreign currency transactions

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 profit or loss. Such balances are translated at period-end exchange rates. Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated to Litas at foreign exchange rates ruling at the dates the fair value was determined.

2.20. 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 profit or loss. Impairment of trade and other receivables is established when there is objective evidence (such as probability of default or significant financial difficulties of the client) that the Group and the Company 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 recoverable amount of receivables carried at amortised cost is measured as the present value of future cash flows discounted at the original interest rate (i.e. the effective interest rate calculated at the initial recognition of these receivables).

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 profit or loss under the same caption as impairment losses. However, the increased carrying amount is only recognized to the extent it does not exceed the amortized cost that would have been had the impairment not been recognized.

Non-financial assets

Non-financial assets, other than inventories and deferred tax asset, are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. If any such indication exists, the asset's recoverable amount is estimated.

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 profit or loss.

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 in profit or loss as impairment losses. For evaluation of impairment of assets the entire Group is considered as one cash generating unit.

2.21. 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.

2.22. Related parties

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

2 Accounting principles (cont'd)

2.23. 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.

2.24. Subsequent events

Events after the reporting date 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. Events after the reporting date that are not adjusting events are disclosed in the notes when material.

2.25. Offsetting and comparative figures

When preparing the financial statements, assets and liabilities, revenue and expenses are not set off, except the cases when certain IFRS specifically requires such set-off. Financial assets and liabilities are offset and the net amount reported in the statement of financial position when there is a 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.

2.26. Use of estimates in the preparation of financial statements

The preparation of financial statements in conformity with IFRSs requires management to make judgements, estimates and assumptions that affect the reported amounts of assets, liabilities, income and costs 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. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

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

Estimates and assumptions

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

Property, plant and equipment – useful life
The key assumptions concerning determination of the useful life of property, plant and equipment are as follows: expected usage term of the asset, expected technical, technological or other obsolescence arising from changes or improvements in the production, 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 liabilities
The tax authorities have a right to examine the Group's and the Company's books and accounting records at any time 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 Group and the Company enter into transactions with their related parties. These transactions are priced predominantly at market rates. Judgement is applied in determining if transactions are priced at market or non-market rates, where there is no active market for such transactions. The basis for judgement is pricing for similar types of transactions with unrelated parties.

Pension and jubilee benefits
Key assumptions used in determining the provision for pension and jubilee benefits are as follows: employee turnover rate by age group, discount rate, and wage and salary growth. The Group's and the Company's management makes judgements in relation to these assumptions. See Note 14 for more details.

3 Segment information

The management of the Company has determined the operating segments based on the reports reviewed by the board of directors that are used to make strategic decisions. Based on this it was decided that the Company and the Group have a single reportable segment, i.e. furniture production and trade.

Breakdown of revenue by the location where production is delivered:

	Sales			
	Group		Company	
	2014	2013	2014	2013
European Union countries	131,348	106,244	131,348	106,244
Other than European Union countries	78,029	58,006	78,029	58,006
Lithuania	3,689	1,866	3,689	1,866
	213,066	**166,116**	**213,066**	**166,116**

4 Intangible assets

	Software	
	Group	Company
Cost:		
Balance as of 31 December 2012	408	408
Additions	156	156
Balance as of 31 December 2013	564	564
Additions	66	66
Balance as of 31 December 2014	630	630
Amortisation:		
Balance as of 31 December 2012	351	351
Charge for the year	87	87
Balance as of 31 December 2013	438	438
Charge for the year	62	62
Balance as of 31 December 2014	500	500
Net book value as of 31 December 2014	**130**	**130**
Net book value as of 31 December 2013	**126**	**126**

Amortization expenses of intangible assets are included within operating expenses in profit or loss. Part of the non-current intangible assets of the Group and the Company with an acquisition cost of LTL 408 thousand as of 31 December 2014 (as of 31 December 2013 – LTL 398 thousand) was fully amortised but was still in use.

