RESPONSIBLE PERSONS CONFIRMATION

27.11.2020

Following Article 22 of the Law on Securities of the Republic of Lithuania and the Rules on Preparation and Submission of Periodic and Additional Information of the Bank of Lithuania, management of Vilniaus baldai, AB, hereby confirm that, to the best of our knowledge, the audited Vilniaus baldai, AB Consolidated and Company's Financial Statements for the financial year 2020, ended 31 August 2020, prepared in accordance with the International Financial Reporting Standards as adopted by the European Union, give a true and fair view of the assets, liabilities, financial position, profit and cash flows of Vilniaus baldai, AB and the Group of undertakings. Presented Consolidated Annual Report includes a fair review of the development and performance of the business and position of the company and the consolidated group in relation to the description of the man risks and contingencies faced thereby.

ENCLOSURE:

1. Audited annual information (Consolidated and Company's Financial Statements for 2020, Consolidated Annual Report for 2020).

General Manager	Jonas Krutinis
Chief Accountant	Elinga Judickienė

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Savanorių pr. 178, LT-03154 Vilnius, Lietuva
Sąskaitos nr. LT86 7290 0990 7740 6347
AS „Citadele banka“ Lietuvos filialas, b.k. 72900

VILNIAUS BALDAI AB

CONSOLIDATED AND COMPANY'S FINANCIAL STATEMENTS FOR THE
FY 2020 ENDED 31 AUGUST 2020,
PREPARED ACCORDING TO THE INTERNATIONAL FINANCIAL REPORTING
STANDARDS AS ADOPTED BY THE EUROPEAN UNION,
PRESENTED TOGETHER WITH INDEPENDENT AUDITOR'S REPORT

CONTENTS

INDEPENDENT AUDITOR'S REPORT

TO THE SHAREHOLDERS OF AB VILNIAUS BALDAI

Report on the Audit of the Consolidated Financial Statements of the Group and the company

Opinion

We have audited the accompanying separate financial statements of AB Vilniaus baldai (the Company) and the accompanying consolidated financial statements of the Company and its subsidiaries (the Group), which comprise the separate and consolidated statement of financial position as at August 31, 2020, and the separate and consolidated profit (loss) and statement of comprehensive income, the separate and consolidated statement of changes in equity and the separate and consolidated statement of cash flows for the year then ended, and notes to the separate and consolidated financial statements, which include a summary of significant accounting policies and other explanatory notes.

In our opinion, the accompanying separate and consolidated financial statements present fairly, in all material respects of the separate and consolidated financial position of the Company and the Group, respectively, as at August 31, 2020, and of their separate and consolidated financial performance and their separate and consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) and 2014 April 16 Regulation (EU) No 182/2011 of the European Parliament and of the Council 537/2014 on specific statutory audit requirements for public-interest entities (Regulation (EU) No 537/2014 of the European Parliament and of the Council). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Separate and the Consolidated Financial Statements section of our report. We are independent of the Group and the Company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) together with the requirements of the Law on Audit of Financial Statements of the Republic of Lithuania that are relevant to audit in the Republic of Lithuania, and we have fulfilled our other ethical responsibilities in accordance with the Law on Audit of Financial Statements of the Republic of Lithuania and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the separate and the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the separate and the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. Each key audit issue and our response to it is described below.

Tangible fixed assets useful service life

See Note 2.7 "Property, plant and equipment" and Note 5 "Property, plant and equipment".

On 2020 of August 31 the separate financial statements of tangible fixed assets The carrying value was 65,736 thousand EUR. In the consolidated financial statements value was 65,739 thousand EUR.

For tangible fixed assets management plays a significant estimate for which is mainly related to the useful life. For more information about the management applies the basic assumptions presented in note 2.7, "Tangible assets". Changes in these assumptions may be the main results of depreciation, recognition prospects from the date of the useful service life review, the change and making of the year, and the carrying amount of inventories.

The subjectivity of the key assumptions required significant audit judgment and effort. Accordingly, we believe that this is a key area of our audit.

Among other things, we performed the following procedures:

- we discussed the Company and the Group's accounting policies relating to property, plant and determination of the useful service life period, and assessed the suitability of accounting policies, compliance with applicable accounting standards;
- evaluating the Company's and the Group's installed due process in determining and reviewing the long-term tangible assets useful service lives;

- we performed a retrospective review of management's estimates of the useful service lives of significant items of property, plant and equipment by comparing the actual useful lives of fully depreciated and continuing assets with the original estimated useful service lives, including subsequent adjustments.
- compared the useful service lives of significant items of property, plant and equipment used by the Company and the Group with the useful service lives of other entities in the manufacturing sector;
- after selecting the items of property, plant and equipment acquired, we checked whether the useful lives determined for them corresponded to the estimates made by the management for the period;
- Asked management about plans to sell and write off or replace significant items of property, plant and equipment that will expire in the next financial year, reviewed approved budgets for future years, and assessed the consistency of those plans and budgets with management's estimated useful lives;
- considered whether the Company's and the Group's disclosures about property, plant and equipment (Notes 2.7 and 5) are sufficient.

Revenue recognition

See Note 2.16 financial disclosure "Revenue recognition" and 17 “Sales income”.

During 2020, the Company and the Group’s net sales were reported at, respectively, EUR 73 324 thousand and EUR 73 324 thousand.

The Company and the Group generate their revenue under a contract with a major customer for the production of furniture. This revenue is recognized at some point. The company manufactures furniture units according to orders received from the main customer. Determining whether an operating obligation is settled over a period of time or at a particular point requires significant judgment by management. In addition, the contract with the major customer includes variable remuneration, so a significant measurement is also required in measuring revenue that may be recognized at the reporting date.

The subjectivity of the key assumptions required significant audit judgment and effort. Accordingly, we believe that this is a key area of our audit.

Among other things, we performed the following procedures:

- assessed the appropriateness of determining operating liabilities, determining the transaction price, allocating it to operating liabilities, determining and recognizing variable remuneration, and assessing whether the operating liability is settled at a particular point in time or over a period of time performing an independent assessment of the implementation process of IFRS 15 adopted by the Company and the Group;
- after analyzing the agreement with the major customer, we assessed the adequacy of key management estimates related to the timing of the recognition of income and variable remuneration;
- after analyzing the agreement with the major customer, we assessed the adequacy of key management estimates related to the timing of the recognition of income and variable remuneration;
- performed a retrospective review of significant judgments and estimates made by management in prior periods in relation to the results of subsequent periods. in addition, we evaluated the historical experience of dispute resolution related to canceled orders and variable remuneration;
- assessed the adequacy and appropriateness of the Company's and the Group's revenue recognition disclosures provided in the Company's separate and Group's consolidated financial statements.

First year audit

This year we were appointed to carry out an audit of the financial statements of the Company and the Group for the first time. The first-year audits, contrary to the audits of subsequent years, involve a number of additional considerations. The additional audit procedures and considerations are necessary in order to determine an appropriate audit strategy and make up an audit plan. Our planning procedures included, inter alia, the following considerations:

- understanding of the Group and the Company, and their business character, the environment of internal control within the company, and the environment of the information systems employed by the Company, with a view to carrying out an audit risk evaluation and designing an appropriate audit strategy and the plan;

- obtaining sufficient and appropriate audit evidence related with the opening balances, including the application of accounting principles, and
- communication with the previous auditors.

After we were appointed the auditors of the Group and the Company for 2020, we established an appropriate audit strategy and the plan for completing this audit assignment. Our procedures included:

- understanding the Group and the Company, their business peculiarity, strategy, business risks, information systems employed, internal control environment, the procedures for drawing up the financial statements, so that we could properly carry out the audit risk assessment procedures;
- obtaining and review of audit evidence related to the opening balances, the appropriateness, and the application of the selected audit policy;
- communication with the preceding auditors regarding the key audit and accounting questions, the audit procedures applied last year and related to the key areas of the financial statements;
- communication with the management of the Company and the Group, the responsible employees and the audit committee in the course of which we sought to understand their approach towards business, identified key risks, and other significant audit matters.

Other information

The other information comprises the information included in the 2020 year Group's annual report, including Corporate Governance statement, and Corporate Social Responsibility Report, but does not include the separate and consolidated financial statements and our auditor's report thereon. Management is responsible for the other information.

Our opinion on the separate and consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the separate and consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the separate and consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

In addition, our responsibility is to consider whether information included in the Group's annual report, including Corporate Governance statement, for the financial year for which the financial statements are prepared is consistent with the financial statements and whether annual report has been prepared in compliance with applicable legal requirements. Based on the work carried out in the course of audit of separate and consolidated financial statements, in our opinion, in all material respects:

- The information given in the Group's annual report, including Corporate Governance statement, for the financial year for which the financial statements are prepared is consistent with the separate and consolidated financial statements; and
- The Group's annual report, including Corporate Governance statement, has been prepared in accordance with the requirements of the Law on Financial Reporting by Undertakings of the Republic of Lithuania.

We also need to check that the Corporate Social Responsibility Report has been provided. If we identify that Corporate Social Responsibility Report has not been provided, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of management and those charged with governance for the separate and consolidated financial statements

Management is responsible for the preparation and fair presentation of the separate and consolidated financial statements in accordance with the Law of the Republic of Lithuania on accounting and financial reporting, and 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 separate and consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the separate and consolidated financial statements, management is responsible for assessing the Company's and the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company and the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's and the Group's consolidated financial reporting process.

Auditor's responsibilities for the audit of the separate and consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the separate and consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these separate and consolidated financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the separate and consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's and the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the separate and consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company and the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the separate and consolidated financial statements, including the disclosures, and whether the separate and the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company and the Group to express an opinion on the separate and consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the separate and the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on other legal and regulatory requirements

Other requirements for the auditor's report under Regulation (EU) of the European Parliament and of the Council 537/2014.

In accordance with the decision made by shareholders on 21 August 2020 we have been chosen to carry out the audit of the Company's and the Group's separate and the consolidated financial statements. Our appointment to carry out the audit of Company's and the Group's separate and the consolidated financial statements in accordance with the decision made by shareholders has been renewed annually and the period of total uninterrupted engagement is 2 years.

We confirm that our opinion in the section 'Qualified Opinion' is consistent with the additional report which we have submitted to the Company and the Group and Audit Committee and the Central Bank of Lithuania.

We confirm that in light of our knowledge and belief, services provided to the Company and the Group are consistent with the requirements of the law and regulations and do not comprise non-audit services referred to in Article 5(1) of the Regulation (EU) No 537/2014 of the European Parliament and of the Council.

The engagement partner on the audit resulting in this independent auditor's report is Genadij Makušev.

27th November, 2020

Certified auditor
Genadij Makušev
Auditoriaus pažymėjimo Nr. 000162

Vilnius, the Republic of Lithuania
Grant Thornton Baltic UAB
Audit firm certificate No. 001502

(all amounts are in EUR thousand unless otherwise stated)

CONSOLIDATED ANNUAL REPORT

27-11-2020

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
LEI code	529900MJDB8L13ZF6G26
Authorised capital	EUR 4,508,069.72, divided into 3,886,267 ordinary registered shares with the par value of EUR 1.16 each
Office address	Savanoriu Ave. 178B, LT-03154 Vilnius
Telephone	(8~5) 252 57 00
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 activity	Design, production and selling of 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	EUR 2,896
Office address	Savanoriu Ave. 178B, LT-03154 Vilnius
Telephone	(8~5) 252 57 44
E-mail	info@ari-lux.lt
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 one of the leading manufacturers of flat-pack furniture in Lithuania. The joint stock company Vilniaus Baldai is a Company that cherishes time-honoured traditions, applies modern technologies and enjoys a stable and continuous business growth.

In 2020, the first stage of the new Vilniaus baldai AB factory project was completed. The new factory was built and equipped, new production lines were installed, and furniture production was gradually started in Guopstos Village, Trakai District. It is a new and modern factory with an investment of EUR 55 million, it will allow the company to double its production capacity.

Vilniaus Baldai AB sales revenue reached EUR 73 million in 2020. In 2020 the Company increased its production capacity further, successfully increased production of its priority products, during the year maintained required level of stock, achieved better equipment.

The Company focused on quality improvement, processes optimization, automation and equipment utilization improvement with the help of LEAN methodology.

On 29th of November 2019 reorganization by way of merger by acquisition during which to the public limited liability company "Vilniaus baldai", resulting from the reorganisation, was merged a subsidiary thereof – "Trenduva", AB, which ceased to exist without liquidation procedure, was finished.

Going forward the Company will prioritize assurance of high quality of its products, efficiency and flexibility in new products launching.

Main risks faced by the Group:

Economic risk factors. The sales to the main customer Swedish IKEA constituted approximately 99% of total sales of Vilniaus Baldai AB during 2020 (in 2019 – 99%). Furniture accounted for 99% of the Company's sales during 2020 (in 2019 – 97%), while the rest came from sales of raw materials and waste of raw materials.

Global economy development trends do have an impact on the Company's main customer development pace as well as demand fluctuation for products produced by the Company.

The Company competes with the world furniture producers.

Political risk factors. Changing geopolitical situation has an impact on the international trade flows at the same time having an impact on the Company's costs and profitability. There are no requirements and restrictions established by the State to the issuer's activity.

Social risk factors. Demographic situation and migration processes have a negative influence on the Lithuanian labour market, therefore, the Company is constantly improving its organisational structure, increasing productivity, allocating resources to improve work conditions, training and competence development. Trade Union, representing interests of the employees, operates actively in the Company.

Supply. The Company aims to establish a long-term partnership with reliable suppliers, and at the same time secure alternatives for supply of the main raw materials.

Technical and technological risk factors. The Company owns modern production equipment. 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. An environment protection and FSC production management system is introduced in the Company in compliance with the requirements of ISO 9001, ISO 14001 and FCS-STD-40-004 standards. The purpose of this system is to ensure production of high-quality products consistent with customer needs, to use FSC certified raw materials, to protect environment, to decrease pollution, usage of resources and to sort waste. The annual audit of FSC and quality management system and environmental management system was performed in April 2020, as well as ISO systems oversight audit in July. No non-conformity issues or findings were identified during the audits. In 2020 Vilniaus Baldai AB paid EUR 9 thousand of the environment pollution taxes, as well as EUR 57 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 (Notes 13 and 24).

(all amounts are in EUR thousand unless otherwise stated)

Characteristics of internal control and risk management systems related to the preparation of consolidated financial statements of the Group and the Company. 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.

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)

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 – 2020	
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's 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, re-elected on 05.07.2016 end of the term - 2020 Member of the Audit Committee, elected to the Audit Committee on 16.09.2013, end of the term – 2020	
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's 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**
-	-

Danutė Kadanaitė	
Position Member of the Audit Committee, elected to the Audit Committee 20.12.2017, end of the term 2021	
Work experience From 2014 Head of "Verus Sensus" UAB 2009 UAB "Legisperitus" – a lawyer 2008 – 2009 AB FMĮ "Finasta" – a lawyer 2008 AB "Invalda" – a lawyer 1999 – 2002 Attorney Artūras Šukevičius office – administrator 1994 – 1999 UAB FMĮ "Apyvarta" – a legal adviser	
Education Master of Finance Law at M. Romeris University, Bachelor of Law at Law University of Lithuania, Manager at International Business School.	
Participation in Vilniaus Baldai AB authorised capital	**Number of shares and of voting rights**
-	-

The Company's Head of Finance department 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 2016–2020:

	2020	2019	2018	2017	2016
Net profitability = net profit / sales * 100	6,86%	5,41%	3,25%	7,02%	5,50%
Average return on assets ROA = net profit / (assets at the beginning of the period + assets at the end of the period) / 2 *100	1,78%	2,15%	7,10%	17,10%	12,43%
Return on equity ROE = net profit / equity*100	20,37%	20,66%	14,21%	30,38%	28,79%
Net earnings per share EPS = net profit / number of shares	1,29	1,05	0,58	1,15	0,83
Debt ratio = liabilities / assets	0,7	0,66	0,57	0,45	0,55
Debt to equity coefficient = liabilities / share capital	2,37	1,94	1,32	0,84	1,22
Current ratio = current assets / current liabilities	0,85	0,69	1,48	1,16	1,07
Asset's turnover = sales / assets	0,88	1,3	1,89	2,35	2,35
Book value of share = equity / number of shares	6,35	5,07	4,08	3,77	2,9
Turnover (million EUR)	73,32	75,20	69,32	63,42	58,95
Gross profit (million EUR)	9,46	6,75	6,45	8,84	7,66
Net profit (million EUR)	5,03	4,07	2,26	4,45	3,24
EBITDA (million EUR)	7,25	5,64	4,23	6,39	5,22
EBIT (million EUR)	4,27	3,93	2,65	5,02	3,92
Dividends per share (for the prior accounting period)	0	EUR 0,08	EUR 0,26	EUR 0,27	EUR 1,00
Earnings per share P/E	6,57	6,83	18,81	11,6	16,8
The lowest share price	EUR 5,7	EUR 7,0	EUR 10,70	EUR 12,80	EUR 13,50
The highest share price	EUR 11,6	EUR 10,7	EUR 13,60	EUR 14,50	EUR 15,60
Closing price	EUR 8,5	EUR 7,15	EUR 10,90	EUR 13,30	EUR 14,00
Capitalisation (million EUR)	33,03	27,79	42,36	51,69	54,41

PRODUCTION AND SALES

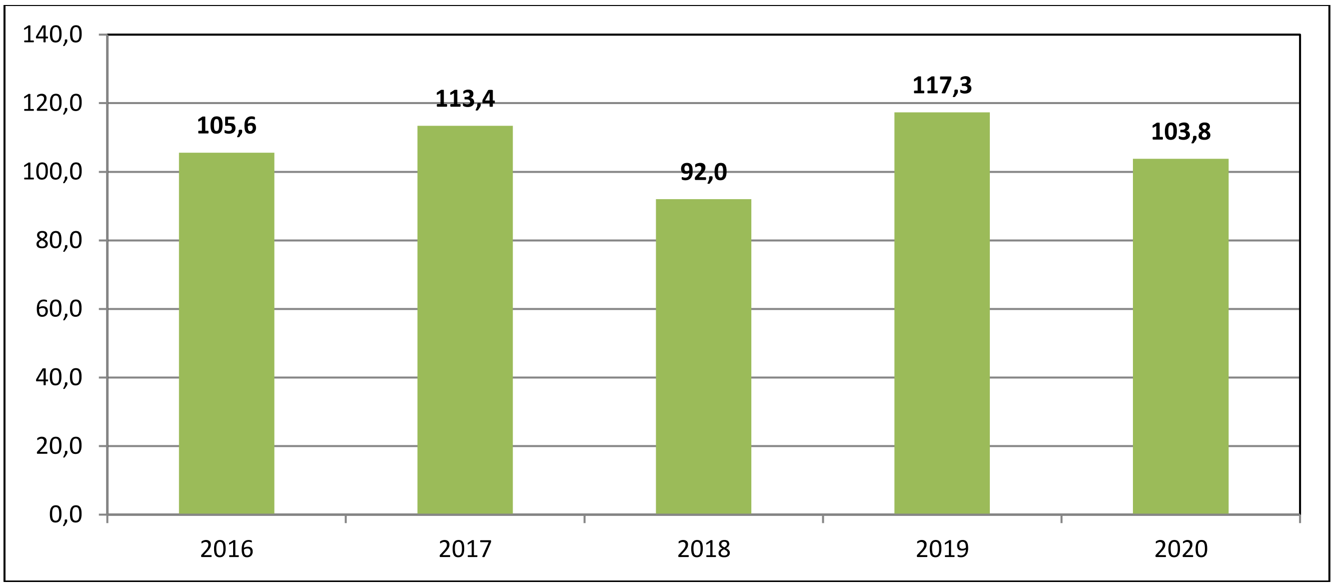
Vilniaus Baldai AB designs, produces flat-pack furniture. The production of the Company is produced from wood particle boards, using board on frame technology, which allows to produce lightweight, yet massively looking furniture. When employing this technology less raw materials can be used, and stable 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 implemented in the Company is constantly developed to achieve higher production flexibility and efficiency.

Modern equipment, purchased from such world-renowned manufacturers as Schelling, Burkle, Weeke, Wikoma, Biesse, Biele, Cefla, etc., enables to manufacture different types of the furniture, coated with plywood, pigment or foil.