5 Property, plant and equipment

Group

	Land and buildings	Machinery and equipment	Vehicles	Other property, plant and equipment	Total
Cost:					
Balance as of 31 December 2012	24,030	71,944	637	5,100	101,711
Additions	-	11,278	8	4,425	15,711
Disposals and retirements	-	(729)	-	(145)	(874)
Reclassified from/ to	-	4,504	-	(4,504)	-
Balance as of 31 December 2013	24,030	86,997	645	4,876	116,548
Additions	-	4,949	6	387	5,342
Disposals and retirements	-	(296)	-	(122)	(418)
Reclassified from/ to	-	1,208	-	(1,208)	-
Balance as of 31 December 2014	24,030	92,858	651	3,933	121,472
Accumulated depreciation:					
Balance as of 31 December 2012	11,378	49,096	135	2,494	63,103
Charge for the year	657	4,272	107	286	5,322
Disposals and retirements	-	(716)	-	(143)	(859)
Balance as of 31 December 2013	12,035	52,652	242	2,637	67,566
Charge for the year	617	5,221	114	305	6,257
Disposals and retirements	-	(252)	-	(117)	(369)
Balance as of 31 December 2014	12,652	57,621	356	2,825	73,454
Net book value as of 31 December 2014	**11,378**	**35,237**	**295**	**1,108**	**48,018**
Net book value as of 31 December 2013	**11,995**	**34,345**	**403**	**2,239**	**48,982**

5 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 2012	24,030	71,932	637	5,094	101,693
Additions	-	11,276	8	4,424	15,708
Disposals and retirements	-	(729)	-	(144)	(873)
Reclassified from/ to	-	4,504	-	(4,504)	-
Balance as of 31 December 2013	24,030	86,983	645	4,870	116,528
Additions	-	4,947	6	385	5,338
Disposals and retirements	-	(289)	-	(120)	(409)
Reclassified from/ to	-	1,208	-	(1,208)	-
Balance as of 31 December 2014	24,030	92,849	651	3,927	121,457
Accumulated depreciation:					
Balance as of 31 December 2012	11,378	49,085	135	2,493	63,091
Charge for the year	657	4,271	107	285	5,320
Disposals and retirements	-	(716)	-	(143)	(859)
Balance as of 31 December 2013	12,035	52,640	242	2,635	67,552
Charge for the year	617	5,219	114	304	6,254
Disposals and retirements	-	(245)	-	(116)	(361)
Balance as of 31 December 2014	12,652	57,614	356	2,823	73,445
Net book value as of 31 December 2014	**11,378**	**35,235**	**295**	**1,104**	**48,012**
Net book value as of 31 December 2013	**11,995**	**34,343**	**403**	**2,235**	**48,976**

Depreciation charge for the year was recognised as follows:

	Group		Company	
	2014	**2013**	**2014**	**2013**
Cost of sales	5,921	5,113	5,920	5,112
Operating expenses	301	300	299	299
Inventories – finished goods	35	(91)	35	(91)
	6,257	**5,322**	**6,254**	**5,320**

Part of property, plant and equipment of the Group and the Company with an acquisition cost of LTL 14,395 thousand and LTL 14,392 thousand, respectively, was fully depreciated as of 31 December 2014 (LTL 16,158 thousand and LTL 16,148 thousand as of 31 December 2013) but was still in active use. The major part of the fully depreciated property, plant and equipment consists of machinery and equipment.

The net book value of the Company's property, plant and equipment acquired under finance lease contracts amounted to LTL 275 thousand as of 31 December 2014 (LTL 373 thousand as of 31 December 2013). Property, plant and equipment acquired under finance lease contracts is classified as vehicles.

5 Property, plant and equipment (cont'd)

The Company's prepayments for non-current assets amounted to LTL 61 thousand as of 31 December 2014 (LTL 1,163 thousand as of 31 December 2013). Prepayments are classified as other property, plant and equipment.

As of 31 December 2014, the Company's property, plant and equipment with the net book value of LTL 41,011 thousand was pledged to the banks as a collateral for loans granted (Note 12).

6 Investments into subsidiaries

Acquisition cost of investment of the Company in subsidiary as of 31 December 2014 and 2013 are presented below:

	2014		2013	
	Share capital	**Acquisition cost**	**Share capital**	**Acquisition cost**
ARI-LUX UAB	100%	17	100%	17
		17		**17**

Performance results of the subsidiary before elimination of related transactions in 2014 and 2013.

Statement of financial position

	As of 31 December 2014	As of 31 December 2013
Non-current assets	6	6
Current assets	106	59
Total assets	**112**	**65**
Equity	77	41
Non-current liabilities	-	-
Current liabilities	35	24
Total equity and liabilities	**112**	**65**

Statement of profit or loss and other comprehensive income

	2014	2013
Revenue	726	510
Cost of sales	(519)	(366)
Gross profit	**207**	**144**
Operating expenses	(171)	(172)
Profit (loss) before income tax	**36**	**(28)**
Income tax expense	-	-
Net profit (loss) for the reporting period	**36**	**(28)**

7 Inventories

	Group 2014	Group 2013	Company 2014	Company 2013
Raw materials	5,203	4,306	5,203	4,306
Work in progress	4,189	2,548	4,189	2,548
Finished goods	6,274	6,676	6,274	6,676
Goods for resale	10	8	10	8
	15,676	**13,538**	**15,676**	**13,538**

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

8 Trade receivables

	Group 2014	Group 2013	Company 2014	Company 2013
Trade receivables, gross	15,685	12,041	15,685	12,041
Less: impairment for doubtful receivables	-	-	-	-
	15,685	**12,041**	**15,685**	**12,041**

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

As of 31 December 2014 and 2013 no impairment allowance was recognised for trade receivables of the Group and the Company.

The ageing analysis of the Group's and the Company's trade receivables as of 31 December 2014 and 2013 is as follows:

	Trade receivables neither past due nor impaired	Trade receivables past due, but not impaired: Less than 30 days	30–60 days	60–90 days	90–120 days	More than 120 days	Total
2014	15,102	566	-	-	-	17	**15,685**
2013	11,540	436	45	13	-	7	**12,041**

9 Other receivables

	Group 2014	Group 2013	Company 2014	Company 2013
Refundable VAT	1,220	1,081	1,220	1,081
Other receivables	73	64	60	26
	1,293	**1,145**	**1,280**	**1,107**

Other receivables of the Group and the Company were neither past due nor impaired as of 31 December 2014 and 2013.

10 Cash and cash equivalents

	Group		Company	
	2014	2013	2014	2013
Cash at bank	3,783	2,082	3,692	2,062
	3,783	**2,082**	**3,692**	**2,062**

The Company's cash balances in bank accounts denominated in foreign currency and the litas, and future inflows to the accounts at Danske Bank A/S Lithuania Branch were pledged to the banks as a collateral for loans granted (Note 12).

11 Reserves

Legal 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.

Reserve for acquisition of own shares

During the ordinary general meeting of shareholders held on 29 April 2014 a decision was passed to make a transfer of LTL 25,000 thousand to the Company's retained earnings from the reserve for the acquisition of own shares.

12 Borrowings

	Group		Company	
	As of 31 December 2014	As of 31 December 2013	As of 31 December 2014	As of 31 December 2013
Non-current borrowings				
Finance lease	109	225	109	225
Loans	12,264	-	12,264	-
	12,373	225	12,373	225
Current borrowings				
Current portion of non-current finance lease	116	55	116	55
Current portion of loans	12,264	-	12,264	-
Credit line	5,386	5,547	5,386	5,547
	17,766	5,602	17,766	5,602
	30,139	**5,827**	**30,139**	**5,827**

The Company's buildings and machinery with the total net book value of LTL 41,011 thousand as of 31 December 2014 (LTL 15,763 thousand as at 31 December 2013) and the current cash balances at and future inflows to the Company's accounts at Danske Bank A/S Lithuania Branch were pledged as a collateral for the loans granted.

12 Borrowings (cont'd)

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

	Group		Company	
	As of 31 December 2014			
	Fixed interest rate	Variable interest rate	Fixed interest rate	Variable interest rate
2015	-	17,766	-	17,766
2016	-	12,314	-	12,314
2017	-	59	-	59
	-	**30,139**	-	**30,139**

In February 2015 the Company signed amendments to the agreement on financing (crediting) services with Danske Bank A/S Lithuania Branch for the amendment to the terms and conditions of the agreement and to the loan repayment terms (Note 28).

Actual interest rates are close to the effective interest rates. As of 31 December 2014 the weighted average annual interest rate on outstanding balances of the Group's and the Company's borrowings was 1.61% (1.28% as of 31 December 2013). In 2014 and 2013, the period of repricing variable interest rates on borrowings was 3 and 6 months.

The fair value of current borrowings approximates their carrying amount as the impact of discounting is not material. The Company's management did not measure the fair value of non-current borrowings as the difference between the carrying amount and the fair value would be immaterial.

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

	Group		Company	
	2014	2013	2014	2013
Credit line	1.30%	1.22%	1.30%	1.22%
Loans	1.67%	-	1.67%	-
Finance lease	2.57%	2.42%	2.57%	2.42%

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

	Group		Company	
	2014	2013	2014	2013
Borrowings denominated in:				
EUR	30,139	5,827	30,139	5,827
LTL	-	-	-	-
	30,139	**5,827**	**30,139**	**5,827**

Finance lease liabilities are payable as follows:

The Company and the Group	Future minimum lease payments		Interest		Present value of minimum lease payments	
	2014	2013	2014	2013	2014	2013
Not later than 1 year	116	225	4	6	116	55
Later than 1 year and no later than 5 years	109	55	3	8	109	225
Later than five years	-	-	-	-		
	225	**280**	**7**	**14**	**225**	**280**

13 Trade payables

Trade payables are non-interest bearing and are normally settled on 30–60 days terms.