The volumes of Company's production in terms of value in the period of 2016–2020:

Production	2020	2019	2018	2017	2016
	thousand EUR	thousand EUR	thousand EUR	thousand EUR	thousand EUR
Furniture	71,207	76,849	65,969	61,341	58,181
Other production	-	-	-	-	-
Total	**71,207**	**76,849**	**65,969**	**61,341**	**58,181**

Production per employee, working on employment contract basis, 2016–2020 (thousand EUR / year):



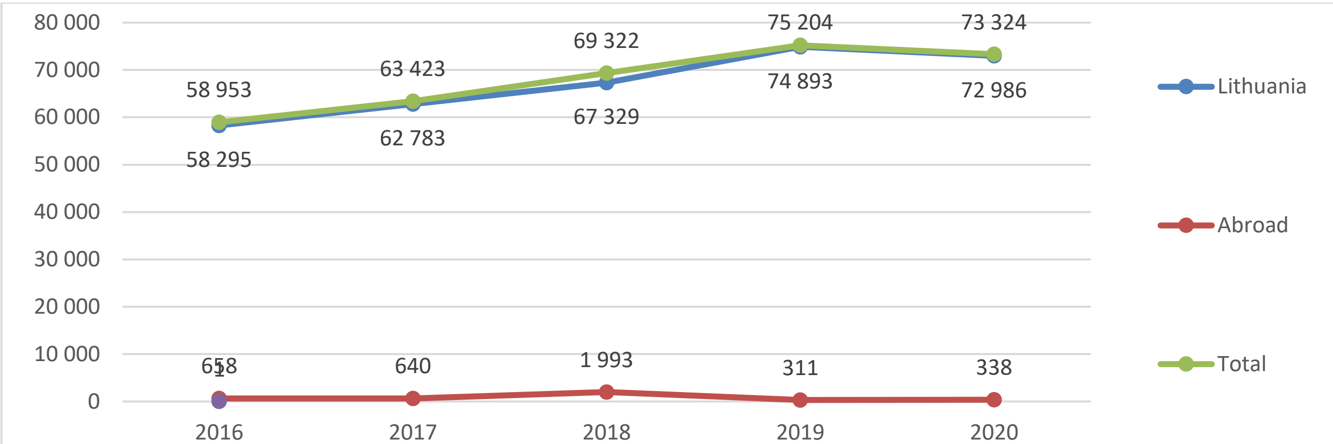
In 2020, the production per employee had decreased as the Company had suspended production for one month due to the COVID-19 pandemic.

Production sales according to the markets in the period of 2016–2020:

Sales	2020		2019		2018		2017		2016	
	Thousand EUR	%	Thousand EUR	%	Thousand EUR	%	Thousand EUR	%	Thousand EUR	%
Lithuania	338	0,46	311	0,41	1,993	2,9	640	1,01	658	1,12
Abroad	72.986	99,54	74,893	99,59	67,329	97,1	62,783	98,99	58,295	98,88
Total	**73,324**	**100**	**75,204**	**100**	**69,322**	**100**	**63,423**	**100**	**58,953**	**100**

The Company's sales in Lithuania mostly comprise sales of raw materials and waste of raw materials. In 2019 changed revenue recognition due to application of IFRS 15, for more details see Note 3 in the financial statements.

Sales of the Company in the period of January–August 2016–2020, in EUR thousand:



SUPPLY

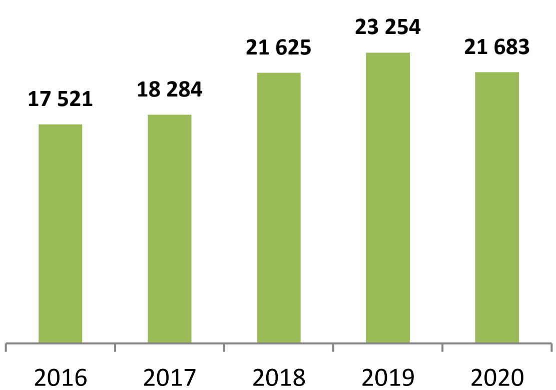
Vilniaus Baldai AB has introduced an effective system of the purchase of raw materials and services. The Company maintains strategic relations with suppliers and constantly searches for new opportunities in the markets of raw materials and services. The purchase process is distinguished into strategic 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, Polish, Slovak and German suppliers. The main suppliers are IKEA Industry Lietuva UAB, IKEA Components S.R.O, IKEA Industry Polska Sp.zo.o, Homanit Krosno Odrzanskie SP, Sherwin – Williams Baltics UAB. The local supply of the raw materials is pre-conditioned by the cheap transportation costs and good relations with the major suppliers.

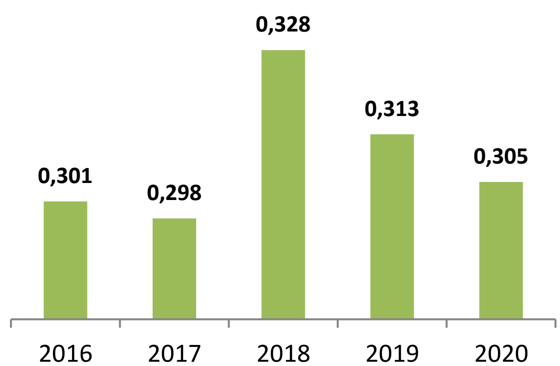
ENERGY

Vilniaus Baldai AB during 2020 the Company consumed 21,683 thousand kWh of electricity (2019 – 23,254 thousand kWh,), The electricity consumption for production of EUR 1 amounted to 0,305 kWh (2019 – 0,313 kWh).

Consumption of electricity, thousand kWh per year



Consumption of electricity per one output EUR, 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.

As at 31 August 2020 the number of workplaces at the Group and the Company increased due to growing capacity and higher sales. There were 780 employees working in the Group and 716 employees at the Company as of the end of FY2020 (730 at the Group and 672 at the Company as of the end FY2019). The average age of the employees is 41 years.

(all amounts are in EUR thousand unless otherwise stated)

The average number of the Company's recorded employees, working on an employment contract basis, in the period of 2016–2020:

	2020	2019	2018	2017	2016
Executive personnel	7	6	5	6	8
Specialists	50	47	47	36	36
Workers	629	619	544	499	507
Total	**686**	**672**	**596**	**541**	**551**

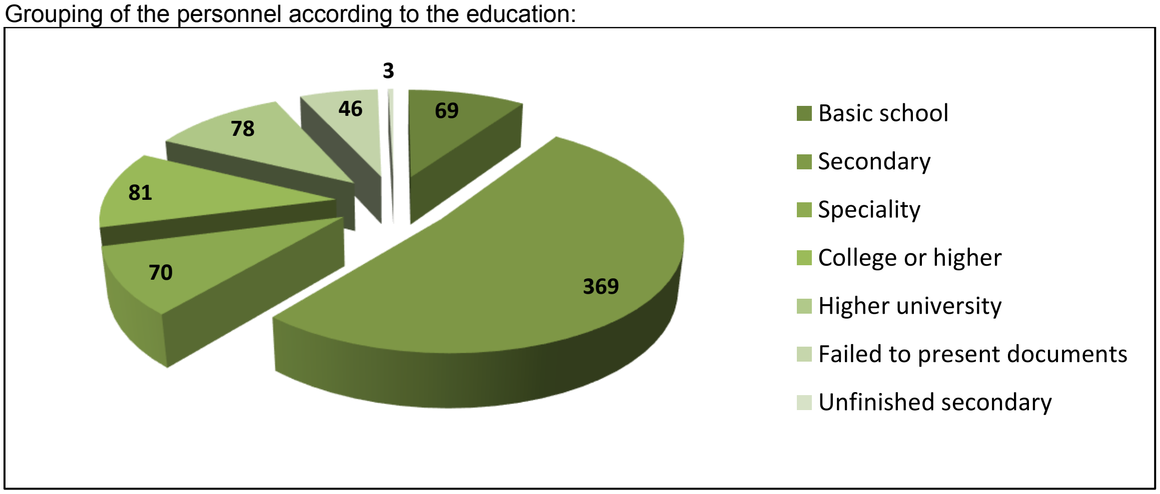
Remuneration comprises a basic and variable component. A variable component of remuneration depends on the Company's results of operations.

The average wages of the employees in the period of 2016–2020, EUR:

	2020	2019	2018	2017	2016
Executive personnel	5.765	6.573	6.355	5.599	4.189
Specialists	2.534	2.146	1.569	1.482	1.369
Workers	1.690	1.550	1.091	1.077	922
Total	**1.800**	**1.643**	**1.172**	**1.151**	**999**

* - As a result of the tax reform on 01-01-2019, payroll calculations have changed. The distribution between wages (BRUTO) and social security contributions has the greatest impact.

Grouping of the personnel according to the education:



The collective agreement is concluded in the Company. The collective agreement was renewed on 10 January 2020. 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 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 favorable 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 period.

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

The Company does not have any branches or representative offices.

6. IMPORTANT EVENTS, WHICH HAVE OCCURED AFTER FINANCIAL YEAR END

There were no other significant events.

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

During the next financial year, the product range of the Company will partially change (new products will be implemented and some of the current products will be renewed), several production automation projects are planned.

As well as in previous years the Company will specifically focus on productivity, improvement of internal processes and quality, production of new products.

In FY 2018 Vilniaus Baldai AB and IKEA AG have signed a long-term contract, according to which the company plans to increase its turnover and production capacity. To fulfil the contractual obligations and prepare for further sustainable growth, Vilniaus Baldai AB plans to invest into land plots of 18.5 ha in Trakai region, Guopstai, new production and warehousing facilities, equipment, technologies and development of the production base. Planned investments should comprise EUR 53 million and would be completed within the next 3 years. These investments will allow the company to significantly reduce direct and indirect costs, while ensuring sustainable cost of the products. Part of the existing production lines is also planned to be transferred to a new factory.

In FY 2020 Vilniaus Baldai, AB has now completed the first stage of the new factory project in Guopstos Village, Trakai District. The new factory was built and equipped, new production lines were installed, and furniture production was gradually started. 100 employees take care of the production processes, their number will increase in the near future and will continue to grow as the production volumes increase.

After the completion of the first stage, the second stage comprising the relocation is currently underway. It will be completed by the end of 2022. The factory was built with an investment of EUR 55 million on an 18-hectare land plot located 5 km from Vilnius. The factory area is 73 thousand sq. m.

It is planned that the new factory combined with the implementation of modern process automation, robotization and technological solutions will allow the company to double its production capacity, to improve working conditions, to increase process efficiency, to reduce the energy consumption, carbon dioxide emissions and waste generated.

In the next financial year, the range of products manufactured in the Company will change (new products will be installed, and existing products will be renewed), several production automation projects are planned. As every year, the Company will focus on work efficiency, improvement of internal processes, quality assurance and production of new products.

Currently the Company continues to plan to increase production and sales volumes, further planning will depend on the volume of orders of our main client. In the light of the global coronavirus pandemic and the measures taken by other countries to stop it, this is evaluated as a risk that could affect the company's sales in the short-term. The Company continues to work in accordance with the rules and recommendations issued by the official authorities – this way it aims to ensure maximum safety of the employees.

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

All contractual obligations accounting and dividend pay-out to shareholders contracts were taken over by Siauliu bankas AB (Seimyniskių str. 1A, Vilnius).

(all amounts are in EUR thousand unless otherwise stated)

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, EUR	Total nominal value, EUR	Share in the authorised capital, %
Ordinary registered shares	3,886,267	1.16	4,508,069.72	100.00

The Company's authorised share capital is divided into 3,886,267 ordinary registered shares with the par value of EUR 1.16 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.

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

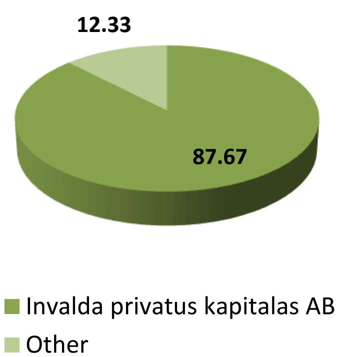
Total number of the shareholders as of 31 of August 2020 is 1,290.

(all amounts are in EUR thousand unless otherwise stated)

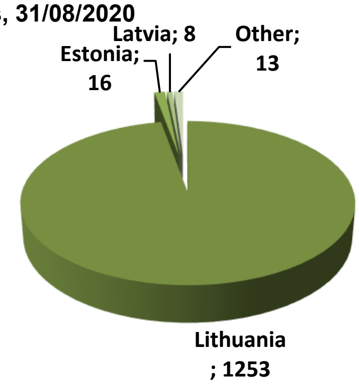
The shareholders who had upon the property rights or possessed more than 5% of the issuer's authorised capital as of 31 August 2020:

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	3,407,135	87.67	87.67

Authorised capital structure, %.



Distribution of the shareholders of Vilniaus Baldai AB by countries, 31/08/2020



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 shares are registered on the Secondary list of Nasdaq Vilnius AB.

The main characteristics of shares:

Type of shares	VP ISIN code	Abbreviation	Number of shares, units.	Nominal value, EUR	Total nominal value, EUR
Ordinary registered shares	LT0000104267	VBL1L	3,886,267	1.16	4,508,069.72

The trade of the shares of the Company:

	2020	2019	2018	2017	2016
Price of the shares, EUR:					
- opening	7,15	10,7	13,1	13,7	15,6
- highest	11,6	10,7	13,6	14,5	15,6
- lowest	5,7	7	10,7	12,8	13,5
- closing	8,5	7,15	10,9	13,3	14
Turnover of shares, units	40.167	91.269	23.834	46.829	29.414
Turnover of shares, EUR	309.662	613.459	294.980	622.789	424.861
Total number of transactions, units	708	251	344	637	535
Capitalization, million EUR	33,03	27,79	42,36	51,69	54,41

Shares turnover and price of Vilniaus Baldai AB in the period of 2016–31/08/2020:


VBL1L
2016.09.01 - 2020.08.31 8,5 € -5,2 (-37,96%)
14
12
10
8
6
50tūk
0
Sau '17
Lie '17
Sau '18
Lie '18
Sau '19
Lie '19
Sau '20
Lie '20
Kaina
Kiekis

(all amounts are in EUR thousand unless otherwise stated)

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

Comparison of the price of shares of Vilniaus Baldai AB with the OMXBB and OMXV index in the period of 2016–31/08/2020:

Indexes/Shares	Opening value	Closing value	+/-%
OMX_Baltic_Benchmark_GI	726,92	952,13	+30,98
OMX Vilnius_GI	534,13	785,56	+47,07
VBL1L - Vilniaus baldai	13,7	8,5	-37,96

14. DIVIDENDS

The general shareholders' Meeting decides upon dividend payment and sets the amount of dividends. The company pays out the dividends within 1 month after the day of adoption of the resolution on profit distribution. Persons have the right to receive dividends if they were shareholders of the Company at the end of the tenth working day after the day of the general shareholders' meeting which issued the resolution to pay dividends.

Vilniaus Baldai AB dividend payments during the past 5 years:

Dividend	2020 (for 2019)	2019 (for 2018)	2018 (for 2017)	2017 (for 2016)	2016 (for 2015)
Dividend (Eur)	0	310,901	1,044,633	1,049,292	3,886,267
Dividend per share (Eur)	0	0.08	0.27	0.27	1.00
Number of shares	3,886,267	3,886,267	3,886,267	3,886,267	3,886,267

15. 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.

16. 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.

(all amounts are in EUR thousand unless otherwise stated)

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, 27.04.2012, and 05.07.2016 end of the term – 2024.	
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
Chairman of the Board of Bordena UAB	0.00%

Mr. Dalius Kaziunas	
Position Board member, elected to the Board on 29.04.2010, re-elected on 27.04.2012 and 05.07.2016 end of the term – 2024.	
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	1.7% of shares and of voting rights
Chairman of the Board of Lauko Gelininkystes Bandymu Stotis UAB	0.00%
Member of the Supervisory Board at Vernitas AB	0.00%
Chairman of the Board of Invetex UAB	0.00%
Member of the Board of Bordena UAB	0.00%
Chairman of the Board of Svytejimas UAB	0.00%

Mr. Andrius Anusauskas	
Position Chairman of the Board, elected to the Board on 08.10.2020, end of the term – 2024.	
Work experience Since August 2018 Finance director at Inreal valdymas, UAB 2013 – 2018 Finance project manager at Invalda privatus kapitalas, AB 2008 – 2013 Finance project manager at Invalda, AB 2006 – 2008 CFO at SNORO fondų valdymas, UAB 2004 – 2006 Accountant at Finasta, AB FMĮ 2002 – 2004 Accountant at Labochema, UAB	
Participation in the activities of other companies	**Number of shares and voting rights**
Member of the Board at Invetex, UAB	0,00 %
Member of the Board at Lauko Gėlininkystės Bandymų Stotis, UAB	0,00 %
Director at Kulpės slėnis, UAB	0,00 %
Director at Invetex, UAB	0,00 %
Director at Deltuvis, UAB	0,00 %
Director at Juozapavičiaus 7, UAB	0,00 %
Director at POMUS, UAB	100,00%

	Liquidator at Dangės krantinės, UAB	0,00 %
	Liquidator at LT investicijos, UAB	0,00 %
	Liquidator at Variagis, UAB	0,00 %

Mr. Jonas Krutinis	
Position Head of Finance Department since 23-02-2015, Head of Finance since 12-10-2015, General manager since 15-05-2018.	
Work experience 2014–2015 Business Intelligence Manager at SEB Baltics 2006–2014 Deputy Chairman of the Management Board, Head of Business Support, CFO at SEB Bank, Russia 2002–2006 Head of Planning at SEB Vilniaus bankas AB 1999–2002 Business Consultant at Arthur Andersen UAB 1997–1999 Analyst at VB Vilfima UAB 1995–1997 Specialist at CSDL	
Participation in the activities of other companies	**Number of shares and of voting rights**
Board member of Autoverslas UAB	0.00%

The Company's key management personnel include the Company's General Manager, Chief Financial Officer, Head of Quality and Technology, Head of Technical Services, Head of Production, Head of HR, Head of Purchasing department, Strategic Projects Manager and Head of Sales and Logistics. In 2020 the average monthly remuneration to the management of the Company amounted to EUR 51 thousand (2019 – EUR 36 thousand). The remuneration is not paid to the Board members of the Company.

Remuneration to the management members of the Company (in thousand EUR):

	2020*	**2019**	**2018**	**2017**	**2016**
Wages, salaries	604	391	392	387	306
Social security	11	38	122	120	94
Total	**615**	**429**	**514**	**507**	**400**

* - since 2020, the key management team has been supplemented by three Head managers
* - As a result of the tax reform on 01-01-2019, payroll calculations have changed. The distribution between wages (BRUTO) and social security contributions has the greatest impact.

During 2020 the Company did not transfer any assets to the Board members, the Company's General Director, Head of Finance department; it also did not provide any guarantees or warranties, by which the performance of their liabilities would be se cured.

17. 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 2020 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 2020 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.

18. 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 August 2020 were: ARI-LUX UAB (the subsidiary), Privatus Kapitalas AB (ultimate shareholder) and all companies controlled by Invalda Privatus Kapitalas AB (as of 31 August 2019: ARI-LUX UAB (the subsidiary), TRENDUVA UAB (the subsidiary), Invalda Privatus Kapitalas AB (shareholder) and all companies controlled by Invalda Privatus Kapitalas).

Transactions with the Group's related parties in 2020 and 2019 and the balances in 2020 and 2019 are provided in the notes (Note 26) to the consolidated and Company's financial statements for the year 2020.

(all amounts are in EUR thousand unless otherwise stated)

19. INFORMATION REGARDING COMPLIANCE WITH THE GOVERNANCE CODE OF LISTED COMPANIES

The Company complies with the principles set out by the governance code of companies listed on Nasdaq Vilnius AB stock exchange. Compliance with the governance code in accordance with the form approved by the stock exchange is disclosed in the appendix to this annual report.

20. DATA ON THE PUBLICLY DISCLOSED INFORMATION

The information publicly disclosed by Vilniaus Baldai AB during 2019 is presented in the Company's website www.vilniausbaldai.lt.

Summary of publicly disclosed information during 2020:

Date of disclosure	Brief description of disclosed information
31-08-2020	The new factory of VILNIAUS BALDAI AB is starting operations
26-06-2020	VILNIAUS BALDAI AB result for activity and non-audited condensed interim consolidated financial statement for the nine months of FY 2020
03-04-2020	VILNIAUS BALDAI AB result for activity and non-audited condensed interim consolidated financial statement for the six months of FY 2020
20-03-2020	Regarding the possible impact of coronavirus (COVID-19) on the activities of Vilniaus Baldai AB II
18-03-2020	Due to the potential impact of coronavirus (COVID-19) on the activities of AB Vilniaus baldai
30-12-2019	Resolutions of the Annual General Shareholders Meeting of VILNIAUS BALDAI AB on 27/12/2019
23-12-2019	VILNIAUS BALDAI AB result for activity and non-audited condensed interim consolidated financial statement for the three months of FY 2020
06-12-2019	VILNIAUS BALDAI AB investor's calendar for 2020FY
02-12-2019	Convocation of the general shareholders meeting of VILNIAUS BALDAI AB and draft resolutions
29-11-2019	Social Responsibility Report 2019
29-11-2019	VILNIAUS BALDAI AB annual audited information for the year 2019
29-11-2019	Notice on the reorganization of public limited liability company "VILNIAUS BALDAI" and "TRENDUVA", AB
25-10-2019	VILNIAUS BALDAI AB result for activity and non-audited condensed interim consolidated financial statement for the twelve months of FY 2019
08-10-2019	Update: Notice on the Prepared Terms of Reorganization of Public Limited Liability Company “Vilniaus baldai” and AB „Trenduva”
07-10-2019	Notice on the Prepared Terms of Reorganization of Public Limited Liability Company “Vilniaus baldai” and AB „Trenduva”

21. SOCIAL RESPONSIBILITY REPORT

The Company's Social Responsibility report is available on the Company's internet page www.vilniausbaldai.lt and on stock exchange AB Nasdaq Vilnius.

General Manager Jonas Krutinis

VILNIAUS BALDAI

SOCIAL RESPONSIBILITY REPORT 2020

CONTENT

The financial year 2020 was a year of both challenges and achievements for Vilniaus Baldai. These included efforts to sustain our work processes in the face of the coronavirus pandemic, as well as the start of our production operations at a new factory in Trakai District.