14 Provisions for employee benefits

	Group		Company	
	2014	2013	2014	2013
Provisions for pension benefits	839	686	839	686
Provisions for jubilee and other benefits	1,216	974	1,216	974
	2,055	**1,660**	**2,055**	**1,660**

Provisions for pension and jubilee benefits comprise amounts calculated in line with the collective employment agreement effective at the Company. Each employee is entitled to a jubilee benefit and a pension benefit amounting to 2 or 3 months' salary payments on leaving the Company after reaching the retirement age. Key assumptions used in determining the provisions for pension and jubilee benefits are as follows: employee turnover rate by age group, discount rate, and wage and salary growth.

The main actuarial assumptions used for the calculation of provisions for pension and jubilee benefits were as follows:

	2014	2013
Discount rate	3%	5%
Salary growth rate	5%	3%
Rate of employee turnover by age group:		
younger than 25 years	0–40%	30–50%
from 25 to 45 years	10–15%	10–25%
from 45 to 59 years	10%	10%
from 59 to 75 years	0–10%	0%

The following table demonstrates the sensitivity of the Group's and the Company's other comprehensive income to possible changes in actuarial assumptions with all other variables held constant:

	Increase / decrease, %	Impact on other comprehensive income
2014		
Discount rate	+0.5%	(66)
Salary growth rate	+0.5%	68
Discount rate	-0.5%	70
Salary growth rate	-0.5%	(64)

The movement in the provisions for pension benefits is as follows:

The Group and the Company	2014	2013
At 1 January	686	687
Growth in the current year	107	81
Payments	(14)	(24)
Remeasurements of pension benefits	60	(58)
At 31 December	**839**	**686**

14 Provisions for employee benefits (cont'd)

The movement in the provisions for jubilee and other benefits is as follows:

The Group and the Company	2014	2013
At 1 January	974	986
Growth in the current year	242	(12)
Payments	0	0
Remeasurements of jubilee and other benefits	0	0
At 31 December	**1.216**	**974**

15 Other current and accrued liabilities

	Group		Company	
	2014	**2013**	**2014**	**2013**
Amounts payable for the take-over of tax losses (Note 25)	-	253	-	253
Payroll related liabilities	3,904	3,110	3,877	3,083
Dividends payable	3,391	2,625	3,391	2,625
Operating taxes payable	122	69	113	61
Other payables and accrued liabilities	79	106	79	104
	7,496	**6,163**	**7,460**	**6,126**

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

16 Revenue

	Group		Company	
	2014	**2013**	**2014**	**2013**
Sales of goods	213,062	166,103	213,062	166,103
Revenue from services	4	13	4	13
	213,066	**166,116**	**213,066**	**166,116**

In 2014 and 2013 sales of goods comprised sales of furniture, which accounted for approx. 98 per cent of total sales, and sales of raw materials and waste.

The main customer of the Company is IKEA Supply AG. Sales to this customer in 2014 amounted to LTL 209,290 thousand, i.e. 98 per cent of total sales (in 2013 sales amounted to LTL 164,101 thousand, i.e. 99 per cent of total sales). The Company has worked with this customer on the basis of short-term agreements since 1998.

17 Cost of sales

	Group		Company	
	2014	**2013**	**2014**	**2013**
Materials	139,348	106,986	139,349	106,986
Wages, salaries	18,110	12,744	17,725	12,469
Depreciation	5,921	5,113	5,920	5,112
Social security	5,613	3,921	5,495	3,837
Acquired furniture and materials	2,865	1,318	2,865	1,318
Other production expenses	13,761	11,253	14,471	11,756
	185,618	**141,335**	**185,825**	**141,478**

18 Operating expenses

	Group		Company	
	2014	2013	2014	2013
Wages, salaries	3,058	2,986	2,966	2,887
Transportation and logistics expenses	2,474	2,914	2,474	2,914
Social security	965	928	936	898
Audit and consultation expenses	473	470	469	469
Depreciation and amortization	363	387	361	386
Utilities, maintenance and communications	301	279	301	279
Waste utilisation expenses	176	130	176	130
Business trips expenses	80	121	80	121
Charity and support expenses	12	2	11	1
Other	1,824	1,646	1,789	1,614
	9,726	**9,863**	**9,563**	**9,699**