In August, the first stage of the new Vilniaus Baldai factory project was successfully completed in the Trakai District of Guopstos Village – the building was constructed and fully equipped, new production lines were installed, a team of professionals was assembled and the manufacturing of furniture has now begun. With a total investment of EUR 55 million, modern automation, robotics and technological solutions have been implemented in the factory that will allow the company to double its production capacity. This will also enable to company to supplement its product range with new items in response to the needs of our main customer – IKEA. The move to the new factory is planned to be completed by the end of 2022.

In order to manage the impact of the coronavirus pandemic, the company has implemented new work organisation methods and risk management tools, as well as deepening our knowledge of crisis management practices. During the first quarantine in the spring, one of our most important achievements was saving the jobs of all our employees, as our production lines were forced to stop before resuming operations. We are proud to have provided our employees with better payment conditions than those guaranteed by the state during this downtime. We also maintained good relationships with our suppliers, continued the implementation of our planned projects and updated our range of manufactured furniture, according to the customer requirements.

The company has declared 2020 as the Year of Vilniaus Baldai team. As a result, initiatives to promote communication, involvement and improvements have been implemented, which resulted in a significant reduction of the employee turnover rate. In order to achieve further advancements, the company will dedicate 2021 to the promotion of professional initiatives.

We will continue paying a great deal of attention to protecting the environment through a responsible use of resources and continuous process improvements, to ensure that our customers receive sustainably manufactured, high-quality and ecological furniture.

AB Vilniaus Baldai

KEY PERFORMANCE INDICATORS

73 EUR million
Sales

71 EUR million
Production

2,3 EUR million
Number of items of furniture produced

780
Number of employees in the group

41
Average age of the employees

1800 EUR
Average salary

~0 %
Percentage of waste entering landfill sites

~100 %
Use of FSC-certified wood raw materials

21838 MWh
Amount of heat sold to the city of Vilnius

A NEW FACTORY

In the financial year 2020, the public limited company Vilniaus Baldai completed the first stage of constructing a new factory in Trakai District, Guopstos Village. The factory building has been built and equipped, new production lines are installed and the production of furniture is gradually starting. The second phase, consisting of the company's relocation, is expected to be completed by the end of 2022.

The Vilniaus Baldai factory project is based on a long-term agreement with the company's main customer, in order to meet its future needs. EUR 55 million has been invested in the construction of a 73 thousand sq. metre factory that is being built on an 18 ha plot, located 5 km from Vilnius. It will allow the company to significantly improve its working conditions, as well as to increase its production capacity and supplement its range with new products.

Jobs for local people

The new factory has already started part of its production operations, while the work in its warehouses for raw materials and finished products is also underway. These work processes are currently the responsibility of about 150 employees, but this number will grow as the production volumes increase. Members of the Vilniaus Baldai team travel to the new factory on company buses that run on different routes. The bus travel times are tailored to meet both the shift schedules and the demands of public transport.

The new factory will be equipped with comfortable changing rooms and modern lounges for its workers. Areas with computers will also be provided, where it will be possible to find the company's news and read the magazine published for employees. The factory in Trakai District also has a canteen, where part of the meal costs are reimbursed by the company.

Solutions based on good practice

The A++ energy class Vilniaus Baldai factory has been built in accordance with the highest sustainability requirements, as enshrined in the IKEA IWAY standard, and was designed based on examples of good practice. It will enable the company to reduce its energy consumption, carbon dioxide emissions and waste generation.

The new factory will also create an opportunity for the employees to work more efficiently. As well as being equipped with new, modern equipment, the equipment previously owned by the company will be improved during the relocation. This will result in higher-skilled and better-paying jobs. Those who are interested in being hired will first have an opportunity to deepen their knowledge and improve their skills at special training sessions organised for this purpose.

RESPONSIBLE USE OF RESOURCES

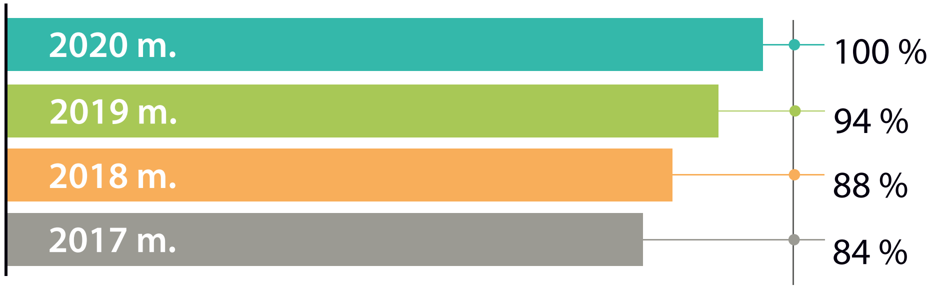
In order to use natural resources responsibly, Vilniaus Baldai has continually invested in energy-saving equipment and is implementing other technological innovations.

Production technology

More than half of the furniture manufactured by the company is made using hollow frame BoF technology, in which solid wood is replaced with recycled paper honeycomb. This reduces the consumption of wood, as a raw material, by up to five times.

Raw materials certified by the FSC and sourced from responsibly managed forests are also used in the production lines. The FSC chain-of-production certificate confirms that the materials used in the production are clearly identified as FSC-certified, or are separated from non-certified and uncontrolled materials throughout the production chain.

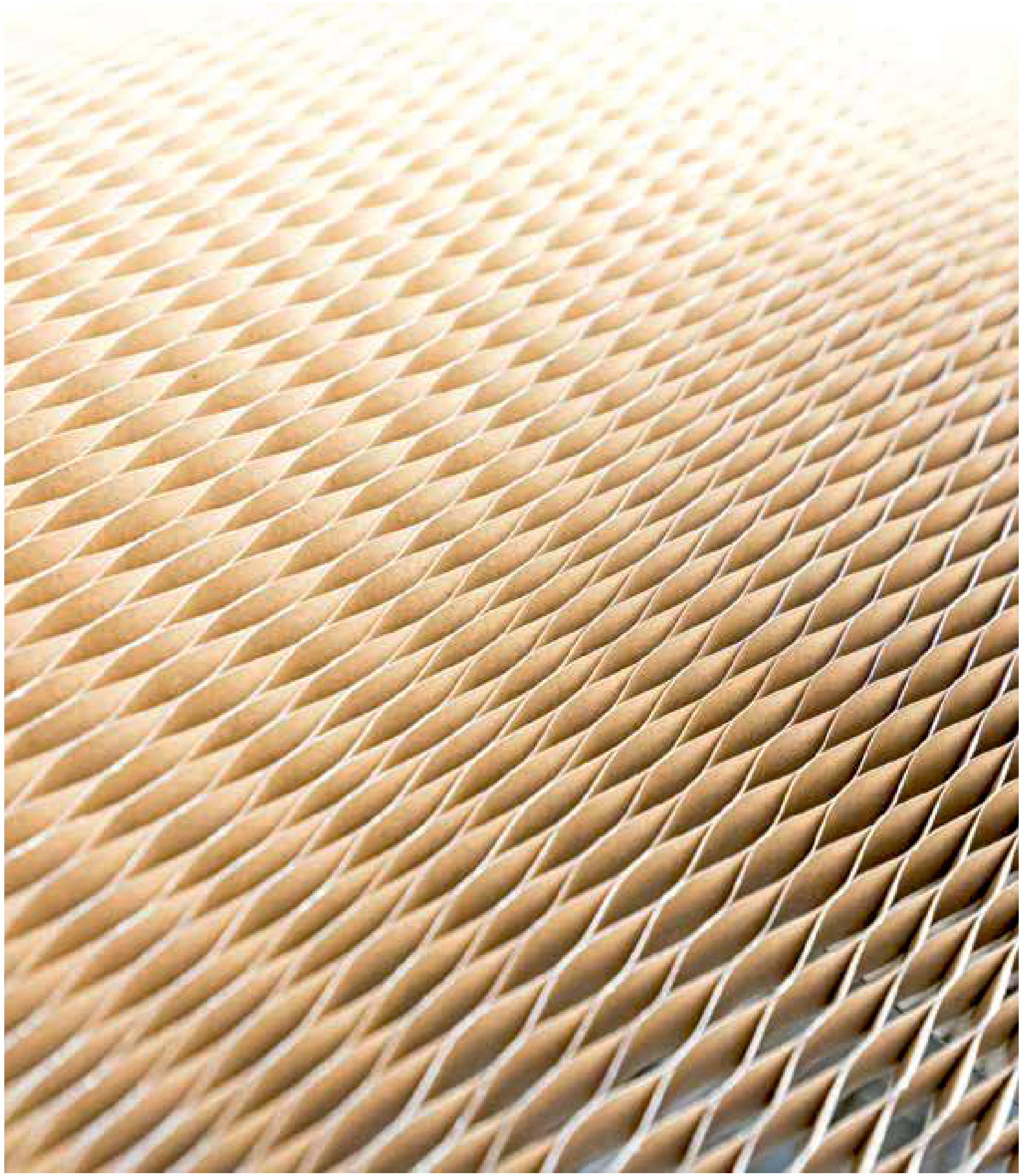
Use of FSC-certified wood raw materials in the company's products



Investments in equipment

Through continuous technological testing and investments in energy saving equipment, such as LED lamps for the UV coating line, the company has found ways to apply less materials and achieve a better product quality. In addition, investing in the modern and efficient SCHELLING cutting line has created an opportunity to achieve the optimal use of raw materials.

When adding new items to the range of furniture manufactured by the company, we strive to select the lightest possible materials with the lowest density, which are strong enough to withstand the mechanical requirements when put together. At the same time, we look for the most economical and the safest product packaging solutions, to the product to reach its end customer intact and in the best condition. All of these steps have allowed us to work together with our main customer to achieve our common goal – producing sustainable and high-quality products that are affordableto as many people as possible.



ENVIRONMENTAL PROTECTION AND QUALITY

Every piece of furniture produced by Vilniaus Baldai must meet our high quality, functional standards. It must also have a unique shape and be created in a sustainable environment, according to the goals is set for the company by our main customer. In other words, we pay special attention to both the quality of our furniture and to environmentally-friendly solutions. This ensures that the end user will receive high quality and eco-friendly furniture.

Quality assurance

The company has implemented the Quality, Environmental Protection and FSC Production Management System, which is periodically certified in accordance with the ISO 9001, ISO 14001 and FSC-STD-40-004 standards. By listening to our customer's environmental, social and working condition requirements, we have established strict requirements when purchasing products, raw materials and services, as well as in our own operations.

The company implements the LEAN system, which allows the whole team to improve and to perfect our ongoing management processes. One part of the continuous improvement of our processes is KAIZEN. Contributions to this approach are made by four specialist teams, as well as by other proactive team members. In this way, we have implemented approximately 30 process improvements each year, leading to consistently improved work efficiency and a better product quality.

Environmentally-friendly solutions

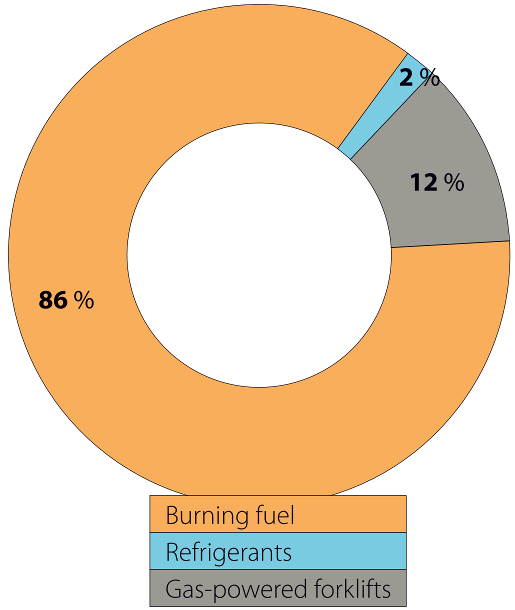
Every year, the company sets our environmental goals that will help us protect the environment more efficiently. These goals include the economical use of energy resources and raw materials, waste sorting and recycling, and constant improvements to our working environment.

There are containers for sorting waste in all the company's production and administrative premises, which help to constantly strengthen the responsible attitude prevalent within the company.

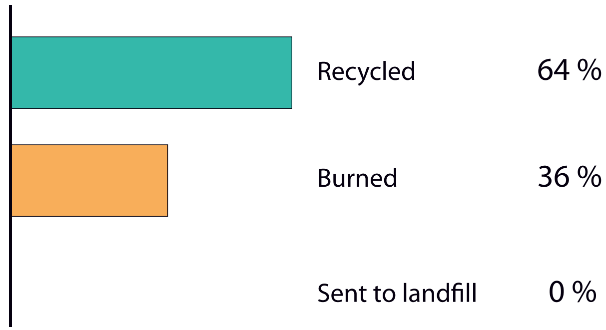
In addition, we aim to reduce our CO2 emissions. By 2023, we plan to abandon the use of gas-powered forklifts and will switch to lithium-ion battery-powered electric forklifts. We are planning to transform all our refrigerants into environmentally-friendly options by 2028, while continuing to use clean electricity produced from renewable sources.

We are contributing to IKEA's 2030 goal of using only materials that can be recycled and that are produced using renewable resources. Currently, 64 percent of our materials are recycled and 36 percent of them are burned, so that 0 percent of the company's waste goes to landfill sites.

Sources of CO_2 emissions in the company



Waste management in the company



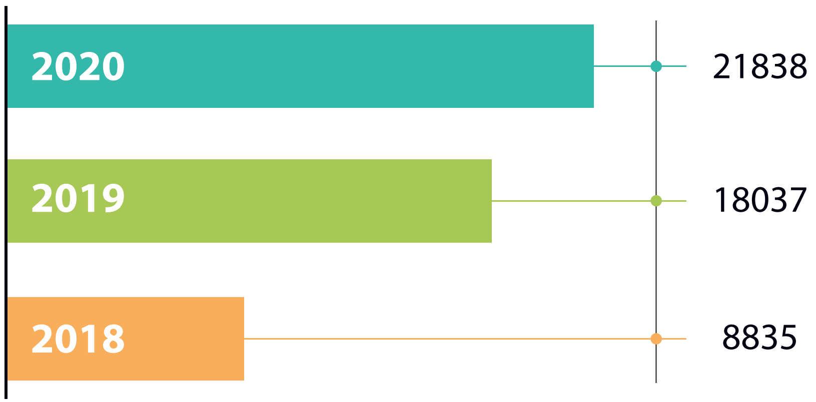
HEAT PRODUCTION FROM RENEWABLE ENERGY SOURCES

The private limited company Vilniaus Baldai became an independent heat producer in 2018. This means that the company produces heat energy from renewable resources and supplies this energy to the district heating networks of Vilnius.

A new UNICONFORT 4.5 MW biofuel boiler with an economiser and an efficient smoke cleaning system was installed in the company's boiler house. The main fuel for this boiler is a by-product of the production process – sawdust. In total, Vilniaus Baldai has invested over EUR 1.5 million in this heat energy production and supply project.

In the financial year 2020, the company sold heat to the city of Vilnius at a 13% cheaper rate compared to the heat production costs declared by Vilniaus šilumos tinklai.

Amount of heat sold (MWh)



EMPLOYEES

Vilniaus Baldai pays a great deal of attention to ensuring the continuous improvement of working conditions within the company, by investing in the training and professional development of employees. As a result, the average gross salary at the company was 29 percent higher than the average monthly salary in Lithuania in the second quarter of 2020.

Due to the circumstances resulting from the Covid-19 pandemic, special attention is being paid to employee education and safety to ensure the best possible health of our team members. Personal protective equipment is distributed for both work and non-work use, while the latest information on the situation in Lithuania and throughout the world is periodically shared in the workplace. Special working conditions are created for our employees in high-risk groups, where they are preferred. In the spring, during the first wave of Covid-19 that led to a closure of many of our customer stores throughout the world, and the consequent need to halt our production processes, our workers were provided with payment terms during the downtime that were better than the state-guaranteed rates.

Average monthly salaries (EUR)

	2018	2019	2020
Management staff	6.355	6.573	5.765
Specialists	1.569	2.146	2.534
Workers	1.091	1.550	1.690
Total:	1.172	1.643	1.800

* Due to the tax reform that came into effect on 01/01/2019, the calculation method for the salaries has changed. The distribution between the salaries (excluding employee taxes) and the social security contributions has resulted in the largest impact.

** Source: https://osp.stat.gov.lt/informaciniai-pranesimai?articleId=7938671 The average monthly salary (excluding employee taxes) in the national economy (excluding individual enterprises) in the second quarter of 2020 amounted to EUR 1398.5, representing an increase of 1.3 percent compared to the first quarter of 2020.

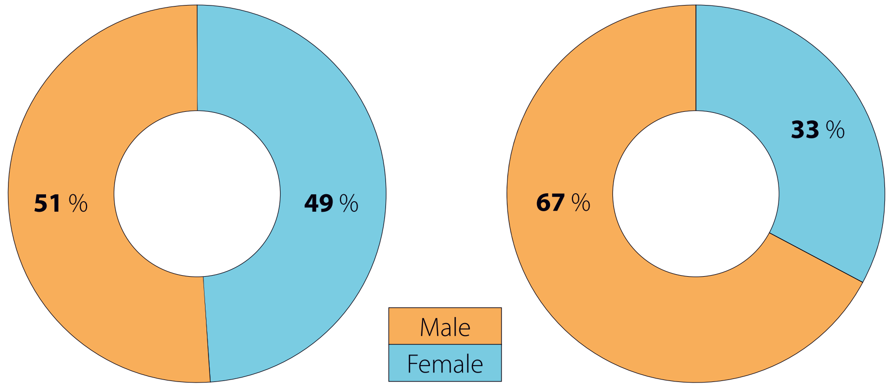
780
Number of employees working in the Vilniaus Baldai group

7 %
Percentage increase in the number of employees during the year

41
Average age of the employees

Administration

Production



WORK ENVIRONMENT

When organising our job selection processes, we strictly follow the requirements of the legal acts and follow the examples of good practice. Our aim is to ensure a comfortable, safe and development-friendly working environment.

Ensuring equal opportunities

We ensure equal opportunities for our existing and potential employees at all stages of the employment process – from the announcement of vacancies and the selection of candidates, to the employment conditions, education, work environment, etc.

The company has a zero tolerance policy with regard to discrimination on any grounds: race, religion, gender identity, ethnicity, marital or family status, age, political affiliation, nationality, physical ability, sexual orientation or any other aspect of a person's identity.

Respect for human rights

We guarantee that our employees can enjoy all basic human rights, alongside respectful behaviour, and the protection of honour and dignity. They are free to participate in public and political life, as well as to express their opinions, while ensuring that their public statements are understood as a personal opinion and not as the position of the company. We respect the right of our employees to choose to become members of a trade union.

Working environment zero tolerance for harassment

The company will not tolerate harassment in any form.

Protecting the interests of children

We do not use child labour – the company does not employ anyone who is younger than the statutory minimum age of employment and strictly prohibits all forms of forced labour.

Occupational health and safety

We strive to ensure a safe work environment and are constantly working to improving our safely measures. As a result, an electronic incident registration module has been developed by the company. This means that anyone can register sites where there is a potential risk of injury or another disaster, and can subsequently see when the hazard will be removed and who is responsible for this action. In addition, we insure all employees against accidents at work, as well as providing them with personal protective equipment, special clothing and shoes. We also provide medicines and vaccines, while monitoring and checking the health of our employees.

The necessary information on safety and health issues is provided to our personnel, including (but not limited to) fire safety areas, the proper handling of chemicals and equipment, emergency preparedness and first aid. We carry out internal training and delegate specialists to participate in external training. Thus, we are constantly helping our employees to improve and raise their level of awareness, so that everyone personally protects themselves and their team members, and can take all necessary measures in case of danger.

Toxic substance abuse is prohibited

The work processes in the company require clear thinking and quick reactions. We depend on our workers for the quality of our production, as well as the safety of the employees and other team members. The use alcohol, drugs and other psychotropic substances is strictly prohibited in the company, as is arriving at work under the influence of such substances.

VALUE SYSTEM BASED ON EMPLOYEE INSIGHTS

The core values at Vilniaus Baldai are responsibility, team and professionalism. Together with the entire team of company employees, we have refined these values as the basis of our daily activities, communication and cooperation.

Taking into account the interests expressed by the employees themselves, the financial year 2020 was declared Year of the Vilniaus Baldai Team. The essential elements of this programme were better communication, involvement and improvement.

In order to achieve these goals, we started to publish the quarterly Vilniaus Baldai magazine for our employees, in which the company's news is shared along with practical, useful and interesting content. We also organised quarterly meetings of the employee and manager teams, where we discussed the latest information and topical issues. In addition, we installed Suggestions and Comments boxes that have allowed the employees to share ideas or ask questions, and we are currently testing several rest areas with access to computers.

These initiatives and other efforts are aimed at providing comprehensive care for our employees. They have led to positive changes in the employee turnover rate, which in the financial year 2020 was 12 percent lower than the previous rate.

In order to taking further actions meet the expectations of the company's team and to provide as many opportunities as possible to share insights for improvement, 2021 will be dedicated to the values of professionalism and initiative.

Our values

- If I see a problem, I help to solve it
- I have enough courage to make decision on time
- I work as if I worked for myself and I aim to make it well at my first attempt
- I stick to what is agreed
- I turn goals into the results
- I make examples of good behaviour public and celebrate them

- I listen and I hear, I am open to listen to other opinion with respect
- I am engaged and I show initiative
- I am looking for solutions rather than the guilty ones
- I am ready to be the leader when it is needed
- I share the information with my colleagues
- I give my feedback in a proper manner and proper time
- I use positive statements instead of negative ones

- I constantly learn and improve myself
- I am interested in good practises of other companies and strive to apply it in my work
- I share my knowledge and experience with my colleagues
- I make decisions based on arguments and analysis of available information rather than emotions
- I ensure compliance with the requirements applicable in the company when I do any task
- I check the result once again after I complete the task

FAIR AND TRANSPARENT BUSINESS PRACTICES

Vilniaus Baldai's Code of Ethics is based on the values of trust, honour and honesty, which are cherished by the entire team. The code defines certain principles of conduct to ensure compliance with how we should work, establish and maintain the relationships with our colleagues, customers, business partners and other members of society. All members of the company's team are required to comply with the provisions set forth in the Code of Ethics.

Prevention of bribery and corruption

Our employees are prohibited from accepting cash gifts or cash equivalents (such as gift vouchers that can be transferred or exchanged for cash), as well as bank cheques, money transfers, investment securities, marketable securities, loans or shares. This includes giving or accepting gifts, as well as receiving benefits in exchange for favourable conditions intended to affect a business transaction or to gain business or a personal advantage.

Company suppliers, subcontractors and their business environment

We strive to ensure that the company's business partners, including the suppliers of services, goods or raw materials and their sub-suppliers, as well as the companies operating or performing work in the company's territory, comply with the provisions set out in the Code of Ethics. These provisions include the provision of equal opportunities for employees at work, respect for human rights, protection of the safety and health of employees, prevention of harassment, child or forced labour, and prohibitions on the use of drugs, alcohol, unallocated dangerous drugs or other psychotropic substances. Such provisions are also aimed at making the employees aware of our approach to support the prevention of corruption and bribery.

SOCIAL COMPANY

At Vilniaus Baldai's subsidiary, Ari-Lux, people are employed who have lost their capacity for professional and general work, including those who are economically inactive and unable to compete in the labour market on equal terms. In this way, we are helping these individuals return to the labour market and develop the necessary skills, while promoting integration and thus contributing to less social exclusion.

We have informally granted Ari-Lux the status of a non-profit company, and we will continue striving to meet the needs of the people who work at the company by adapting the jobs and creating conditions for them to work according to their capabilities.

In the financial year 2020, Ari-Lux had 64 employees.

Ari-lux©

SDG INDEX

APPENDIX TO THE CONSOLIDATED ANNUAL REPORT

VILNIAUS BALDAI AB REPORT ON THE COMPLIANCE WITH THE GOVERNANCE CODE FOR THE COMPANIES LISTED ON THE STOCK EXCHANGE NASDAQ VILNIUS REGULATED MARKET FOR THE FY2020

The public company Vilniaus Baldai AB (hereinafter – “the Company”), following Article 21(3) of the Law on Securities of the Republic of Lithuania and item 24.5 of the Trading Rules of the stock exchange NASDAQ Vilnius AB, discloses its compliance with the Governance Code, approved for the companies listed on the regulated market, and its specific provisions. In the event of non-compliance with the Code or with certain provisions thereof, it must be specified which provisions are not complied with and the reasons of non-compliance.

PRINCIPLES/ RECOMMENDATIONS	YES/NO/ NOT APPLICABLE	COMMENTARY
Principle 1: General meeting of shareholders, equitable treatment of shareholders, and shareholders’ rights **The corporate governance framework should ensure the equitable treatment of all shareholders. The corporate governance framework should protect the rights of shareholders.**		
1.1. All shareholders should be provided with access to the information and/or documents established in the legal acts on equal terms. All shareholders should be furnished with equal opportunity to participate in the decision-making process where significant corporate matters are discussed.	Yes	The Company fully follows the provisions listed in this recommendation.
1.2. 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 of their holders.	Yes	The Company’s capital consists of ordinary shares that grant the same rights to all their holders.
1.3. 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.

1.4. Exclusive transactions that are particularly important to the company, such as transfer of all or almost all assets of the company which in principle would mean the transfer of the company, should be subject to approval of the general meeting of shareholders.	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.
1.5. Procedures for convening and conducting a general meeting of shareholders should provide shareholders with equal opportunities to participate in the general meeting of shareholders and should not prejudice the rights and interests of shareholders. The chosen venue, date and time of the general meeting of shareholders should not prevent active participation of shareholders at the general meeting. In the notice of the general meeting of shareholders being convened, the company should specify the last day on which the proposed draft decisions should be submitted at the latest.	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.
1.6. With a view to ensure the right of shareholders living abroad to access the information, it is recommended, where possible, that documents prepared for the general meeting of shareholders in advance should be announced publicly not only in Lithuanian language but also in English and/or other foreign languages in advance. It is recommended that the minutes of the general meeting of shareholders after the signing thereof and/or adopted decisions should be made available publicly not only in Lithuanian language but also in English and/or other foreign languages. It is recommended that this information should be placed on the website of the company. Such documents may be published to the extent that their public disclosure 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 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.
1.7. Shareholders who are entitled to vote should be furnished with the opportunity to vote at the general meeting of shareholders both 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.
1.8. With a view to increasing the shareholders' opportunities to participate effectively at general meetings of shareholders, it is recommended that companies should apply modern technologies on a wider scale and thus provide shareholders with the conditions to participate and vote in general meetings of shareholders via electronic means of communication. In such cases the security of transmitted information must be ensured and it must be possible to identify the participating and voting person.	Not applicable	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.

1.9. It is recommended that the notice on the draft decisions of the general meeting of shareholders being convened should specify new candidatures of members of the collegial body, their proposed remuneration and the proposed audit company if these issues are included into the agenda of the general meeting of shareholders. Where it is proposed to elect a new member of the collegial body, it is recommended that the information about his/her educational background, work experience and other managerial positions held (or proposed) should be provided.	Yes	The Company follows this recommendation.
1.10. Members of the company's collegial management body, heads of the administration[1] or other competent persons related to the company who can provide information related to the agenda of the general meeting of shareholders should take part in the general meeting of shareholders. Proposed candidates to member of the collegial body should also participate in the general meeting of shareholders in case the election of new members is included into the agenda of the general meeting of shareholders.	Yes	The Company follows this recommendation.
Principle 2: Supervisory board **2.1. Functions and liability of the supervisory board** **The supervisory board of the company should ensure representation of the interests of the company and its shareholders, accountability of this body to the shareholders and objective monitoring of the company's operations and its management bodies as well as constantly provide recommendations to the management bodies of the company.** **The supervisory board should ensure the integrity and transparency of the company's financial accounting and control system.**		
2.1.1. Members of the supervisory board should act in good faith, with care and responsibility for the benefit and in the interests of the company and its shareholders and represent their interests, having regard to the interests of employees and public welfare.	Not applicable	The Supervisory board is not formed in the Company. The functions of the Supervisory Board are performed by the Board of the Company.
2.1.2. Where decisions of the supervisory board may have a different effect on the interests of the company's shareholders, the supervisory board should treat all shareholders impartially and fairly. It should ensure that shareholders are properly informed about the company's strategy, risk management and control, and resolution of conflicts of interest.	Not applicable	Members of the Supervisory Board are not appointed by the Company.
2.1.3. The supervisory board should be impartial in passing decisions that are significant for the company's operations and strategy. Members of the supervisory board should act and pass decisions without an external influence from the persons who elected them.	Not applicable	Members of the Supervisory Board are not appointed by the Company.

[1] For the purposes of this Code, heads of the administration are the employees of the company who hold top level management positions.

2.1.4. Members of the supervisory board should clearly voice their objections in case they believe that a decision of the supervisory board is against the interests of the company. Independent[2] members of the supervisory board should: a) maintain independence of their analysis and decision-making; b) not seek or accept any unjustified privileges that might compromise their independence.	Not applicable	Members of the Supervisory Board are not appointed by the Company.
2.1.5. The supervisory board should oversee that the company's tax planning strategies are designed and implemented in accordance with the legal acts in order to avoid faulty practice that is not related to the long-term interests of the company and its shareholders, which may give rise to reputational, legal or other risks.	Not applicable	Members of the Supervisory Board are not appointed by the Company.
2.1.6. The company should ensure that the supervisory board is provided with sufficient resources (including financial ones) to discharge their duties, including the right to obtain all the necessary information or to seek independent professional advice from external legal, accounting or other experts on matters pertaining to the competence of the supervisory board and its committees.	Not applicable	Members of the Supervisory Board are not appointed by the Company.

[2] For the purposes of this Code, the criteria of independence of members of the supervisory board are interpreted as the criteria of unrelated parties defined in Article 31(7) and (8) of the Law on Companies of the Republic of Lithuania.

2.2. Formation of the supervisory board **The procedure of the formation of the supervisory board should ensure proper resolution of conflicts of interest and effective and fair corporate governance.**		
2.2.1. The members of the supervisory board elected by the general meeting of shareholders should collectively ensure the diversity of qualifications, professional experience and competences and seek for gender equality. With a view to maintain a proper balance between the qualifications of the members of the supervisory board, it should be ensured that members of the supervisory board, as a whole, should have diverse knowledge, opinions and experience to duly perform their tasks.	Not applicable	Members of the Supervisory Board are not appointed by the Company.
2.2.2. Members of the supervisory board should be appointed for a specific term, subject to individual re-election for a new term in office in order to ensure necessary development of professional experience.	Not applicable	Members of the Supervisory Board are not appointed by the Company.
2.2.3. Chair of the supervisory board should be a person whose current or past positions constituted no obstacle to carry out impartial activities. A former manager or management board member of the company should not be immediately appointed as chair of the supervisory board either. Where the company decides to depart from these recommendations, it should provide information on the measures taken to ensure impartiality of the supervision.	Not applicable	Members of the Supervisory Board are not appointed by the Company.
2.2.4. Each member should devote sufficient time and attention to perform his duties as a member of the supervisory board. Each member of the supervisory board should undertake to limit his other professional obligations (particularly the managing positions in other companies) so that they would not interfere with the proper performance of the duties of a member of the supervisory board. Should a member of the supervisory board attend less than a half of the meetings of the supervisory board throughout the financial year of the company, the shareholders of the company should be notified thereof.	Not applicable	Members of the Supervisory Board are not appointed by the Company.
2.2.5. When it is proposed to appoint a member of the supervisory board, it should be announced which members of the supervisory board are deemed to be independent. The supervisory board may decide that, despite the fact that a particular member meets all the criteria of independence, he/she cannot be considered independent due to special personal or company-related circumstances.	Not applicable	Members of the Supervisory Board are not appointed by the Company.

2.2.6. The amount of remuneration to members of the supervisory board for their activity and participation in meetings of the supervisory board should be approved by the general meeting of shareholders.	Not applicable	Members of the Supervisory Board are not appointed by the Company.
2.2.7. Every year the supervisory board should carry out an assessment of its activities. It should include evaluation of the structure of the supervisory board, its work organization and ability to act as a group, evaluation of the competence and work efficiency of each member of the supervisory board, and evaluation whether the supervisory board has achieved its objectives. The supervisory board should, at least once a year, make public respective information about its internal structure and working procedures.	Not applicable	Members of the Supervisory Board are not appointed by the Company.
Principle 3: Management Board **3.1. Functions and liability of the management board** **The management board should ensure the implementation of the company's strategy and good corporate governance with due regard to the interests of its shareholders, employees and other interest groups.**		
3.1.1. The management board should ensure the implementation of the company's strategy approved by the supervisory board if the latter has been formed at the company. In such cases where the supervisory board is not formed, the management board is also responsible for the approval of the company's strategy.	Yes	The Company follows this recommendation.
3.1.2. As a collegial management body of the company, the management board performs the functions assigned to it by the Law and in the articles of association of the company, and in such cases where the supervisory board is not formed in the company, it performs *inter alia* the supervisory functions established in the Law. By performing the functions assigned to it, the management board should take into account the needs of the company's shareholders, employees and other interest groups by respectively striving to achieve sustainable business development.	Yes	The Company has a collegial management body – the Board.
3.1.3. The management board should ensure compliance with the laws and the internal policy of the company applicable to the company or a group of companies to which this company belongs. It should also establish the respective risk management and control measures aimed at ensuring regular and direct liability of managers.	Yes	The Company follows this recommendation.

3.1.4. Moreover, the management board should ensure that the measures included into the **OECD Good Practice Guidance**[3] on Internal Controls, Ethics and Compliance are applied at the company in order to ensure adherence to the applicable laws, rules and standards.	Yes	The Company follows this recommendation.
3.1.5. When appointing the manager of the company, the management board should take into account the appropriate balance between the candidate's qualifications, experience and competence.	Yes	The Company follows this recommendation.

[3] Link to the OECD Good Practice Guidance on Internal Controls, Ethics and Compliance: https://www.oecd.org/daf/anti-bribery/44884389.pdf

3.2. Formation of the management board		
3.2.1. The members of the management board elected by the supervisory board or, if the supervisory board is not formed, by the general meeting of shareholders should collectively ensure the required diversity of qualifications, professional experience and competences and seek for gender equality. With a view to maintain a proper balance in terms of the current qualifications possessed by the members of the management board, it should be ensured that the members of the management board would have, as a whole, diverse knowledge, opinions and experience to duly perform their tasks.	Yes	The Board formation mechanism allows ensuring proper monitoring of the Company. Only a person, having the proper qualification can become a Board member.
3.2.2. Names and surnames of the candidates to become members of the management board, information on their educational background, qualifications, professional experience, current positions, other important professional obligations and potential conflicts of interest should be disclosed without violating the requirements of the legal acts regulating the handling of personal data at the meeting of the supervisory board in which the management board or individual members of the management board are elected. In the event that the supervisory board is not formed, the information specified in this paragraph should be submitted to the general meeting of shareholders. The management board should, on yearly basis, collect data provided in this paragraph on its members and disclose it in the company's annual report.	Yes	Information about current Board members is presented in the Company's periodic reports.
3.2.3. All new members of the management board should be familiarized with their duties and the structure and operations of the company.	Yes	The Company's Board members are acquainted with the Company's organisation, its activity and management specifics.
3.2.4. Members of the management board should be appointed for a specific term, subject to individual re-election for a new term in office in order to ensure necessary development of professional experience and sufficiently frequent reconfirmation of their status.	Yes	The Company follows this recommendation. The Company's Board are elected till 2020Y
3.2.5. Chair of the management board should be a person whose current or past positions constitute no obstacle to carry out impartial activity. Where the supervisory board is not formed, the former manager of the company should not be immediately appointed as chair of the management board. When a company decides to depart from these recommendations, it should furnish information on the measures it has taken to ensure the impartiality of supervision.	Yes	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.

3.2.6. Each member should devote sufficient time and attention to perform his duties as a member of the management board. Should a member of the management board attend less than a half of the meetings of the management board throughout the financial year of the company, the supervisory board of the company or, if the supervisory board is not formed at the company, the general meeting of shareholders should be notified thereof.	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.
3.2.7. In the event that the management board is elected in the cases established by the Law where the supervisory board is not formed at the company, and some of its members will be independent[4], it should be announced which members of the management board are deemed as independent. The management board may decide that, despite the fact that a particular member meets all the criteria of independence established by the Law, he/she cannot be considered independent due to special personal or company-related circumstances.	Yes	The Company follows this recommendation.
3.2.8. The general meeting of shareholders of the company should approve the amount of remuneration to the members of the management board for their activity and participation in the meetings of the management board.	Yes	The general shareholders' meeting approves the amount of annual tandems paid to the members of the Board.
3.2.9. The members of the management board should act in good faith, with care and responsibility for the benefit and the interests of the company and its shareholders with due regard to other stakeholders. When adopting decisions, they should not act in their personal interest; they should be subject to no-compete agreements and they should not use the business information or opportunities related to the company's operations in violation of the company's interests.	Yes	The Company follows this recommendation.
3.2.10. Every year the management board should carry out an assessment of its activities. It should include evaluation of the structure of the management board, its work organization and ability to act as a group, evaluation of the competence and work efficiency of each member of the management board, and evaluation whether the management board has achieved its objectives. The management board should, at least once a year, make public respective information about its internal structure and working procedures in observance of the legal acts regulating the processing of personal data.	No	There was no such practice.

[4] For the purposes of this Code, the criteria of independence of the members of the board are interpreted as the criteria of unrelated persons defined in Article 33(7) of the Law on Companies of the Republic of Lithuania.

Principle 4: Rules of procedure of the supervisory board and the management board of the company **The rules of procedure of the supervisory board, if it is formed at the company, and of the management board should ensure efficient operation and decision-making of these bodies and promote active cooperation between the company's management bodies.**		
4.1. The management board and the supervisory board, if the latter is formed at the company, should act in close cooperation in order to attain benefit for the company and its shareholders. Good corporate governance requires an open discussion between the management board and the supervisory board. The management board should regularly and, where necessary, immediately inform the supervisory board about any matters significant for the company that are related to planning, business development, risk management and control, and compliance with the obligations at the company. The management board should inform he supervisory board about any derogations in its business development from the previously formulated plans and objectives by specifying the reasons for this.	Not applicable	Members of the Supervisory Board are not appointed by the Company.
4.2. It is recommended that meetings of the company's collegial bodies should be held at the respective intervals, according to the pre-approved schedule. Each company is free to decide how often meetings of the collegial bodies should be convened but it is recommended that these meetings should be convened at such intervals that uninterruptable resolution of essential corporate governance issues would be ensured. Meetings of the company's collegial bodies should be convened at least once per quarter.	Not applicable	Members of the Supervisory Board are not appointed by the Company.

4.3. Members of a collegial body should be notified of the meeting being convened in advance so that they would have sufficient time for proper preparation for the issues to be considered at the meeting and a fruitful discussion could be held and appropriate decisions could be adopted. Along with the notice of the meeting being convened all materials 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 present at the meeting agree with such change or supplement to the agenda, or certain issues that are important to the company require immediate resolution.	Not applicable	Members of the Supervisory Board are not appointed by the Company.
4.4. In order to coordinate the activities of the company's collegial bodies and ensure effective decision-making process, the chairs of the company's collegial supervision and management bodies should mutually agree on the dates and agendas of the meetings and close cooperate in resolving other matters related to corporate governance. Meetings of the company's supervisory board should be open to members of the management board, particularly in such cases where issues concerning the removal of the management board members, their responsibility or remuneration are discussed.	Not applicable	Members of the Supervisory Board are not appointed by the Company.

Principle 5: Nomination, remuneration and audit committees **5.1. Purpose and formation of committees** **The committees formed at the company should increase the work efficiency of the supervisory board or, where the supervisory board is not formed, of the management board which performs the supervisory functions by ensuring that decisions are based on due consideration and help organise its work in such a way that the decisions it takes would be free of material conflicts of interest.** **Committees should exercise independent judgment and integrity when performing their functions and provide the collegial body with recommendations concerning the decisions of the collegial body. However, the final decision should be adopted by the collegial body.**		
5.1.1. Taking due account of the company-related circumstances and the chosen corporate governance structure, the supervisory board of the company or, in cases where the supervisory board is not formed, the management board which performs the supervisory functions, establishes committees. It is recommended that the collegial body should form the nomination, remuneration and audit committees[5].	**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.
5.1.2. Companies may decide to set up less than three committees. In such case companies should explain in detail why they have chosen the alternative approach, and how the chosen approach corresponds with the objectives set for the three different committees.		

[5] The legal acts may provide for the obligation to form a respective committee. For example, the Law on the Audit of Financial Statements of the Republic of Lithuania provides that public-interest entities (including but not limited to public limited liability companies whose securities are traded on a regulated market of the Republic of Lithuania and/or of any other Member State) are under the obligation to set up an audit committee (the legal acts provide for the exemptions where the functions of the audit committee may be carried out by the collegial body performing the supervisory functions).

5.1.3. In the cases established by the legal acts the functions assigned to the committees formed at companies may be performed by the collegial body itself. In such case the provisions of this Code pertaining to the committees (particularly those related 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.
5.1.4. Committees established by the collegial body should normally be composed of at least three members. Subject to the requirements of the legal acts, committees could be comprised only of two members as well. Members of each committee should be selected on the basis of their competences by giving priority to independent members of the collegial body. The chair of the management board should not serve as the chair of committees.	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.
5.1.5. The authority of each committee formed should be determined by the collegial body itself. Committees should perform their duties according to the authority delegated to them and regularly inform the collegial body about their activities and performance on a regular basis. The authority of each committee defining its role and specifying its rights and duties should be made public at least once a year (as part of the information disclosed by the company on its governance structure and practice on an annual basis). In compliance with the legal acts regulating the processing of personal data, companies should also include in their annual reports the statements of the existing committees on their composition, the number of meetings and attendance over the year as well as the main directions of their activities and performance.	No	The Committees of Nomination and Remuneration are not established because of the structural simplicity of the Company's management.

5.1.6. With a view to ensure the independence and impartiality of the committees, the members of the collegial body who are not members of the committees should normally have a right to participate in the meetings of the committee only if invited by the committee. A committee may invite or request that certain employees of the company or experts would participate in the meeting. Chair of each committee should have the possibility to maintain direct communication with the shareholders. Cases where such practice is to be applied should be specified in the rules regulating the activities of the committee.	No	The Committees of Nomination and Remuneration are not established because of the structural simplicity of the Company's management.