19 Other operating income and expenses

	Group		Company	
	2014	2013	2014	2013
Other operating income				
Rent and utilities income	1,550	1,590	1,557	1,597
Gain on disposal of property, plant and equipment	-	5	-	5
Other income	12	77	12	77
	1,562	**1,672**	**1,569**	**1,679**
Other operating expenses				
Direct costs of rent income	(932)	(935)	(931)	(935)
Losses on disposal of property, plant and equipment	(2)	-	(2)	-
Other expenses	-	(4)	-	(4)
	(934)	**(939)**	(933)	(939)

20 Finance income and finance costs

	Group		Company	
	2014	2013	2014	2013
Finance income				
Interest income	-	65	-	65
Currency exchange gain	13	13	13	13
	13	**78**	**13**	**78**
Finance costs				
Interest expenses	(371)	(34)	(371)	(34)
Currency exchange loss	(37)	(35)	(37)	(35)
	(408)	**(69)**	**(408)**	**(69)**

21 Income tax

	Group		Company	
	2014	2013	2014	2013
Components of the income tax expense				
Income tax expenses for the reporting year	1,435	1,218	1,435	1,218
Corrections of errors in respect of prior year	-	(6)	-	(6)
Income tax expenses from dividends paid to natural persons	117	131	117	131
Total current income tax expense	1,552	1,343	1,552	1,343
Recognition and reversal of temporary differences	(73)	6	(73)	6
Deferred tax expense	(73)	6	(73)	6
Income tax expense carried in profit or loss	**1,479**	**1,349**	**1,479**	**1,349**

Deferred income tax asset and liability as of 31 December 2014 and 2013 was accounted for using tax rate of 15%.

In 2014, the Group and the Company implemented the investment project by allocating new property, plant and equipment intended for the increase of output and labour productivity, expansion of the range of goods produced with new products and major change of the manufacturing process. The investment project covered investments of LTL 3,626 thousand related to the acquisition and installation of new production technological lines intended for the modernisation of existing production technological lines. The Group and the Company reduced taxable profit for 2014 by the investment tax credit of LTL 9,564 thousand (unused part of the investment project amounting to LTL 6,392 thousand was transferred from the year 2013), and unused part of the investment project amounting to LTL 455 thousand was transferred to the upcoming financial year.

Income tax expense disclosed in the statement of profit or loss and other comprehensive income may be reconciled to income tax expense that would arise using an enacted income tax rate applicable to profit before income tax.

	Group			
	2014		2013	
Profit (loss) before tax		17,955		15,660
Tax calculated at a statutory 15% tax rate	15%	2,693	15%	2,349
Tax effects of:				
- Expenses not deductible for tax purposes	1%	224	1%	227
- Income not subject to tax		-	0%	(3)
- Correction of income tax for the previous periods		-	0%	(6)
- Income tax relief due to investment projects	(8%)	(1,435)	(8%)	(1,218)
- Charity expenses deductible twice for tax purposes	0%	(3)		-
Income tax expense carried in profit or loss	**8%**	**1,479**	**9%**	**1,349**

21 Income tax (cont'd)

	Company			
	2014		2013	
Profit (loss) before tax		17,919		15,688
Tax calculated at a statutory 15% tax rate	15%	2,688	15%	2,353
Tax effects of:				
- Expenses not deductible for tax purposes	1%	229	1%	223
- Income not subject to tax		-	0%	(3)
- Correction of income tax for the previous periods		-	0%	(6)
- Income tax relief due to investment projects	(8%)	(1,435)	(8%)	(1,218)
- Charity expenses deductible twice for tax purposes	0%	(3)		-
Income tax expense carried in profit or loss	8%	**1,479**	**9%**	**1,349**

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

	Group		Company	
	2014	2013	2014	2013
Deferred tax assets	407	343	407	343
Deferred tax liability	(175)	(184)	(175)	(184)
	232	**159**	**232**	**159**

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

Group	**2012**	**Credited (debited) to income tax expenses**	**2013**	**Credited (debited) to income tax expenses**	**2014**
Deferred tax assets					
– Write-down of inventories	12	(12)	-	-	-
– Accrued charges	351	(8)	343	64	407
	363	(20)	343	64	407
Deferred tax liabilities					
– Investment relief	(198)	14	(184)	9	(175)
	(198)	14	(184)	9	(175)
Deferred tax liabilities, net	**165**	**(6)**	**159**	**73**	**232**

21 Income tax (cont'd)

Company	2012	Credited (debited) to income tax expenses	2013	Credited (debited) to income tax expenses	2014
Deferred tax assets					
– Write-down of inventories	12	(12)	-	-	-
– Accrued charges	351	(8)	343	64	407
	363	(20)	343	64	407
Deferred tax liabilities					
– Investment relief	(198)	14	(184)	9	(175)
	(198)	14	(184)	9	(175)
Deferred tax liabilities, net	**165**	**(6)**	**159**	**73**	**232**

22 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 issued and paid during the year. There are no potential ordinary shares to be issued.