5.2. Nomination committee		
5.2.1. The key functions of the nomination committee should be the following: 1) to select candidates to fill vacancies in the membership of supervisory and management bodies and the administration and recommend the collegial body to approve them. The nomination committee should evaluate the balance of skills, knowledge and experience in the management body, prepare a description of the functions and capabilities required to assume a particular position and assess the time commitment expected; 2) assess, on a regular basis, the structure, size and composition of the supervisory and management bodies as well as the skills, knowledge and activity of its members, and provide the collegial body with recommendations on how the required changes should be sought; 3) devote the attention necessary to ensure succession planning.	No	The Committees of Nomination and Remuneration are not established because of the structural simplicity of the Company's management.
5.2.2. When dealing with issues related to members of the collegial body who have employment relationships with the company and the heads of the administration, the manager of the company should be consulted by granting him/her the right 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.

(all amounts are in EUR thousand unless otherwise stated)

5.3. Remuneration committee		
The main functions of the remuneration committee should be as follows: 1) submit to the collegial body proposals on the remuneration policy applied to members of the supervisory and management bodies and the heads of the administration for approval. Such policy should include all forms of remuneration, including the fixed-rate remuneration, performance-based remuneration, financial incentive schemes, pension arrangements and termination payments as well as conditions which would allow the company to recover the amounts or suspend the payments by specifying the circumstances under which it would be expedient to do so; 2) submit to the collegial body proposals regarding individual remuneration for members of the collegial bodies and the heads of the administration in order to ensure that they would be consistent with the company's remuneration policy and the evaluation of the performance of the persons concerned; 3) review, on a regular basis, the remuneration policy and its implementation.	No	The Committees of Nomination and Remuneration are not established because of the structural simplicity of the Company's management.
5.4. Audit committee 5.4.1. The key functions of the audit committee are defined in the legal acts regulating the activities of the audit committee[6]. 5.4.2. All members of the committee should be provided with detailed information on specific issues of the company's accounting system, finances and operations. The heads of the company's administration should inform the audit committee about the methods of accounting for significant and unusual transactions where the accounting may be subject to different approaches.	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.	
5.4.3. The audit committee should decide whether the participation of the chair of the management board, the manager of the company, the chief finance officer (or senior employees responsible for finance and accounting), the internal and external auditors in its meetings is required (and, if required, when). The committee should be entitled, when needed, to meet the relevant persons without members of the management bodies present.		
5.4.4. The audit committee should be informed about the internal auditor's work program and should be furnished with internal audit reports or periodic summaries. The audit committee should also be informed about the work program of external auditors and should receive from the audit firm a report describing all relationships between the independent audit firm and the company and its group.		

[6] Issues related to the activities of audit committees are regulated by Regulation No. 537/2014 of the European Parliament and the Council of 16 April 2014 on specific requirements regarding statutory audit of public-interest entities, the Law on the Audit of Financial Statements of the Republic of Lithuania, and the Rules Regulating the Activities of Audit Committees approved by the Bank of Lithuania.

5.4.5. The audit committee should examine whether the company complies with the applicable provisions regulating the possibility of lodging a complaint or reporting anonymously his/her suspicions of potential violations committed at the company and should also ensure that there is a procedure in place for proportionate and independent investigation of such issues and appropriate follow-up actions.	
5.4.6. The audit committee should submit to the supervisory board or, where the supervisory board is not formed, to the management board its activity report at least once in every six months, at the time that annual and half-yearly reports are approved.	

Principle 6: Prevention and disclosure of conflicts of interest **The corporate governance framework should encourage members of the company's supervisory and management bodies to avoid conflicts of interest and ensure a transparent and effective mechanism of disclosure of conflicts of interest related to members of the supervisory and management bodies.**		
Any member of the company's supervisory and management body should avoid a situation where his/her personal interests are or may be in conflict with the company's interests. In case such a situation did occur, a member of the company's supervisory or management body should, within a reasonable period of time, notify other members of the same body or the body of the company which elected him/her or the company's shareholders of such situation of a conflict of interest, indicate the nature of interests and, where possible, their value.	Yes	The Company follows this recommendation.
Principle 7: Remuneration policy of the company **The remuneration policy and the procedure for review and disclosure of such policy established at the company should prevent potential conflicts of interest and abuse in determining remuneration of members of the collegial bodies and heads of the administration, in addition it should ensure the publicity and transparency of the company's remuneration policy and its long-term strategy.**		
7.1. The company should approve and post the remuneration policy on the website of the company; such policy should be reviewed on a regular basis and be consistent with the company's long-term strategy.	Yes	The Company follows this recommendation. The Company's remuneration policy is posted on the website of the company
7.2. The remuneration policy should include all forms of remuneration, including the fixed-rate remuneration, performance-based remuneration, financial incentive schemes, pension arrangements and termination payments as well as the conditions specifying the cases where the company can recover the disbursed amounts or suspend the payments.	Yes	The Company follows this recommendation.
7.3. With a view to avoid potential conflicts of interest, the remuneration policy should provide that members of the collegial bodies which perform the supervisory functions should not receive remuneration based on the company's performance.	Yes	The Company follows this recommendation.
7.4. The remuneration policy should provide sufficient information on the policy regarding termination payments. Termination payments should not exceed a fixed amount or a fixed number of annual wages and in general should not be higher than the non-variable component of remuneration for two years or the equivalent thereof. Termination payments should not be paid if the contract is terminated due to inadequate performance.	Yes	By the decision of the Board, agreements on the conditions of termination of the employment contract and payments related to the termination of the employment contract may be concluded with the head of the Company.

7.5. In the event that the financial incentive scheme is applied at the company, the remuneration policy should contain sufficient information about the retention of shares after the award thereof. Where remuneration is based on the award of shares, shares should not be vested at least for three years after the award thereof. After vesting, members of the collegial bodies and heads of the administration should retain a certain number of shares until the end of their term in office, subject to the need to compensate for any costs related to the acquisition of shares.	Not applicable	Schemes anticipating remuneration of directors in shares, share options or any other right to purchase shares or be remunerated on the basis of share price movements are not used in the Company.
7.6. The company should publish information about the implementation of the remuneration policy on its website, with a key focus on the remuneration policy in respect of the collegial bodies and managers in the next and, where relevant, subsequent financial years. It should also contain a review of how the remuneration policy was implemented during the previous financial year. The information of such nature should not include any details having a commercial value. Particular attention should be paid on the major changes in the company's remuneration policy, compared to the previous financial year.	Yes	The Company follows this recommendation.
7.7. It is recommended that the remuneration policy or any major change of the policy should be included on the agenda of the general meeting of shareholders. The schemes under which members and employees of a collegial body receive remuneration in shares or share options should be approved by the general meeting of shareholders.	Yes	The Company follows this recommendation.
Principle 8: Role of stakeholders in corporate governance **The corporate governance framework should recognize the rights of stakeholders entrenched in the laws or mutual agreements and encourage active cooperation between companies and stakeholders in creating the company value, jobs and financial sustainability. In the context of this principle the concept "*stakeholders*" includes investors, employees, creditors, suppliers, clients, local community and other persons having certain interests in the company concerned.**		
8.1. The corporate governance framework should ensure that the rights and lawful interests of stakeholders are protected.	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 Vilnius AB Stock Exchange and on the Company's website.
8.2. The corporate governance framework should create conditions for stakeholders to participate in corporate governance in the manner prescribed by law. Examples of participation by stakeholders in corporate governance include the participation of employees or their representatives in the adoption of decisions that are important for the company, consultations with employees or their representatives on corporate governance and other important matters, participation of employees in the company's authorized capital, involvement of creditors in corporate governance in the cases of the company's insolvency, etc.		

(all amounts are in EUR thousand unless otherwise stated)

8.3. Where stakeholders participate in the corporate governance process, they should have access to relevant information.		
8.4. Stakeholders should be provided with the possibility of reporting confidentially any illegal or unethical practices to the collegial body performing the supervisory function.		
Principle 9: Disclosure of information **The corporate governance framework should ensure the timely and accurate disclosure of all material corporate issues, including the financial situation, operations and governance of the company.**		
9.1. In accordance with the company's procedure on confidential information and commercial secrets and the legal acts regulating the processing of personal data, the information publicly disclosed by the company should include but not be limited to the following:	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, social responsibility report, 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 Vilnius AB Stock Exchange and on the Company's website.
9.1.1. operating and financial results of the company;		
9.1.2. objectives and non-financial information of the company;		
9.1.3. persons holding a stake in the company or controlling it directly and/or indirectly and/or together with related persons as well as the structure of the group of companies and their relationships by specifying the final beneficiary;		
9.1.4. members of the company's supervisory and management bodies who are deemed independent, the manager of the company, the shares or votes held by them at the company, participation in corporate governance of other companies, their competence and remuneration;		
9.1.5. reports of the existing committees on their composition, number of meetings and attendance of members during the last year as well as the main directions and results of their activities;		
9.1.6. potential key risk factors, the company's risk management and supervision policy;		
9.1.7. the company's transactions with related parties;		
9.1.8. main issues related to employees and other stakeholders (for instance, human resource policy, participation of employees in corporate governance, award of the company's shares or share options as incentives, relationships with creditors, suppliers, local community, etc.);		
9.1.9. structure and strategy of corporate governance;		
9.1.10. initiatives and measures of social responsibility policy and anti-corruption fight, significant current or planned investment projects. This list is deemed minimum and companies are encouraged not to restrict themselves to the disclosure of information included into this list. This principle of the Code does not exempt companies from		

their obligation to disclose information as provided for in the applicable legal acts.		
9.2. When disclosing the information specified in paragraph 9.1.1 of recommendation 9.1, it is recommended that the company which is a parent company in respect of other companies should disclose information about the consolidated results of the whole group of companies.	Yes	The Company follows this recommendation.
9.3. When disclosing the information specified in paragraph 9.1.4 of recommendation 9.1, it is recommended that the information on the professional experience and qualifications of members of the company's supervisory and management bodies and the manager of the company as well as potential conflicts of interest which could affect their decisions should be provided. It is further recommended that the remuneration or other income of members of the company's supervisory and management bodies and the manager of the company should be disclosed, as provided for in greater detail in Principle 7.	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, and on the Company's website.
9.4. Information should be disclosed in such manner that no shareholders or investors are discriminated in terms of the method of receipt and scope of information. Information should be disclosed to all parties concerned at the same time.	Yes	The information on the information disclosure of NASDAQ 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.
Principle 10: Selection of the company's audit firm **The company's audit firm selection mechanism should ensure the independence of the report and opinion of the audit firm.**		

10.1. With a view to obtain an objective opinion on the company's financial condition and financial results, the company's annual financial statements and the financial information provided in its annual report should be audited by an independent audit firm.	Yes	The independent firm of auditors conducts the audit of the annual financial statements and reviews the annual report to check whether there is no material inconsistencies between the financial information included in it and in the audited financial statements.
10.2. It is recommended that the audit firm would be proposed to the general meeting of shareholders by the supervisory board or, if the supervisory board is not formed at the company, by the management board of the company.	Yes	Company follows this principle. A candidate firm of auditors to the General Meeting is proposed by Board of the Company.
10.3. In the event that the audit firm has received remuneration from the company for the non-audit services provided, the company should disclose this publicly. This information should also be available to the supervisory board or, if the supervisory board is not formed at the company, by the management board of the company when considering which audit firm should be proposed to the general meeting of shareholders.	Yes	Shareholders are informed about other fees paid to auditors for non-audit services, if such fees occur.

(all amounts are in EUR thousand unless otherwise stated)

Consolidated and company's financial statements of financial position

		Group		Company	
	Notes	**As of 31 August 2020**	**As of 31 August 2019**	**As of 31 August 2020**	**As of 31 August 2019 adjusted**
ASSETS					
Non-current assets					
Intangible assets	4	23	19	23	19
Property, plant and equipment	5				
Land and buildings		32,246	21,934	32,246	1,582
Machinery and equipment		32,411	22,720	32,411	22,720
Vehicles		-	-	-	-
Other property, plant and equipment		1,082	1,077	1,079	1,074
Total property, plant and equipment		65,739	45,731	65,736	25,395
Investments in subsidiaries	6	-	-	5	7
Deferred income tax asset	22	1,341	343	1,341	343
Long term rent (adaptation of IFRS 16)	13.1	787	-	787	-
Total non-current assets		**67,890**	**46,093**	**67,892**	**25,745**
Current assets					
Inventories	7	6,803	7,451	6,803	7,451
Trade receivables	8	1,878	1,161	1,878	1,240
Prepayments		-	129	-	6
Current income tax prepayment		155	435	155	435
Loans granted	9, 30	-	-	-	13,075
Other receivables and current assets	10	1,521	1,138	1,473	952
Cash and cash equivalents	11	4,993	1,612	4,864	1,485
Total current assets		**15,350**	**11,926**	**15,173**	**24,644**
Total assets		**83,240**	**58,019**	**83,065**	**50,389**

(cont'd on the next page)

(all amounts are in EUR thousand unless otherwise stated)

Consolidated and company's financial statements of financial position (cont'd)

		Group		Company	
	Notes	**As of 31 August 2020**	**As of 31 August 2019**	**As of 31 August 2020**	**As of 31 August 2019 adjusted**
EQUITY AND LIABILITIES					
Equity					
Share capital	1	4,508	4,508	4,508	4,508
Legal reserve	12	451	451	451	451
Retained earnings		19,729	14,742	19,602	14,799
Total equity		**24,688**	**19,701**	**24,561**	**19,758**
Liabilities					
Non-current liabilities					
Non-current borrowings	13	39,230	20,376	39,230	17,376
Provisions for employee benefits	14	708	635	708	635
Deferred income/revenue		45	48	45	48
Long term rent (adaptation of IFRS 16)	13.1	583	-	583	-
Total non-current liabilities		**40,566**	**21,059**	**40,566**	**18,059**
Current liabilities					
Current portion of non-current borrowings	13	1,128	-	1,128	-
Trade payables	15	9,990	9,105	10,054	9,096
Payables for property, plant and equipment		2,390	5,124	2,390	533
Other current liabilities and accrued liabilities	16	4,264	3,030	4,152	2,943
Long term rent (adaptation of IFRS 16)	13.1	214	-	214	-
Total current liabilities		**17,986**	**17,259**	**17,938**	**12,572**
Total liabilities		**58,552**	**38,318**	**58,504**	**30,631**
Total equity and liabilities		**83,240**	**58,019**	**83,065**	**50,389**

The accompanying notes set out in pages 51–88 are an integral part of these financial statements.

General Manager	Jonas Krutinis		27 November 2020
Chief Accountant	Elinga Judickienė		27 November 2020

(all amounts are in EUR thousand unless otherwise stated)

Consolidated and Company's financial statement of profit or loss and other comprehensive income

	Notes	Group 2020	Group 2019	Company 2020	Company 2019
Revenue	17	73,324	75,204	73,324	75,204
Cost of sales	18	(63,867)	(68,456)	(63,961)	(68,557)
Gross profit		**9,457**	**6,748**	**9,363**	**6,647**
Selling and distribution expenses	19	(1,157)	(1,301)	(1,157)	(1,301)
Administrative expenses	19	(4,316)	(3,501)	(4,278)	(3,389)
Other income	20	714	2,630	718	2,633
Other expenses	20	(391)	(598)	(391)	(598)
Operating profit		**4,307**	**3,978**	**4,255**	**3,992**
Financial income	21	-	-	-	79
Financial costs	21	(267)	(134)	(267)	(134)
Result from financial activities		(267)	(134)	(267)	(55)
Profit before income tax		**4,040**	**3,844**	**3,988**	**3,937**
Income tax expense	22	989	227	998	228
Net profit for the reporting period		**5,029**	**4,071**	**4,986**	**4,165**
Other comprehensive income not to be re-grouped to profit or loss					
Actuarial change of employee-related accruals	14	(49)	106	(49)	106
Income tax effect	22	7	(16)	7	(16)
Total comprehensive income for the reporting period		**4,987**	**4,161**	**4,944**	**4,255**
Attributable to owners of the Company:					
Net profit		5,029	4,071	4,986	4,165
Other comprehensive income		(42)	90	(42)	90
Total comprehensive income		4,987	4,161	4,944	4,255
Basic and diluted earnings per share (in EUR)	23	1.29	1.05	1,28	1.07

The accompanying notes set out in pages 51–88 is an integral part of these financial statements.

General Manager	Jonas Krutinis		27 November 2020
Chief Accountant	Elinga Judickienė		27 November 2020

(all amounts are in EUR thousand unless otherwise stated)

Consolidated and Company's financial statement of changes in equity

GROUP	**Notes**	**Share capital**	**Legal reserve**	**Retained earnings**	**Total**
Restated balance as of 31 August 2018		**4,508**	**451**	**10,892**	**15,851**
Net profit for the reporting period		-	-	4,071	90
Other comprehensive income		-	-	90	90
Total comprehensive income		**-**	**-**	**4,161**	**4,161**
Transactions with owners					
Dividends declared		-	-	(311)	(311)
Total transactions with owners		**-**	**-**	**(311)**	**(311)**
Restated balance as of 31 August 2019		**4,508**	**451**	**14,742**	**19,701**
Net profit for the reporting period		-	-	5,029	5,029
Other comprehensive income		-	-	(42)	(42)
Total comprehensive income		**-**	**-**	**4,987**	**4,987**
Transactions with owners					
Dividends declared		-	-	-	-
Total transactions with owners		**-**	**-**	**-**	**-**
Balance as of 31 August 2020		**4,508**	**451**	**19,729**	**24,688**

(cont'd on the next page)

(all amounts are in EUR thousand unless otherwise stated)

Consolidated and Company's financial statement of changes in equity (cont'd)

COMPANY	**Notes**	**Share capital**	**Legal reserve**	**Retained earnings**	**Total**
Restated balance as of 31 August 2018		**4,508**	**451**	**10,855**	**15,814**
Net profit for the reporting period		-	-	4,165	4,165
Other comprehensive income		-	-	90	90
Total comprehensive income		**-**	**-**	**4,255**	**4,255**
Transactions with owners					
Legal reserve accrual		-	-	-	-
Dividends declared		-	-	(311)	(311)
Total transactions with owners		-	-	(311)	(311)
Balance as of 31 August 2019		**4,508**	**451**	**14,799**	**19,758**
Net profit for the reporting period		-	-	4,986	4,986
Trenduva operating result of the reorganization by the way of merger				(141)	(141)
Other comprehensive income		-	-	(42)	(42)
Total comprehensive income		**-**	**-**	**4,803**	**4,803**
Transactions with owners					
Dividends declared		-	-	-	-
Total transactions with owners		**-**	**-**	**-**	**-**
Balance as of 31 August 2020		**4,508**	**451**	**19,602**	**24,561**

The accompanying notes set out in pages 51–88 is an integral part of these financial statements.

General Manager	Jonas Krutinis		27 November 2020
Chief Accountant	Elinga Judickienė		27 November 2020

(all amounts are in EUR thousand unless otherwise stated)

Consolidated and Company's financial statement of cash flows

	Group		Company	
	2020	**2019**	**2020**	**2019**
Cash flows from operating activities				
Profit (loss) for the period	5.029	4.071	4.986	4.165
Adjustments for:				
Depreciation and amortization	3.011	1.814	3.009	1.813
Change in provisions for employee benefits	73	(180)	73	(180)
Result from the disposal of property, plant and equipment	(1)	(1.648)	(1)	(1.648)
Interest expenses (income)	257	91	257	12
Other	(374)	(131)	(383)	(131)
	7.995	4.017	7.941	4.031
Changes in working capital:				
Decrease (increase) in inventories	612	(317)	612	(317)
Decrease (increase) in prepayments	129	49	6	156
Decrease (increase) in trade receivables	(5.917)	264	(5.838)	232
Decrease (increase) in other receivables	52	212	220	351
Decrease in other current payables and liabilities	1.500	944	654	896
Cash flows from operating activities	**4.371**	**5.169**	**3.595**	**5.349**
Income tax (paid)	(155)	(435)	(155)	(435)
Net cash flows from operating activities	**4.216**	**4.734**	**3.440**	**4.914**
Cash flows from investing activities				
Loans granted to related party	-	-	-	(10.915)
Loan repayments received from related party	-	-	-	-
Received interest	-	-	-	79
Purchases of property, plant and equipment and intangible assets	(25.626)	(23.037)	(27.994)	(9.292)
Proceeds on sale of property, plant and equipment	12	2.912	12	2.912
Other investing activities	-	-	141	-
Net cash flows from (used in) investing activities	**(25.614)**	**(20.125)**	**(27.841)**	**(17.216)**

(cont'd on the next page)

(all amounts are in EUR thousand unless otherwise stated)

Consolidated and Company's financial statement of cash flows (cont'd)

	Group		Company	
	2020	**2019**	**2020**	**2019**
Cash flows from (used in) financing activities				
Proceed from Factoring	5.200	5.032	5.200	5.032
Proceeds from borrowings	20.588	20.376	23.588	17.376
Repayments of borrowings	(24)	(8.839)	(24)	(8.839)
Dividends paid	-	(318)	-	(318)
Other financial income and expenses	-	-	1	-
Interest paid	(985)	(91)	(985)	(91)
Net cash flows (used in) financing activities	**24.779**	**16.160**	**27.780**	**13.160**
Net (decrease) increase in cash and cash equivalents	**3.381**	**769**	**3.379**	**858**
Cash and cash equivalents at the beginning of the period	**1.612**	**843**	**1.485**	**627**
Cash and cash equivalents at the end of the period	**4.993**	**1.612**	**4.864**	**1.485**

The accompanying notes set out in pages 51–88 is an integral part of these financial statements.

General Manager	Jonas Krutinis		27 November 2020
Chief Accountant	Elinga Judickienė		27 November 2020

(all amounts are in EUR thousand unless otherwise stated)

Notes to the financial statements

1 General information

Vilniaus Baldai AB (hereinafter "the Company") is a public limited liability company registered in the Republic of Lithuania. The address of its registered office is 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 Secondary List of the NASDAQ Vilnius AB.

As of 31 August, 2020 and 2019 the shareholders of the Group and the Company were:

	2020		2019	
	Number of votes held	**Percentage**	**Number of votes held**	**Percentage**
Invalda Privatus Kapitalas AB	3,407,135	87.67	3,407,135	87.67
Other shareholders	479,132	12.33	479,132	12.33
Total	**3,886,267**	**100.00**	**3,886,267**	**100.00**

Main shareholders of Invalda Privatus Kapitalas AB are private persons Vytautas Bučas (39.63%), Irena Ona Mišeikienė (30.05%) and Nijolė Paulina Bučienė (20.47%).

As of 31 August, 2020, the Company's share capital amounted to EUR 4,508,069.72 and it was divided into 3,886,267 ordinary registered shares. As of 31 August, 2020 and 31 August 2019 all the shares of the Company are ordinary shares with the par value of EUR 1.16 each and were fully paid. The share capital did not change in 2020 and 2019. 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 subsidiaries ARI-LUX UAB (hereinafter "the Group"). ARI-LUX UAB information as of 31 August 2020:

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, LT-03154 Vilnius	100	3	42	128	Packaging of accessories

As of 31 August, 2020 the number of employees of the Group and the Company was 780 and 716, respectively (as of 31 August 2019 – 730 and 672, 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 27 November 2020. 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 2020 are as follows:

2.1. Basis of preparation

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

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.

The Group and the Company have consistently applied the accounting policies set out in Note 2 to all periods presented in these financial statements.

While preparing the financial statements, the Group and the Company for the first time have applied the requirements of IFRS 9 Financial Instruments and IFRS 15 Revenue from Contracts with Customers, including amendments to other standards. The impact of transition to the above-mentioned IFRSs on the Group's and the Company's financial position, financial results and cash flows is explained in Note 3.

Due to the rounding of individual amounts to the calculation of the table of thousands of euros, there may be inconsistencies, such rounding errors are insignificant in these financial statements.

These financial statements for the year ended 31 August 2020 have been prepared under the assumption that the Group and the Company will continue as a going concern.

Amendments to existing standards and interpretations effective in 2020

Definition of materiality – Amendments to IAS 1 and IAS 8 (effective for annual periods beginning on or after 1 January 2020): the amendments clarify the definition of material and how it should be applied by including in the definition guidance that until now has featured elsewhere in IFRS. In addition, the explanations accompanying the definition have been improved. Finally, the amendments ensure that the definition of material is consistent across all IFRS Standards. Information is material if omitting, misstating or obscuring it could reasonably be expected to influence the decisions that the primary users of general-purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity. The amendment did not have a material impact on the Company's or the Group's financial statements.

Interest rate benchmark reform – Amendments to IFRS 9, IAS 39 and IFRS 7 (effective for annual periods beginning on or after 1 January 2020): the amendments were triggered by replacement of benchmark interest rates such as LIBOR and other inter-bank offered rates (´IBORs´). The amendments provide temporary relief from applying specific hedge accounting requirements to hedging relationships directly affected by the IBOR reform. Cash flow hedge accounting under both IFRS 9 and IAS 39 requires the future hedged cash flows to be ´highly probable´. Where these cash flows depend on an IBOR, the relief provided by the amendments requires an entity to assume that the interest rate on which the hedged cash flows are based does not change as a result of the reform. Both IAS 39 and IFRS 9 require a forward-looking prospective assessment in order to apply hedge accounting. While cash flows Under IBOR and IBOR replacement rates are currently expected to be broadly equivalent, which minimizes any ineffectiveness, this might no longer be the case as the date of the reform gets closer. Under the amendments, an entity may assume that the interest rate benchmark on which the cash flows of the hedged item, hedging instrument or hedged risk are based, is not altered by IBOR reform. IBOR reform might also cause a hedge to fall outside the 80-125% range required by retrospective test Under IAS 39. IAS 39 has therefore been amended to provide an exception to the retrospective effectiveness test such that a hedge is not discontinues during the period of IBOR related uncertainty solely because the retrospective effectiveness falls outside this range. However, the other requirements for hedge accounting, including the prospective assessment, would still need to be met. In some hedges, the hedged item or hedged risk is a non-contractually specified IBOR risk component. In order for hedge accounting to be applied, both IFRS 9 and IAS 39 require the designated risk component to be separately identifiable and reliably measurable. Under the amendments, the risk component only needs to be separately identifiable at initial hedge designation and not on an ongoing basis. In the context of a macro hedge, where an entity frequently resets a hedging relationship, the relief applies from when a hedged item was initially designated within that hedging relationship. Any hedge ineffectiveness will continue to be recorded in profit or loss Under both IAS 39 and IFRS 9. The amendments set out triggers for when the reliefs will end, which include the uncertainty arising from interest rate benchmark reform no longer being present. The amendments require entities to provide additional information to investors about their hedging relationships that are directly affected by these uncertainties, including the nominal amount of hedging instruments to which the reliefs are applied, any significant assumptions or judgements made in applying the reliefs, and qualitative disclosures about how the entity is impacted by IBOR reform and is managing the transition process. The Company and the Group do not apply hedge accounting, therefore the amendment is not relevant for the Company and the Group.

Definition of a business – Amendments to IFRS 3 (effective for annual periods beginning on or after 1 January 2020): the amendments revise the definition of a business. A business must have inputs and a substantive process that together significantly contribute to the ability to create outputs. The new guidance provides a framework to evaluate when an input and a substantive process are present, including for early stage companies that have not generated outputs. An organized workforce should be present as a condition for classification as a business if there are no outputs. The definition of the term 'outputs' is narrowed to focus on goods and services provided to customers, generating investment income and other income, and it excludes returns in the form of lower costs and other economic benefits. It is also no longer necessary to assess whether market participants are capable of replacing missing elements or integrating the acquired activities and assets. An entity can apply a 'concentration test'. The assets acquired would not represent a business if substantially all of the fair value of gross assets acquired is concentrated in a single asset (or a group of similar assets). The Company and the Group do not have any significant business combinations as a result of these amendments will not have a material impact on the financial statements.

Amendments to the Conceptual Framework for Financial Reporting (effective for annual periods beginning on or after 1 January 2020; not yet adopted by the EU): the revised Conceptual Framework includes a new chapter on measurement; guidance on reporting financial performance; improved definitions and guidance - in particular the definition of a liability; and clarifications in important areas, such as the roles of stewardship, prudence and measurement uncertainty in financial reporting. These amendments are not material to the Company and the Group.

Standards and amendments to existing standards that are not yet effective and have not been early adopted by the Group

IFRS 17, Insurance Contracts (effective for annual periods beginning on or after 1 January 2021; not yet adopted by the EU): IFRS 17 replaces IFRS 4, which has given companies dispensation to carry on accounting for insurance contracts using existing practices. As a consequence, it was difficult for investors to compare the financial performance of similar insurance companies. IFRS 17 is a single principle-based standard to account for all types of insurance contracts, including reinsurance contracts that an insurer holds. The standard requires recognition and measurement of groups of insurance contracts at: (i) a risk-adjusted present value of the future cash flows (the fulfilment cash flows) that incorporates all of the available information about the fulfilment cash flows in a way that is consistent with observable market information; plus (if this value is a liability) or minus (if this value is an asset) (ii) an amount representing the unearned profit in the group of contracts (the contractual service margin). Insurers will be recognizing the profit from a group of insurance contracts over the period they provide insurance coverage, and as they are released from risk. If a group of contracts is or becomes loss-making, an entity will be recognizing the loss immediately. The Company and the Group will not exercise insurance activity, the standard will have no impact on the financial statements.

Sale or Contribution of Assets between an Investor and its Associate or Joint Venture - Amendments to IFRS 10 and IAS 28 (effective date to be determined by the IASB; not yet adopted by the EU): these amendments address an inconsistency between the requirements in IFRS 10 and those in IAS 28 in dealing with the sale or contribution of assets between an investor and its associate or joint venture. The main consequence of the amendments is that a full gain or loss is recognized when a transaction involves a business. A partial gain or loss is recognized when a transaction involves assets that do not constitute a business, even if these assets are held by a subsidiary and the shares of the subsidiary are transferred during the transaction. The amendment did not have a material impact on the Company's or the Group's financial statements

Classification of liabilities as current or non-current – Amendments to IAS 1 (issued on 23 January 2020 and effective for annual periods beginning on or after 1 January 2022; not yet adopted by the EU): these narrow scope amendments clarify that liabilities are classified as either current or non-current, depending on the rights that exist at the end of the reporting period. Liabilities are non-current if the entity has a substantive right, at the end of the reporting period, to defer settlement for at least twelve months. The guidance no longer requires such a right to be unconditional. Management's expectations whether they will subsequently exercise the right to defer settlement do not affect classification of liabilities. The right to defer only exists if the entity complies with any relevant conditions as of the end of the reporting period. A liability is classified as current if a condition is breached at or before the reporting date even if a waiver of that condition is obtained from the lender after the end of the reporting period. Conversely, a loan is classified as non-current if a loan covenant is breached only after the reporting date. In addition, the amendments include clarifying the classification requirements for debt a company might settle by converting it into equity. 'Settlement' is defined as the extinguishment of a liability with cash, other resources embodying economic benefits or an entity's own equity instruments. There is an exception for convertible instruments that might be converted into equity, but only for those instruments where the conversion option is classified as an equity instrument as a separate component of a compound financial instrument. The Company and the Group is currently assessing the impact of the amendments on its financial statements.

There are no other new or revised standards or interpretations that are not yet effective that could have a material impact on the Company.

2.2. Functional and financial statements currency

The Group's and the Company's functional and financial statements currency is euro. Financial statements are prepared in thousands of euro. In these financial statements, all amounts are expressed in euros and rounded down to the nearest thousand (EUR '000).

2.3. Financial year

Financial year of the Group and the Company starts on 1 September and ends on the 31 August of the next year. Under decision of the Company`s shareholder of 8 October 2014 the financial year was changed from 31 August 2015.

2.4. Consolidation principles

The Group accounts for business combinations using the acquisition method when control is transferred to the Group. The consideration transferred in the acquisition is generally measured at fair value, as are the identifiable net assets acquired. Any goodwill that arises is tested annually for impairment. Any gain on a bargain purchase is recognized in profit or loss immediately. Transaction costs are expensed as incurred, except if related to the issue of debt or equity securities.

The consideration transferred does not include amounts related to the settlement of pre-existing relationships. Such amounts are generally recognized in profit of loss.

Any contingent consideration is measured at fair value at the date of acquisition. If an obligation to pay contingent consideration that meets the definition of a financial instrument is classified as equity, then it is not remeasured and settlement is accounted for within equity. Otherwise, other contingent consideration is remeasured at fair value at each reporting date and subsequent changes in the fair value of the contingent consideration are recognized in profit or loss.

Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The financial statements of subsidiaries are included in the consolidated financial statements from the date on which control commences until the date on which control ceases.

Non-controlling interest are measured initially at their proportionate share of the acquirer's identifiable net assets at the date of acquisition. Changes in the Group's interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions.
When the Group loses control over a subsidiary, it derecognizes the assets and liabilities of the subsidiary, and any related NCI and other components of equity. Any resulting gain or loss is recognized in profit or loss. Any interest retained in the former subsidiary is measured at fair value when control is lost.

Intra-group balances and transaction, and any unrealized income and expenses arising from intra-group transactions, are eliminated. Unrealized losses are eliminated in the same way as unrealized gains, but only to the extent that there is no evidence of impairment.

2.5. Investments in subsidiaries in the Company's separate financial statements

In the Company's separate financial statements, investments in subsidiaries are stated at cost. The value of the investment is reduced by recognizing the impairment of the investment.

Impairment is determined by estimating the recoverable amount of the cash-generating unit. When the recoverable amount of a cash-generating unit is less than its carrying amount in the Company's statement of financial position, an impairment loss is recognized.

2.6. 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.

<u>Software</u>

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.

2.7. Property, plant and equipment

Property, plant and equipment are 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.

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

Buildings	10–66 years
Machinery and equipment	6–20 years
Vehicles	5–10 years
Other property, plant and equipment, critical spare parts	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.

Spare parts are classified as property, plant and equipment if they meet the definition, including the requirement to be used over more than one period. Otherwise, they are classified as inventory. For spare parts that are kept to ensure smooth operation of some machinery without interruptions, the depreciation period starts immediately when those spare parts are acquired.

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.

2.9. Financial instruments

Financial assets

The financial assets of the Group and the Company include cash and cash equivalents, loans granted, trade receivables and other receivables.

Trade receivables are initially recognized when they arise. Upon initial recognition, all other financial assets are recognized when the Group and the Company become parties to the contractual provisions of the instrument. Financial assets (except for trade receivables without a significant financing component), if not measured at fair value through profit or loss, are initially measured at fair value plus transaction costs directly attributable with acquisition or issue. Trade receivables without a significant financing component are initially recognized at the transaction price.

Financial assets are classified in three groups according to their measurement:

i. financial assets that are subsequently measured at amortized cost;
ii. financial assets that are subsequently measured at fair value through other comprehensive income;
iii. financial assets that are subsequently measured at fair value through profit or loss.

The classification of a financial asset depends on the financial asset management business model (assessing how the entity manages the financial assets to generate cash flows) and the characteristics of the contractual cash flows of the financial asset (whether contractual cash flows include only principal and interest payments).

Financial asset is stated at amortized cost if both of the following conditions are satisfied:

- financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interests on the principal amount outstanding.

Financial assets that do not meet the above conditions are measured at fair value through profit or loss and through other comprehensive income.

The Group and the Company have no financial assets, which, in subsequent periods, are measured at fair value through profit or loss and other comprehensive income.

Financial assets that are subsequently measured at amortized cost are measured using the effective interest method. Amortized cost is reduced by impairment losses. Interest income, foreign exchange gains and losses, and impairment losses are recognized in profit or loss. Any gain or loss on derecognition is recognized in profit or loss.

The effective interest method is a method of calculating the amortized cost of a financial asset or liability and of allocating the interest income or expense over a period of time. The effective interest rate is the rate that discounts estimated future cash payments through the expected life of the financial asset or liability or, where appropriate, a shorter period.

Financial assets at fair value through profit or loss are initially recognized at fair value through profit or loss. Subsequently, the fair value gain and loss, including any interest and dividends, is recognized in profit or loss and other comprehensive income.
Financial assets (or, where applicable, part of a financial asset or part of a group of similar financial assets) are derecognised when:

- the right to receive cash flows from the financial asset expires;
- the Group and the Company retain the right to receive cash flows from the asset, but have agreed to pay in full without material delay to a third party under a 'pass through' arrangement;
- The Group and the Company transfer their right to receive cash flows from assets and/or:
  (a) have transferred substantially all the risks and rewards of the financial asset;
  (b) have neither transferred nor retained substantially all the risks and rewards of the financial assets but have transferred control of the assets.

When the Group and the Company transfer rights to receive cash flows from an asset but neither transfer nor retain substantially all the risks and rewards of the asset nor transfer control of the asset, the asset is recognized to the extent of the Group's and the Company's continuing involvement in the asset. The Company's and the Group's assets that have been transferred as guarantee are measured at the lower of the carrying amount and the maximum amount of consideration that the Group and the Company could be required to repay.

The Group and the Company reduce the gross carrying amount of their financial asset if they cannot reasonably expect to recover all or part of the financial asset. A write-off is an event of derecognition.

Cash and cash equivalents consist of cash in bank accounts. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash. Such investments have a maturity of up to three months and the risk of changes in value is very insignificant. For the purposes of the cash flow statement, cash and cash equivalents include cash on hand, deposits in current accounts, and other short-term highly liquid investments.

Trade and other receivables on initial recognition, trade and other receivables are recognized at the transaction price and subsequently measured at amortized cost.

Financial liabilities

The Group's and the Company's financial liabilities comprise borrowings, trade payables and other payables.

At the time of initial recognition, financial liabilities are recognised when the Group and the Company become parties to the contractual terms of the instrument.

Financial liabilities are divided into two groups according to their measurement:

a) financial liabilities that are subsequently measured at amortised cost;
b) financial liabilities that are subsequently measured at fair value through profit or loss.

A financial liability is classified as at FVTPL if it is classified as held-for-trading, it is a derivative or it is designated as such on initial recognition.

Financial liabilities at FVTPL are measured at fair value and net gains and losses, including any interest expense, are recognised in profit or loss.

Other financial liabilities are subsequently measured at amortised cost using the effective interest method. Interest expense and foreign exchange gains and losses are recognised in profit or loss. Any gain or loss on derecognition is also recognised in profit or loss.

The Group and the Company derecognise financial liabilities when their contractual obligations are discharged or cancelled or expire. The Group and the Company also derecognise a financial liability when its terms are modified and the cash flows of the modified liability are substantially different. In this case, the new financial liability is recognized at fair value under the modified terms of the contract.

In the event of derecognition of a financial liability, the difference between the carrying amount written off and the consideration paid (including any non-cash assets transferred or liabilities assumed) is recognized in profit or loss in the statement of profit or loss and other comprehensive income.

Trade and other payables. Upon initial recognition, trade and other payables are recognized when the Company becomes a party to the contractual provisions. Trade and other payables are initially measured at fair value plus directly attributable transaction costs.

Borrowed funds. Borrowings are initially recognized at fair value less transaction costs and subsequently measured at amortized cost using the effective interest method.
Financial guarantees. A financial guarantee contract is a contract that obliges the Company to make specific payments to compensate the contract holder for the holder's default on timely payment of the original or modified terms of a debt instrument. Financial guarantees are initially recognized at fair value, which is usually the amount receivable.

Offsetting financial assets and financial liabilities

Financial assets and financial liabilities are offset when, and only when, the Group and the Company have a legally enforceable right to set off the amounts and they intend either to settle them on the net basis or to realise the asset and settle the liability simultaneously.

2.10. Share capital

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

2.11. 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.

2.12. Leases

The Group and the Company are lessees

(a) Finance lease
Leases of property, plant and equipment where the Group and the Company 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 are depreciated over the shorter of the asset's useful life and the lease term.

(b) Operating lease
At the beginning of the contract, the Company and the Group assess whether the contract is a lease or includes a lease. This means assessing whether the contract confers a right to manage the use of the identified asset for a period of time in return for remuneration.

The Company and the Group apply a single recognition and measurement method to all leases, except for short-term and low-value leases. The Company and the Group recognize a lease obligation to pay lease payments and a right-of-use asset that entitles the holder to use the leased asset.

Assets managed under lease right

The Company and the Group recognize the right-of-use asset at the inception date (ie the date from which the underlying asset is available for use). Assets held under usable rights are carried at cost less any accumulated depreciation and any accumulated impairment losses. The cost of an asset held for use includes the amount of the initial measurement of the lease liability, the initial direct costs, the lease payments at or before the inception date, less any lease incentives received. Depreciation is calculated on a straight-line basis over the lease term.

If the ownership of the leased property is transferred to the Company and the Group before the end of the lease term or if the price of the asset managed by the right of use indicates that the lessee will exercise the call option, depreciation is calculated based on the estimated useful life of the asset.

Assets held for use are also assessed for impairment.

Lease obligations

At the beginning date, the Company / Group recognizes lease liabilities at the present value of the lease payments due during the lease term. Lease payments include fixed payments (including equivalent payments) less any rental incentives receivable, variable rents that depend on an index or rate, and amounts that would be payable under residual value guarantees. Such lease payments also include the exercise price of the call option if it is reasonably known that the Company / Group will exercise that option, and penalties for terminating the lease if it is assumed that the Company / Group will exercise the option to terminate the lease during the lease term. Variable lease payments that are independent of an index or a rate are recognized as an expense (unless they are incurred to produce inventories) in the period in which the event occurs or the condition that gives rise to the tax arises.

In calculating the present value of the lease payments, the Company / Group applies the borrowing rate accrued at the beginning of the lease, as the interest rate specified in the lease cannot be readily determined. After the commencement date, the amount of the lease liability is increased by the estimated interest and the amount of lease payments paid is reduced. In addition, the carrying amount of a lease is remeasured if certain adjustments are made, the lease term or lease payments change (for example, changes in future lease payments due to a change in the index or rate used to determine such lease payments) or a change in the option to purchase the lease. evaluation.

Short-term and low-value property lease

The Company and the Group apply the recognition exemption to their current assets (i.e. leases with a term of less than 12 months at the inception date that do not include an option to purchase the asset). It also observes this exception by recognizing the lease of low-value assets consisting of office inventory. Lease payments for short-term and low-value assets are recognized as an expense on a straight-line basis over the lease term.

Policies that were followed until 2019 January 1

During the comparative period, the Company and the Group, as a lessee, classified leases that transfer substantially all the risks and rewards incidental to ownership as finance leases and all other leases as operating leases. Under finance leases, the leased asset was initially recognized at an amount equal to the fair value of the leased asset or, if lower, the present value of the minimum lease payments. Such assets were subsequently accounted for in accordance with the accounting policies applicable to such assets. Assets leased under operating leases were not recognized in the statement of financial position of the Company and the Group. Premiums paid under such leases were recognized in profit or loss on a straight-line basis over the lease term.