	Group		Company	
	2014	2013	2014	2013
Net profit attributable to shareholders	16,476	14,311	16,440	14,339
Weighted average number of shares (thousand)	3,886	3,886	3,886	3,886
Basic earnings per share (in LTL)	**4.24**	**3.68**	**4.23**	**3.69**

There were no changes in the share capital of the Company during 2014 and 2013; therefore, the weighted average number of shares equals to the total number of shares.

23 Financial risk management

Financial instruments by category

The financial risk management has been applied to the line items below:

	Group		Company	
	Category – Loans and receivables		Category – Loans and receivables	
	2014	2013	2014	2013
Financial assets				
Trade and other receivables	15,758	12,105	15,745	12,067
Cash and cash equivalents	3,783	2,082	3,692	2,062
	19,541	**14,187**	**19,437**	**14,129**

23 Financial risk management (cont'd)

Financial instruments by category (cont'd)

	Group		Company	
	Category – Financial liabilities measured at amortised cost		Category – Financial liabilities measured at amortised cost	
	2014	**2013**	**2014**	**2013**
Financial liabilities				
Borrowings	29,914	5,547	29,914	5,547
Obligations under finance leases	225	280	225	280
Trade and other payables	15,842	17,958	15,843	17,969
	45,981	**23,785**	**45,982**	**23,796**

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 their commitments at a given date in accordance with their 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 2014 were 0.99 and 0.57, respectively (the Group's and the Company's liquidity and quick ratio as of 31 December 2013 – 1.15 and 0.64, respectively).

The tables below summarise the maturity profile of the Group's and the Company's financial liabilities as of 31 December 2014 based on contractual undiscounted cash flows (planed 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	-	5,588	46	233	-	5,867
Trade and other payables	2,625	15,333	-	-	-	17,958
Balance as of 31 December 2013	**2,625**	**20,921**	**46**	**233**	**-**	**23,825**
Interest bearing loans and borrowings	-	3,227	14,953	12,481	-	30,661
Trade and other payables	3,391	12,451	-	-	-	15,842
Balance as of 31 December 2014	**3,391**	**15,678**	**14,953**	**12,481**	**-**	**46,503**

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	-	5,588	46	233	-	5,867
Trade and other payables	2,625	15,344	-	-	-	17,969
Balance as of 31 December 2013	**2,625**	**20,932**	**46**	**233**	**-**	**23,836**
Interest bearing loans and borrowings	-	3,227	14,953	12,481	-	30,661
Trade and other payables	3,391	12,452	-	-	-	15,843
Balance as of 31 December 2014	**3,391**	**15,679**	**14,953**	**12,481**	**-**	**46,504**

23 Financial risk management (cont'd)

Credit risk

The Group and the Company have significant concentration of trading counterparties. The main customer of the Group and the Company – IKEA Supply AG – as of 31 December 2014 accounted for approximately 98% of the total Group's and Company's trade receivables (as of 31 December 2013 over 96%). Also, the major part of the Company's sales is with this customer (Note 16).

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. Consequently, the Management of the Group and the Company considers that its maximum exposure is reflected by the amount of trade receivables, net of impairment losses recognised at the statement of financial position date.

With respect to trade 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.

The maximum exposure to credit risk of the Group's and the Company's cash and cash equivalents is equal to the fair value of cash and cash equivalents classified as cash and cash equivalents at the date of financial position statements preparation. The management of the Group and the Company considers that the risk arising from placement of cash and cash equivalents at bank accounts and other short-term financial instruments is not significant, as placements are made only in commercial banks in Lithuania which have high credit ratings.

Foreign exchange risk

Major currency risks of the Group and the Company occur due to the fact that the Group and the Company borrow foreign currency denominated funds and are 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 do not use any financial instruments to manage their exposure to foreign exchange risk other than aiming to borrow in EUR, to which LTL is pegged.

Financial assets and liabilities stated in various currencies as of 31 December 2014 were as follows (stated in LTL):

	Group		Company	
	Assets	**Liabilities**	**Assets**	**Liabilities**
LTL	545	13,024	441	13,025
EUR	18,995	32,862	18,995	32,862
PLN	1	95	1	95
	19,541	**45,981**	**19,437**	**45,982**

Interest rate risk

The Group's and the Company's borrowings comprise borrowings with variable interest rates, related to EURIBOR, which creates an interest rate risk. There were no financial instruments designated to manage the exposure to fluctuation in interest rates outstanding as of 31 December 2014 and 2013.