The Group and the Company are lessors

(c) Operating lease

As a lessor, the Company and the Group determine at the beginning of a lease whether the contract is a finance lease or an operating lease. If the Company and the Group determine that substantially all the risks and rewards of ownership of a leased asset are transferred under a lease, it classifies the lease as a finance lease. Leases under which the Company and the Group do not transfer substantially all the risks and rewards incidental to ownership of a leased asset are classified as operating leases. Lease income is recognized on a straight-line basis over the term of the lease and is recognized in the statement of comprehensive income on a straight-line basis over the term of the lease. Initial direct costs incurred in negotiating and arranging a lease shall be included in the carrying amount of the leased asset and recognized as an expense over the lease term on the same basis as the lease income. Contingent contributions are recognized as income in the period in which they are earned.

The Group's accounting policies as a lessee for the comparative period did not differ from the requirements of IFRS 16.

2.13. Employee benefits

(a) Social security contributions
The Group and the Company 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 Group and the Company 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 recognise termination benefits when they are 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 re-measurements 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.

2.14. 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.

A provision for warranties is recognized when the underlying products are sold, based on historical warranty data and weighting of possible outcomes against their associated probabilities.

2.15. 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 2020 (15% in 2019).

Tax losses can be carried forward for indefinite period, except for the losses incurred as a result of disposal of securities and/or derivative financial instruments. Such carrying forward is disrupted if the Company change its activities due to which these losses were incurred except when the Company do not continue its activities due to reasons which do not depend on the Company itself. Starting from 2014 the amount of utilised tax losses cannot exceed 70% of taxable profit for the tax period calculated by deducting non-taxable income, allowed tax deductions and allowed limited amount deductions from income, except for tax losses of the previous periods. 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.

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. The limitation (up to 70% on profit from transfer of securities) is not applied to losses on transfer of securities from previous tax periods deductible from profit on transfer of securities from the taxable period.

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.

A 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.

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.

2.16. Revenue recognition

Revenues of the Group and the Company are recognized in accordance with IFRS 15, that is, the Group and the Company recognize revenue at such time and to such an extent that the transfer of goods or services to customers represents the consideration that the Group and the Company expect to receive in exchange for those goods or services. In applying this Standard, the Company takes into account the terms of the contract and all relevant facts and circumstances.

The Company's revenue is recognized using the 5-step model:

Step 1 - Identify customer agreements.
A contract recognizes an agreement between two or more parties (subject to purchase / sale terms) that creates enforceable rights and enforceable obligations (not applicable if a joint venture agreement is signed). A contract is within the scope of IFRS 15 if all of the following criteria are met:

- the parties have approved the contract (in writing, orally or in accordance with any other normal commercial practice) and are bound by their obligations under the contract,
- it is possible to identify the rights of each party with regard to the goods and / or services to be transferred,
- it is possible to identify the payment terms for the goods and / or services to be transferred,
- the contract has commercial substance,
- it is probable that the consideration to which the Group and the Company are entitled to in exchange for the goods or services will be collected.

Contracts with the customer may be aggregated or disaggregated into several contracts, while retaining the criteria of former contracts. Such aggregation or disaggregation is considered modification of the contract.

Step 2 - Identify performance obligations in the contract.
Contractual commitment to deliver goods and / or services to a customer. If separate goods and/or services are identifiable, the liabilities are recognized separately. Each liability is identified in one of two ways:

- a good and / or service is distinct, or
- a set of individual goods and / or services that are substantially the same and have the same pattern of transfer to the customer.

Step 3 - Determine the transaction price.
Under the new IFRS 15, the transaction price may be fixed, variable, or both.

The transactions concluded by the Company apply fixed prices for both continuous services and services performed at a certain point in time. The transaction price is also adjusted considering the time value of money, if the contract includes a significant financing arrangement, and considering any consideration payable to the customer and non-cash consideration received, if any. The Group and the Company apply the following sales price calculation methods: adjusted market assessment approach, expected cost plus margin approach and residual approach. Similar transactions are measured equally.

Step 4 - Allocate the transaction price to each performance obligation.
A performance obligation is a contractual promise to deliver to the customer a separate good or service, or a set of individual goods or services that are substantially the same and have the same pattern of transfer to the customer. The transaction price is apportioned between each performance obligation based on the relative separate selling prices of the good or service promised in the contract. If the contracts do not specify separately the price of the service or good (for example, one price for two products), the Company shall determine it. In measuring the transaction price, the Company estimates a discount or variable amount of consideration that relates only to a particular portion of the contract.

Step 5 - Recognise revenue when (or as) the Group and the Company satisfy a performance obligation.
The Group and the Company recognize revenue when they satisfy a performance obligation by transferring promised goods or services to the customer (i.e. when the customer obtains control of the mentioned goods or services). The recognized amount of revenue is equal to the amount of satisfied performance obligation. Performance obligation may be satisfied at a point of time or over time. A period of time is recognised as a calendar month.

The recognition of revenue depends on whether the obligation is satisfied over a period of time (continuous) or at a point in time. In any event, the transfer of control shall be taken into account.

Revenue is recognized at the fair value of the consideration received or receivable. Revenue is reduced by the estimated amount of customer returns, discounts, and other similar provisions. Revenue is recognized when it is probable that the economic benefits associated with the transaction will flow to the enterprise and the amount of the revenue can be measured reliably. Revenue from sales is recognized net of VAT and discounts, including any cumulative expected discounts for the current year.

The Group's and the Company's revenue types:

1. Revenue from sale of furniture
2. Revenue from sale of raw materials and waste

Revenue from sales of furniture and revenue from the sale of raw materials are recognized at a point of time in the statement of profit and loss and other comprehensive income.

2.17. 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.

2.18. 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 euro at foreign exchange rates ruling at the dates the fair value was determined.

2.19. Impairment of assets

<u>Non-financial assets</u>

Non-financial assets, other than inventories and deferred tax 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.

<u>Impairment of financial assets</u>

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.

<u>Impairment of financial assets</u>

Impairment losses on financial assets measured at amortized cost are measured using the expected credit loss (ECL) model. Credit losses are measured at the present value of all cash losses (the difference between the cash flows that the Group and the Company hold under the contract and the cash flows the Group and the Company expect to receive). ECLs are discounted applying an effective interest rate.

At the end of each reporting period, the Company and the Group recalculate and record the allowance for expected credit losses, taking into account past events, current market conditions and future prospects. At the end of each financial period, the Group and the Company assess whether there has been a material change in the credit risk of the financial instrument since initial recognition.

At the end of each reporting period, the Group and the Company assess whether financial assets carried at amortized cost are impaired. A financial asset is impaired when one or more events have occurred that have a negative impact on the estimated future cash flows of the financial asset. The following criteria are used by the Company to determine whether there is objective evidence that an impairment loss has been incurred:

- the counterparty experiences financial difficulties as evidenced by its financial information;
- in the event of a breach of contract, such as a default or payment delay more than 90 days;
- the counterparty is considering bankruptcy or financial reorganization;
- there is an adverse change in the payment status of the counterparty's as a result of changes in national or local economic conditions affecting the counterparty; or
- the value of collateral, if any, significantly decreases as a result of deteriorating market conditions.

Losses on financial assets measured at amortized cost are deducted from the gross value of such assets.

The gross carrying amount of a financial asset is written off when the Group and the Company have no reasonable expectation of recovering all or part of the asset. Non-recoverable assets are written off against recognized related impairment loss allowance, provided that all necessary steps have been taken to recover the asset and the amount of the loss has been determined. The amounts previously written off and recovered in subsequent periods are credited to the impairment loss account within the statement of profit or loss and other comprehensive income.

2.20. Segment information

The operating segment is a part of the Group and the Company participating in economic activities from which it can earn profit or incur costs. The results of the operating segment are verified by the management of the Group and the Company on a regular basis by taking a decision regarding resources which have to be allocated to the segment and evaluating its operating results, and who present separate financial information.

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

2.21. 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.

2.22. 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 of economic benefits is probable.

2.23. 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.

2.24. 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.

2.25. 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.

<u>Estimates and assumptions</u>

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.

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 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.

Revenue recognition
The management assesses the moment of revenue recognition, i.e. whether revenue is recognized over time or at a point of time. The management assessed that customer do not simultaneously receive and consume the benefits provided by the Company's performance as the Company performs, the Company's performance does not create or enhance an asset that the customer controls as the asset is created or enhanced, the Company's performance create an asset with an alternative use to the Company and the Company do not has an enforceable right to payment for performance completed to date. Based on this assessment management decided that revenues should be recognised at a point in time. Also, the management estimates expected returns.

The management assesses if the sale of raw materials meets revenue recognition criteria according IFRS 15. The Company provides raw materials to several external and related parties in order to obtain service from these parties - production of component parts used in the further production of furniture. The management has analysed such contracts based on the requirements of IFRS 15 and determined, that in most of cases there is no actual sale of raw materials and acquisition of components but transaction is rather a purchase of production service. Vilniaus baldai, AB controls the process and has full responsibility for the final customer. Raw materials were sold at purchase price to the production service provider.

Expected credit losses estimation
The management measures expected credit losses (ECL) and estimates allowance for trade receivables and contract assets. Key assumption is determining the weighted-average loss rate.

Classification of spare part
The management makes judgement if spare parts meet the definition of property, plant and equipment. The basis of judgement is determining if spare part is kept ensuring smooth operation of some machinery without interruptions or it not.

Recognition of deferred tax assets from unused investment relief
The management assesses the extent that it is probable that future taxable profits will be available against which recognized deferred tax assets can be used.

2.26. Factoring

A factoring transaction is a financing transaction in which the factoring company finances the Company by purchasing debt obligations from it. By this transaction, the Company transfers to the Factor the right to its receivables under the invoices due, which are due in the future. Factoring can be with recourse (the factoring agent has the right to repay the debt obligations to the Company) and without the right of recourse (the factoring agent has no right to repay the debt obligations to the Company). Receivables transfer (factoring without recourse, it means, the buyer of the debt has no right to cancel the transaction) is treated as a sale of debts and is written off immediately if the Company transfers all risks associated with the debt transfer and no debt repurchase is contemplated, there is no provision for a debt buyer to foreclose on this transaction.

2020FY factoring contract is without the right of recourse (the factoring agent has no right to cancel the transaction), for this reason, the trade receivables are reduced after the receipt of the factoring advance payment. In the statements of cash flows factoring is included in the cash flows from financing activities.

2.27. Fair value measurement

A number of the Group's and the Company's accounting policies and disclosures require the determination of fair value, for both financial and non-financial assets and liabilities.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date in the principal, or in its absence, the most advantageous market to which the Group and the Company have access at that date. The fair value of a liability reflects its non-performance risk.

When measuring the fair value of an asset or a liability, the Group and the Company use market observable data as far as possible. Fair values are categorised within different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2: inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices);
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

If the inputs used to measure the fair value of an asset or a liability might be categorised within different levels of the fair value hierarchy, the fair value measurement is categorised in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement.

The Group and the Company recognize transfers between levels of the fair value hierarchy at the end of the reporting period during which the change has occurred.

Fair values have been determined for measurement and / or disclosure purposes based on the described methods. Where applicable, further information about the assumptions made in determining fair values is disclosed in the notes specific to that asset or liability (Note 14 – Provisions for employee benefits).

2.28. Reportable segments

Based on the reports reviewed by the board of directors, considered to be the chief operating decision makers that are used to make strategic decisions, Management of the Company has decided that the Company and the Group have a single reportable segment, i.e. furniture segment, including sales of raw materials and finished production. No separate detailed disclosure of segment reporting is presented.

3. Changes in significant accounting policies

Effect of transition to IFRS 15

There was no material impact on the Group's and the Company's statements of financial position as at 31 August 2019, statement of changes in equity and statement of cash flows due to IFRS 15. However, there was an impact on the statement of profit or loss and other comprehensive income related to presentation of Revenue related to sales of raw materials.

(all amounts are in EUR thousand unless otherwise stated)

Company provides raw materials to several external and related parties in order to obtain service from these parties-production of component parts used in the further production of furniture. In some cases raw materials are legally sold, in some no legal sales happen. For some of the service providers Vilniaus baldai, AB is the only customer they work with. The management has analysed such contracts based on the requirements of IFRS 15 and determined, that in most of cases there is no actual sale of raw materials and acquisition of components but transaction is rather a purchase of production service. Vilniaus baldai, AB controls the process and has full responsibility for the final customer. Raw materials were sold at purchase price to the production service provider. Before IFRS 15 came in to force such contracts were presented as Sales and revenue recognized accordingly. Impact on IFRS 15 on comparative numbers is presented below. Comparative numbers were not adjusted with this respect.

Group and Company	**2019**
Revenue in accordance with IAS 18	78,821
Impact of IFRS 15	3,617
Revenue in accordance with IFRS 15	75,204

The Group and the Company do not have accrued income in the statement of financial position, do not have guarantees issued to customers for implementation of contracts, do not have deferred income in the statement of financial position. Received prepayments under contracts with customers were not reclassified from received prepayments to a separate item of liabilities arising from contracts with customers due to insignificance.
The following table provides information about the nature and timing of the satisfaction of performance obligations in contracts with customers, including significant payment terms, and the related revenue recognition policies.

Type of revenue	**Nature and timing of satisfaction of performance obligations, including significant payment**	**Revenue recognition under IFRS 15**
Revenue from sale of furniture	Customer obtain control of furniture products when the goods are dispatched from the warehouse. Invoices are generated and revenue recognised at that point in time. Invoices are usually payable within 30 days. No discounts are provided for furniture products.	Revenue is recognized when the goods are dispatched from the warehouse. For contracts that permit the customer to return an item, revenue is recognized to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognised will not occur. Therefore, the amount of revenue recognised is adjusted for expected returns, which are estimated based on the historical data for specific types of furniture, size, finish etc.
Revenue from sale of raw materials and waste	Customers obtain control of raw materials when the goods are delivered to and have been accepted at their premises. Invoices are generated at that point in time. Invoices are usually payable within 30 days. No discounts are provided for raw materials.	Recognition of revenue when the Company sells raw materials in order to obtain production services has changed. The Company controls the process and has full responsibility for the final customer, thus transaction is rather a purchase of production service, thus sale of raw materials are no longer recognised as revenues and are recognised in cost of sales. Revenue from sale of raw materials where actual sale is made is recognised when the goods are delivered and have been accepted by customers at their premises. For contracts that permit the customer to return an item, revenue is recognised to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognised will not occur Therefore, the amount of revenue recognised is adjusted for expected returns, which are estimated based on the historical data for specific types of furniture, size, finish etc.

(all amounts are in EUR thousand unless otherwise stated)

4 Intangible assets

	Software	
	Group	**Company**
Cost:		
Balance as of 31 August 2018	278	278
Additions	-	-
Balance as of 31 August 2019	278	278
Additions	19	19
Balance as of 31 August 2020	297	297
Amortisation:		
Balance as of 31 August 2018	236	236
Charge for the year	23	23
Balance as of 31 August 2019	259	259
Charge for the year	15	15
Balance as of 31 August 2020	274	274
Net book value as of 31 August 2019	**19**	**19**
Net book value as of 31 August 2020	**23**	**23**

Amortization expenses of intangible assets are included within operating expenses in profit or loss. Intangible assets of the Group and the Company with an acquisition cost of EUR 252 thousand as of 31 August 2020 (as of 31 August 2019 – EUR 221 thousand) are fully amortised and were still in use.

(all amounts are in EUR thousand unless otherwise stated)

5 Property, plant and equipment

Group	Land and buildings	Machinery and equipment	Vehicles	Other property, plant and equipment	Total
Cost:					
Balance as of 31 August 2018	6,770	34,144	18	1,965	42,897
Additions	19,005	8,384	-	119	27,508
Sold and written off asset	(2,173)	(82)	(4)	(6)	(2,265)
Reclassified from/ to inventories				653	653
Overwriting from one article to another	-	439	-	(439)	-
Balance as of 31 August 2019	23,602	42,885	14	2,292	68,793
Additions	10,516	12,350	-	73	22,939
Sold and written off asset	-	(35)	-	(14)	(49)
Reclassified from/ to inventories	-	-	-	79	79
Overwriting from one article to another	-	-	-	-	-
Balance as of 31 August 2020	34,118	55,200	14	2,430	91,762
Accumulated depreciation:					
Balance as of 31 August 2018	2,425	18,738	16	1,089	22,268
Charge for the year	158	1,504	1	132	1,795
Sold and written off asset	(915)	(77)	(3)	(6)	(1,001)
Balance as of 31 August 2019	1,668	20.165	14	1,215	23,062
Charge for the year	204	2,657	-	138	2,999
Sold and written off asset	-	(33)	-	(5)	(38)
Balance as of 31 August 2020	1,872	22,789	14	1,348	26,023
Net book value as of 31 August 2019	**21,934**	**22,720**	**-**	**1,077**	**45,731**
Net book value as of 31 August 2020	**32.246**	**32.411**	**-**	**1.082**	**65.739**

(all amounts are in EUR thousand unless otherwise stated)

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 August 2018	4,753	34,144	18	1,962	40,877
Additions	670	8,384	-	118	9,172
Sold and written off asset	(2,173)	(82)	(4)	(6)	(2,265)
Reclassified from/ to inventories	-	-	-	653	653
Overwriting from one article to another	-	439	-	(439)	-
Balance as of 31 August 2019	3,250	42,885	14	2,288	48,437
Additions	30,868	12,350	-	71	43,289
Sold and written off asset	-	(35)	-	(14)	(49)
Reclassified from/ to inventories	-	-	-	79	79
Overwriting from one article to another	-	-	-	-	-
Balance as of 31 August 2020	34,118	55,200	14	2,424	91,756
Accumulated depreciation:					
Balance as of 31 August 2018	2,425	18,738	16	1,089	22,268
Charge for the year	158	1,504	1	131	1,794
Sold and written off asset	(915)	(77)	(3)	(6)	(1,001)
Balance as of 31 August 2019	1,668	20,165	14	1,214	23,061
Charge for the year	204	2,657	-	136	2,997
Sold and written off asset	-	(33)	-	(5)	(38)
Balance as of 31 August 2020	1,872	22,789	14	1,345	26,020
Net book value as of 31 August 2019	**1,582**	**22,720**	**0**	**1,074**	**25,376**
Net book value as of 31 August 2020	**32.246**	**32.411**	**0**	**1.079**	**65.736**

Depreciation charge for the year was recognised as follows:

	Group		**Company**	
	2020	**2019**	**2020**	**2019**
Cost of production	2,906	1,624	2,906	1,624
Operating expenses and inventories cost of production	93	170	91	170
	2,999	**1,794**	**2,997**	**1,794**

Property, plant and equipment of the Group and the Company with an acquisition cost of EUR 5,871 thousand was fully depreciated as of 31 August 2020 (EUR 4,029 thousand as of 31 August 2019), and was still in active use. The major part of the fully depreciated property, plant and equipment consists of machinery and equipment.

The Company does not have property, plant and equipment acquired under finance leases as at 31 August 2020 and as at 31 August 2019.

The Company's prepayments for non-current assets amounted to EUR 75 thousand as of 31 August 2020 (EUR 1,038 thousand as of 31 August 2019). Prepayments are classified as other property, plant and equipment.

(all amounts are in EUR thousand unless otherwise stated)

5 Property, plant and equipment (cont'd)

As at 31 August 2020, the Group and the Company have reclassified spare parts amounting to EUR 732 thousand (EUR 653 thousand as of 31 August 2019) that meet the Property, plant and equipment criteria from Inventories to Property, plant and equipment. These spare parts are booked under Other property, plant and equipment.

As of 31 August, 2020, the Company's property, plant and equipment with the net book value of EUR 45,145 thousand and inventories which classified as non-current assets amounting to EUR 732 thousand was pledged to the bank as collateral for loans granted (respectively EUR 10,969 thousand and EUR 653 thousand as of 31 August 2019) (Note 13).

During 2020 the Group has capitalized EUR 945 thousand (EUR 284 thousand as of 31 August 2019) of borrowing cost in property, plant and equipment.

6 Investments into subsidiaries

Acquisition cost of investment of the Company in subsidiaries as of 31 August 2020 and 2019 are presented below:

	2020		2019	
	Share capital	**Acquisition cost**	**Share capital**	**Acquisition cost**
ARI-LUX UAB	100%	5	100%	5
TRENDUVA UAB			100%	2
		5		**7**

Performance results of the subsidiary ARI-LUX UAB before elimination of related transactions in 2020 and 2019.

Statement of financial position

	As of 31 August 2020	As of 31 August 2019
Other non-current assets	3	3
Trade receivables	65	56
Other receivables and current assets	48	32
Cash and cash equivalents	129	85
Total assets	**245**	**176**
Share capital	3	3
Retained earnings	126	83
Trade liabilities	1	1
Other current payables and accrued liabilities	115	89
Total equity and liabilities	**245**	**176**

Statement of profit or loss and other comprehensive income

	2020	2019
Revenue	511	471
Cost of sales	(419)	(370)
Gross profit	**92**	**101**
Operating expenses	(41)	(92)
Profit (loss) before income tax	**51**	**9**
Income tax expense	(8)	(1)
Net profit (loss) for the reporting period	**43**	**8**

(all amounts are in EUR thousand unless otherwise stated)

Reorganisation of UAB Trenduva

On the 12th of August 2019 the General Shareholders Meeting of VILNIAUS BALDAI AB adopted the following resolutions:According to Article 63 par. 1 of the Law on Companies of the Republic of Lithuania, to approve the terms of the reorganization of public limited liability company "Vilniaus baldai", with code 121922783, registered office address Vilnius m. sav., Vilniaus m., Savanorių pr. 178B, and UAB „Trenduva" (converted into public limited liability company), with code 304438643, registered office address Vilniaus m. sav., Vilniaus m., T. Narbuto g. 5, on the basis thereof public limited liability company „Vilniaus baldai" shall participate in the reorganisation by way of merger by acquisition, during which to the public limited liability company „Vilniaus baldai", resulting from the reorganisation, shall be merged a subsidiary thereof – public limited liability company „Trenduva".