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).

2014	**Increase / decrease, %**	**Effect on profit before tax**
EUR	+1%	(244)
EUR	-0.1%	30

23 Financial risk management (cont'd)

Interest rate risk (cont'd)

2013	**Increase / decrease, %**	**Effect on profit before tax**
EUR	+1%	(53)
EUR	-0.1%	6

Fair value of financial assets and liabilities

The Group's and the Company's principal financial assets and liabilities accounted for at amortised cost are trade and other receivables, trade and other payables, long-term and short-term borrowings.

Fair value is defined as the amount at which the assets or services could be exchanged or liability settled between non-related knowledgeable willing parties. Fair values are obtained from quoted market prices, discounted cash flow models and option pricing models as appropriate.

Trade and other receivables, trade and other payables. In the management's opinion, the carrying amounts of trade and other receivables, trade and other payables and borrowings approximate their fair values, as trade and other receivables, trade and other payables are current, and borrowings are subject to market based variable interest rates.

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	
	2014	**2013**	**2014**	**2013**
Not overdue trade and other receivables	15,175	11,604	15,162	11,566
Cash at bank that have high* credit ratings	3,783	2,082	3,692	2,062
	18,958	**13,686**	**18,854**	**13,628**

* Credit rate A provided by Fitch Ratings Agency

The Group and the Company hold cash and make investments only in other short term investing instruments of commercial banks in Lithuania with high credit ratings.

24 Capital management

The Group's and the Company's capital includes equity, legal reserve, reserve for acquisition of own shares 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 economic conditions and the risk characteristics of their 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 of capital management during the year ended 31 December 2014.

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.

24 Capital management (cont'd)

The Group and the Company have externally imposed capital requirements from the banks. The following requirements are imposed to secure the repayment of bank borrowings and settlement of finance lease obligations:

(a) ratio of equity (less amounts receivable from related parties and less loans granted to the Company by related parties) to total assets (less amounts receivable from related parties and less loans granted to the Company by related parties) should not be lower than 0.30;
(b) ratio of net debt to EBITDA should not be higher than 2.00 for the last 12 months.

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

The calculation of banks' covenants is presented below:

	Group		Company	
	2014	2013	2014	2013
Assets	85,680	80,025	85,585	79,977
Receivables from related parties	-	-	-	-
Total assets	**85,680**	**80,025**	**85,585**	**79,977**
Equity	33,618	51,401	33,558	51,377
Loans granted to the Company by related parties	-	-	-	-
Total equity	**33,618**	**51,401**	**33,558**	**51,377**
Equity to assets ratio	**0.39**	**0.64**	**0.39**	**0.64**

	Group		Company	
	2014	2013	2014	2013
Debt	30,139	5,827	30,139	5,827
Cash and cash equivalents	(3,783)	(2,082)	(3,692)	(2,062)
Net debt	**26,356**	**3.745**	**26,447**	**3,765**
EBITDA	24,669	21,060	24,630	21,086
Net debt to EBITDA ratio	**1.07**	**0.18**	**1.07**	**0.18**

As of 31 December 2014 and 2013, the Group and the Company complied with all external requirements established to secure the repayment of bank borrowings.

25 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 as of 31 December 2014 were: ARI-LUX UAB (the subsidiary), Invalda Privatus Kapitalas AB (ultimate shareholder) and all companies controlled by Invalda Privatus Kapitalas AB (as of 31 December 2013: ARI-LUX UAB (the subsidiary), Invalda LT AB (shareholder), Invalda Privatus Kapitalas AB (shareholder) and all companies controlled by Invalda LT AB and Invalda Privatus Kapitalas AB).

In 2014, Invalda Privatus Kapitalas AB and Invalda LT AB completed the share purchase and sale transaction of Vilniaus Baldai AB. After the transaction, Invalda Privatus Kapitalas AB holds 86.00% of Vilniaus Baldai AB shares and votes attached.

25 Related party transactions (cont'd)

Transactions with related parties during 2014 and 2013 and the balances as of 31 December 2014 and 2013 were as follows:

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

2014	**Purchases**	**Sales**	**Receivables**	**Payables**
ARI-LUX UAB	726	8	1	-
Companies controlled by Invalda Privatus Kapitalas AB	178	391	21	-
Companies controlled by Invalda LT AB	80	-	-	-
	984	**399**	**22**	**-**

2013	**Purchases**	**Sales**	**Receivables**	**Payables**
ARI-LUX UAB	510	8	1	13
Companies controlled by Invalda LT AB and Invalda Privatus Kapitalas AB	491	729	27	29
	1,001	**737**	**28**	**42**

*b) Loans to Invalda Privatus Kapitalas AB**

	2014	**2013**
At 1 January	-	-
Loans advanced during year	-	(4,185)
Loan repayments received	-	4,185
Interest charged	-	2
Interest received	-	(2)
At 31 December	**-**	**-**

*Based on the terms and conditions of demerger of Invalda LT AB approved on 9 April 2013 the loan granted to Invalda LT AB and interest charged on it were transferred to Invalda Privatus Kapitalas AB during demerger.

c) Loans from Invalda LT AB

	2014	**2013**
At 1 January	-	-
Loans received during year	-	332
Loan repayments made	-	(332)
Interest expense	-	-
Interest paid	-	-
At 31 December	**-**	**-**

d) Losses taken over from companies controlled by the Parent company

As of 31 December 2012, the Company acquired tax losses of LTL 10,158 thousand from companies whose parent entity is Invalda LT AB. The Company assumed obligation to pay 15 per cent (LTL 1,524 thousand) on the amount of tax losses taken over to companies that transferred those tax losses. As of 31 December 2013 liability to related parties amounting to LTL 253 thousand is accounted for in other payables.

The discounting effect related to taxable losses taken over by the Company from Invalda LT AB group companies' amounted to LTL 6 thousand in 2013 and was accounted for in income tax expenses.

25 Related party transactions (cont'd)

Remuneration of the management and other payments

The Company's general director, chief accountant and the subsidiary's director are considered to be the key management of the Group.

	Group		Company	
	2014	**2013**	**2014**	**2013**
Wages, salaries	679	744	619	684
Social security	210	231	192	212
	889	**975**	**811**	**896**

No salary is paid to the Company's board and Audit Committee members.

The management of the Group and the Company did not receive any loans, guarantees; no other payments or property transfers were made or accrued.

26 Operating leases

Operating lease commitments

The Group and the Company have signed lease contracts for vehicles and premises. The lease requirements do not provide any restrictions for additional debts or additional non-current lease for the Group's or the Company's activity which is related with dividends.

The Group's and the Company's lease expenses related with the lease of vehicles and premises amounted to LTL 884 thousand in 2014 (2013 – LTL 826 thousand).

The future lease payments under operating lease agreements are as follows:

	Group		Company	
	2014	**2013**	**2014**	**2013**
Not later than 1 year				
Lease of vehicles	60	93	60	93
Lease of premises	523	523	523	523
	583	616	583	616
Later than 1 year and no later than 5 years				
Lease of vehicles	38	25	38	25
Lease of premises	1,168	1,692	1,168	1,692
	1,206	1,717	1,206	1,717
	1,789	**2,333**	**1,789**	**2,333**

Operating lease receivable

The future minimum lease payments under non-cancellable leases were receivable as follows:

	Group		Company	
	2014	**2013**	**2014**	**2013**
Not later than 1 year	25	-	25	-
Later than 1 year and no later than 5 years	165	-	165	-
Later than five years	-	-	-	-
	190	**-**	**190**	**-**

27 Commitments

As at 31 December 2015 the Group and the Company had no commitments.

28 Events after the end of the reporting period

On 1 January 2015 the Republic of Lithuania joined the eurozone and the Lithuanian national currency litas was replaced by the euro. As a result, the Group and the Company converted their financial accounting to euros as from 1 January 2015 and the financial statements for subsequent years will be prepared and presented in euros. Future comparative information will be translated into euros using the official exchange rate of LTL 3.4528 to EUR 1.

In February 2015 the Company signed amendments to the agreement on financing (crediting) services with Danske Bank A/S Lithuania Branch for the amendment to the terms and conditions of the agreement and to the loan repayment terms. Based on the amendments signed, the limit of credit line has been increased by LTL 9,000 thousand (EUR 2,606 thousand) and interest rate margin decreased by 0.15 points; amount of loan has been decreased by LTL 9,000 thousand (EUR 2,606 thousand) and date of maturity shortened by 8 months.

The Group's and the Company's repayment terms of non-current and current loans after the amendment to the agreement:

	Group		Company	
	As of 31 December 2014			
	Fixed interest rate	Variable interest rate	Fixed interest rate	Variable interest rate
2015	-	26,766	-	26,766
2016	-	3,314	-	3,314
2017	-	59	-	59
	-	**30,139**	**-**	**30,139**

No other significant events occurred at the Group and the Company after the end of the reporting period.