On 29th of November 2019 reorganization by way of merger by acquisition during which to the public limited liability company "Vilniaus baldai", resulting from the reorganisation, was merged a subsidiary thereof – "Trenduva", AB, which ceased to exist without liquidation procedure, was finished.

At January 31st, 2020 the subsidiary TRENDUVA, UAB was merged with the Company. Performance results of the subsidiary TRENDUVA UAB before elimination of related transactions in 2020 and 2019.

Statement of financial position

	As of 31 January 2020	As of 31 August 2019
Land and buildings	26,465	20,352
Total non-current assets	**26,465**	**20,352**
Prepayments	96	123
Other receivables and current assets	6	153
Cash and cash equivalents	1	42
Current assets total	**103**	**318**
Total assets	**26,568**	**20,670**
Share capital	2	2
Retained earnings	(141)	(139)
Total equity	**(139)**	**(137)**
Current portion of non-current borrowings	25,398	16,154
Other current liabilities and accrued liabilities	1,309	4,653
Total current liabilities	**26,707**	**20,807**
Total equity and liabilities	**26,568**	**20,670**

7 Inventories

	Group		Company	
	2020	**2019**	**2020**	**2019**
Raw materials	2,024	2,108	2,024	2,108
Work in progress	2,000	1,376	2,000	1,376
Finished goods	2,380	3,549	2,380	3,549
Spare parts for the repair of equipment used in activities	398	418	398	418
Goods for resale	1	-	1	-
Less: adjustment to net realizable value	-	-	-	-
	6,803	**7,451**	**6,803**	**7,451**

(all amounts are in EUR thousand unless otherwise stated)

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

Inventories in value of EUR 6,803 thousand are pledged to the bank according to loan agreements (Note 13) as of 31 August 2020. Inventories in value of EUR 7,451 thousand were pledged to the bank as of 31 August 2019.

8 Trade receivables

	Group		Company	
	2020	**2019**	**2020**	**2019**
Trade receivables, gross	1,878	1,161	1,878	1,240
Less: impairment for doubtful receivables	-	-	-	-
	1,878	**1,161**	**1,878**	**1,240**

Factoring contract without recourse between Vilniaus Baldai AB and bank was signed on 20-05-2019. Factoring term 31-07-2021. Maximum payment term: 90 days to be calculated from the issue date of the invoice. Factoring limit and currency – 8,889 thousand EUR; 5,200 thousand of factoring limit was used at 31 August 2020 (the limit used was EUR 5,032 thousand as of 31 August 2019)

The liabilities of the buyers are reduced after the receipt of the factoring advance payment.

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

As of 31 August 2020, and 31 August 2019 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 August 2020 and 31 August 2019 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
COMPANY							
2019	1,185	7	48	-	-	-	**1,240**
2020	1,862	15	1	-	-	-	**1,878**

	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
GROUP							
2019	1,106	7	48	-	-	-	**1,161**
2020	1,862	15	1	-	-	-	**1,878**

9 Loans granted

	Group		Company	
	2020	**2019**	**2020**	**2019**
Loans granted to subsidiary	-	-	-	13,075
	-	**-**	**-**	**13,075**

Company has granted loans to its subsidiary Trenduva UAB with fixed annual interest rate for the loan 2.7% - 3,2%

By merging Trenduva UAB into Vilniaus Baldai AB granted loans were settled on merge by recognising Property, plant and equipment owned by Trenduva UAB in Vilniaus Baldai AB statement of financial position.

(all amounts are in EUR thousand unless otherwise stated)

10 Other receivables

	Group		Company	
	2020	2019	2020	2019
Refundable VAT	688	796	688	653
Receivables of Employment Services Under the Ministry of Social Security and Labour	495	-	495	-
Other receivables	338	342	290	299
	1.521	**1.138**	**1.473**	**952**

Other receivables of the Group and the Company were neither past due nor impaired as of 31 August 2020 and 31 August 2019.

11 Cash and cash equivalents

	Group		Company	
	2020	2019	2020	2019
Cash at bank	4,993	1,612	4,864	1,485
	4,993	**1,612**	**4,864**	**1,485**

The Company's cash balances in bank accounts denominated in foreign currency and euro, and future inflows to the accounts at JSC Citadele bank were pledged to the bank as collateral for loans granted (Note 13).

12 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. As of 31 August 2020 the Company's legal reserve was fully formed at amount 451 thousand. EUR (31 August 2019 – EUR 451 thousand).

13 Financial liabilities

	Group		Company	
	As of 31 August 2020	As of 31 August 2019	As of 31 August 2020	As of 31 August 2019
Non-current borrowings				
Syndicated loan from commercial banks	34,597	17,376	34,597	17,376
Loans from related party	3,000	3,000	3,000	-
Loans from Ikea Supply AG	1,633	-	1,633	-
	39,230	**20,376**	**39,230**	**17,376**
Current borrowings				
Current portion of loans	1,128	-	1,128	-
	1,128	**-**	**1,128**	**-**

The Company's property, plant and equipment with the total net book value of EUR 45,145 thousand as of 31 August 2020 (EUR 10,439 thousand as of 31 August 2019), all the current cash balances and future inflows to the Company's accounts at the bank and inventories in value of EUR 7,534 thousand as at 31 August 2020 (inventories in value of EUR 8,103 thousand as at 31 August 2019) were pledged as collateral for the loans granted.

Loan from related party - 3,000,000 EUR, Interest rate 3,5 %. Loan is subordinated against loans received from bank – it will not be repaid until the liabilities for the loan from the bank will be settled.

Loan from Ikea Supply AG EUR 1,728 thousand with interest rate 1.7%, repayment term 2027 April 25.

(all amounts are in EUR thousand unless otherwise stated)

Loans from the bank:

- EUR 17,815 thousand, interest rate 3,1%, maturity 30 April 2027
- EUR 17,815 thousand, interest rate 3,1%, maturity 30 April 2027

According loan agreement total loan commitment from the bank is EUR 35,630 thousand.

Actual interest rates are close to the effective interest rates.

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

	Group		Company	
	2020	**2019**	**2020**	**2019**
Loans	3.07%	3.31%	3.07%	3.33%

Borrowings at the end of the year currencies:

	Group		Company	
	2020	**2019**	**2020**	**2019**
Borrowings denominated in:				
EUR	40,358	20,376	40,358	17,376
	40,358	**20,376**	**40,358**	**17,376**

Reconciliation of movements of liabilities to cash flows arising from financing activities:

	Group	Company
Borrowings as at 31.08.2019	**20,376**	**17,376**
Proceeds from borrowings	20,006	23,006
Repayments of borrowings	(24)	(24)
Borrowings as at 31.08.2020	**40,358**	**40,358**

13.1 IFRS 16 "Leases"

The Group and the Company apply the new standard using a modified retrospective method, which means that the comparative figures will not be restated. The overall effect of applying IFRS 16 was recognized in 2019. January 1 From 2019 January 1 lease liabilities classified as leases that were previously classified in accordance with IAS 17 for buses are measured at the present value of the remaining discounted lease payments using an additional school rate. The Group and the Company recognize the assets of the manager in an amount equal to the lease liabilities, adjusting the amount of lease payments prepaid or accrued during 2019. August 31 The right to use the carrying amount and lease obligations in accordance with IFRS 16 for leases that are classified as finance leases in accordance with IAS 17, 2019. January 1 is the right to use the carrying amount of the asset and the lease liability for accounting purposes in accordance with IAS 17 before the transition to IFRS 16.

	As of 31 August 2020	**As of 31 August 2019**
Assets under management	787	1,124
Premises	272	677
Vehicles	515	447
Increase in total assets	**787**	**1,124**
Long - term lease obligations	583	541
Short - term lease obligations	214	583
Increase in total liabilities	**797**	**1,124**

(all amounts are in EUR thousand unless otherwise stated)

In the table, deferred tax assets and liabilities from the right to use the property and lease liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities.

The Group and the Company have entered into lease agreements for the operation of vehicles and premises. Previously, operating lease costs were recognized by the Group and the Company on a straight-line basis over the lease term, and assets and liabilities were recognized only to the extent of the time difference between the actual lease payments and the recognized expense. From 2019 September 1 The Group includes payments due in the lease as a lease liability.

	Group		Company	
	2020	**2019**	**2020**	**2019**
Long time rent according IFRS 16 of which:	583	-	583	-
Premises lease obligation	280		280	
Vehicle rental obligation	303		303	
Long time rent according IFRS 16 current liabilities of which:	214	-	214	-
Premises lease obligation	53		53	
Vehicle rental obligation	161		161	
	797	**-**	**797**	**-**

14 Provisions for employee benefits

	Group		Company	
	2020	**2019**	**2020**	**2019**
Provisions for pension benefits	294	245	294	245
Provisions for jubilee and other benefits	414	390	414	390
	708	**635**	**708**	**635**

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:

	2020	**2019**
Discount rate based on inflation forecast	1.5%	1.5%
Salary growth rate	6%	6%
Rate of employee turnover by age group:		
younger than 25 years	40%	40%
from 25 to 45 years	40%	40%
from 45 to 59 years	20%	20%
from 59 to 75 years	15%	15%

Management has reviewed the rate of employee turnover by age group and based on historical data has adjusted them to bring the data into line with the Company's data.

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:

(all amounts are in EUR thousand unless otherwise stated)

	Increase / decrease, %	Impact on other comprehensive income
2020		
Discount rate	+0.5%	(2)
Salary growth rate	+0.5%	2
Discount rate	-0.5%	2
Salary growth rate	-0.5%	(2)

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

The Group and the Company	2020	2019
At 1 September	244	337
Growth in the current year	28	25
Payments	(27)	(12)
Re-measurements of pension benefits	49	(106)
At 31 August	**294**	**244**

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

The Group and the Company	2020	2019
At 1 September	391	478
Growth in the current year	219	(58)
Payments	(196)	(29)
At 31 August	**414**	**391**

15 Trade payables

Trade payables are non-interest bearing and are normally settled on 30–90 days terms.

16 Other current and accrued liabilities

	Group		Company	
	2020	**2019**	**2020**	**2019**
Payroll liabilities and related taxes	1,953	984	1,887	928
Accrued vacation	1,101	943	1,073	943
Dividends payable	1,000	1,008	1,000	1,008
Other payables and accrued liabilities	210	95	192	64
	4,264	**3,030**	**4,152**	**2,943**

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

17 Revenue

In 2020 and 2019 sales of goods comprised sales of furniture, which accounted for approx. 99 per cent of total sales, while the rest were sales of raw materials and waste.

The main customer of the Company is IKEA Supply AG. Sales to this customer in 2020 amounted to EUR 72,979 thousand, i.e. 99,5 per cent of total sales (in 2019 sales amounted to EUR 74,202 thousand, i.e. 99 per cent of total sales). The Company was working with this customer on the basis of short-term agreements since 1998, from 1 February 2018 long term agreement was signed about purchases until 2025 year.

(all amounts are in EUR thousand unless otherwise stated)

	Group		Company	
	2020	**2019**	**2020**	**2019**
Primary geographical markets:				
European Union countries, excluding Lithuania	45,495	43,223	45,495	43,223
Non-European Union countries	27,491	31,670	27,491	31,670
Lithuania	338	311	338	311
	73,324	**75,204**	**73,324**	**75,204**
Major products lines:				
Furniture	73,218	75,014	73,218	75,014
Raw materials	106	190	106	190
	73,324	**75,204**	**73,324**	**75,204**

The Group and the Company have only non-governmental customers. All revenues are recognized at the point in time.

18 Cost of sales

	Group		Company	
	2020	**2019**	**2020**	**2019**
Materials	45,560	50,844	45,560	50,844
Wages, salaries	11.981	10.257	11.577	9.923
Subsidies from Employment Services	(1.849)	-	(1.849)	-
Depreciation	2,906	1,624	2,906	1,624
Depreciation according to IFRS 16	191	-	191	-
Social security	218	894	210	864
Other production expenses	4,860	4,837	5,366	5,302
	63,867	**68,456**	**63,961**	**68,557**

As of 1 January 2019 legislation for employee taxes has changed, thus presentation of Wages, salaries and Social security changed.

19 Selling and distribution expenses and administrative expenses

	Group		Company	
	2020	**2019**	**2020**	**2019**
Selling and distribution expenses:				
Transportation and logistics expenses	1,046	1,169	1,046	1,169
Wages, salaries	14	11	14	11
Depreciation and amortisation	10	12	10	12
Utilities, maintenance and communications	5	3	5	3
Other	82	106	82	106
	1,157	**1,301**	**1,157**	**1,301**

(all amounts are in EUR thousand unless otherwise stated)

	Group		Company	
	2020	2019	2020	2019
Administrative expenses:				
Wages, salaries	2.048	1.987	2.022	1.782
Subsidies from Employment Services	(132)	-	(132)	-
Transportation and logistics expenses	121	214	121	214
Social security	39	146	39	141
Audit and consultation expenses	371	231	371	230
Depreciation and amortisation	71	73	70	72
Depreciation according to IFRS 16	428	-	428	-
Utilities, maintenance and communications	107	93	107	93
Waste utilisation expenses	57	65	57	65
Business trips expenses	48	52	48	52
Charity and support expenses	40	1	40	-
Other	1,118	639	1,107	740
	4,316	**3,501**	**4,278**	**3,389**

20 Other operating income and expenses

	Group		Company	
	2020	2019	2020	2019
Other operating income				
Rent and utilities income	252	253	252	253
Gain on disposal of property, plant and equipment	2	1,784	2	1,784
Heating revenue	419	497	419	497
Other income	41	96	45	99
	714	**2,630**	**718**	**2,633**
Other operating expenses				
Direct costs of rent income	(148)	(166)	(148)	(166)
Heat generation costs	(242)	(238)	(242)	(238)
Losses on disposal of property, plant and equipment	(1)	(136)	(1)	(136)
Other expenses	-	(58)	-	(58)
	(391)	**(598)**	**(391)**	**(598)**

21 Finance income and finance costs

	Group		Company	
	2020	2019	2020	2019
Finance income				
Interest income	-	-	-	79
	-	**-**	**-**	**79**
Finance costs				
Interest expenses	(257)	(91)	(257)	(91)
Expenses due to currency exchange	(10)	(43)	(10)	(43)
	(267)	**(134)**	**(267)**	**(134)**

During 2020, Companys's interest expenses amounting to EUR 945 thousand were capitalized in Property, plant and equipment. During 2019, Companys's interest expenses amounting to EUR 64 thousand professional fees amounting to EUR 34 thousand and bank administration fees amounting to EUR 188 thousand were capitalized in Property, plant and equipment and Group's – EUR 120 thousand interest expenses, EUR 34 thousand professional fees and EUR 188 thousand of bank administration fees.

(all amounts are in EUR thousand unless otherwise stated)

22 Income tax

	Group		Company	
	2020	2019	2020	2019
Components of the income tax expense				
Income tax expenses for the reporting year	9	1	-	-
Income tax expenses from dividends paid to natural persons	-	-	-	-
Total current income tax expense	9	1	-	-
Recognition and reversal of temporary differences	(998)	(228)	(998)	(228)
Change in deferred tax	(998)	(228)	(998)	(228)
Income tax expense carried in profit or loss	**(989)**	**(227)**	**(998)**	**(228)**

Deferred income tax asset and liability as of 31 August 2019 and 31 August 2020 was accounted using tax rate of 15%.

In 2020, 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 EUR 11 million (EUR 4 million at 2019), 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 2020 by the investment tax credit of EUR 5 million (EUR 4 million at 2019).

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			
	2020		2019	
Profit (loss) before tax		4,040		3,844
Tax calculated at a statutory 15% tax rate	15 %	606	15 %	577
Tax effects of:				
- Expenses not deductible for tax purposes	0 %	75	0 %	16
- Income not subject to tax	0 %	(5)	0 %	(3)
- Income tax relief due to investment projects	(15 %)	(667)	(15 %)	(590)
Income tax expense carried in profit or loss	**15 %**	**9**	**0%**	**-**

	Company			
	2020		2019	
Profit (loss) before tax		3,988		3,937
Tax calculated at a statutory 15% tax rate	15 %	598	15 %	591
Tax effects of:				
- Expenses not deductible for tax purposes	0 %	74	0 %	2
- Income not subject to tax	0 %	(5)	0 %	(3)
- Income tax relief due to investment projects	(15 %)	(667)	(15 %)	(590)
Income tax expense carried in profit or loss	**15 %**	**-**	**0 %**	**-**

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

	Group		Company	
	2020	**2019**	**2020**	**2019**
Deferred tax assets	1,378	374	1,378	374
Deferred tax liability	(37)	(31)	(37)	(31)
	1,341	**343**	**1,341**	**343**

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	**2018**	**Credited (debited) to income tax expenses**	**2019**	**Credited (debited) to income tax expenses**	**2020**
Deferred tax assets					
– Accrued charges	157	(73)	84	25	109
– Unused Investment relief	-	290	290	971	1,261
	157	217	374	995	1,370
Deferred tax liabilities					
– Investment relief	(42)	11	(31)	2	(29)
	(42)	11	(31)	2	(29)
Deferred tax assets, net	**115**	**228**	**343**	**998**	**1,341**

Company	**2018**	**Credited (debited) to income tax expenses**	**2019**	**Credited (debited) to income tax expenses**	**2020**
Deferred tax assets					
– Accrued charges	157	(73)	84	25	109
– Unused Investment relief	-	290	290	971	1,261
	157	217	374	995	1,370
Deferred tax liabilities	(42)	11	(31)	2	(29)
– Investment relief	(42)	11	(31)	2	(29)
Deferred tax assets, net	**115**	**228**	**343**	**998**	**1,341**

23 Earnings per share

Basic and diluted earnings per share are calculated by dividing the net profit attributable to shareholders by the weighted average number of ordinary shares issued and paid during the year. There are no potential ordinary shares to be issued, therefore basic and diluted earnings per share are equal.

	Group		Company	
	2020	**2019**	**2020**	**2019**
Net profit attributable to shareholders	5,029	4,071	4,986	4,165
Weighted average number of shares (thousand)	3,886	3,886	3,886	3,886
Basic earnings per share (in EUR)	**1,29**	**1,05**	**1,28**	**1,07**

(all amounts are in EUR thousand unless otherwise stated)

There were no changes in the share capital of the Company during 2020 and 2019; therefore, the weighted average number of shares equals the total number of shares.

24 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	
	2020	**2019**	**2020**	**2019**
Financial assets				
Loans granted	-	-	-	13,075
Trade and other receivables	3,025	1,503	3,061	1,539
Cash and cash equivalents	4,993	1,612	4,864	1,485
	8,018	**3,115**	**7,925**	**16,099**

	Group		Company	
	Category – Financial liabilities measured at amortised cost		Category – Financial liabilities measured at amortised cost	
	2020	**2019**	**2020**	**2019**
Financial liabilities				
Borrowings	40,358	20,376	40,358	17.376
Trade and other payables	15,333	15,322	15,331	10.701
	55,691	**35,698**	**55,689**	**28.077**

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 August 2020 were 0.85 and 0.48 (Group's), 0.85 and 0.47 (Company's) respectively (the Group's liquidity and quick ratio as of 31 August 2019 – 0.69 and 0.26, and the Company's 0.92 and 0.33 respectively).

The tables below summarise the maturity profile of the Group's and the Company's financial liabilities as of 31 August 2020 based on contractual undiscounted cash flows (planned payments and 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	-	-	13,676	9,340	-	23,016
Trade and other payables	1,698	13,621	-	-	-	15,319
Balance as of 31 August 2019	**1,698**	**13,621**	**13,676**	**9,340**	**-**	**38,335**
Interest bearing loans and borrowings	-	309	2,073	34,807	8,474	45,663
Trade and other payables	3,113	12,220	-	-	-	15,333
Balance as of 31 August 2020	**3,113**	**12,529**	**2,073**	**34,807**	**8,474**	**60,996**

(all amounts are in EUR thousand unless otherwise stated)

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	-	-	-	9,120	10,210	19,330
Trade and other payables	1,643	9,045	-	-	-	10,688
Balance as of 31 August 2019	**1,643**	**9,045**	**-**	**9,120**	**10,210**	**30,018**
Interest bearing loans and borrowings	-	309	2,073	34,807	8,474	45,663
Trade and other payables	3,047	12,284	-	-	-	15,331
Balance as of 31 August 2020	**3,047**	**12,593**	**2,073**	**34,807**	**8,474**	**60,994**

Credit risk

Credit risk is a risk that the Group and the Company will incur financial losses, if a buyer or other party fails to fulfil its contractual liabilities. This risk is mainly associated with the Group's and the Company's trade debtors.

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 August 2020 accounted for approximately 94% of the total Group's and Company's trade receivables (as of 31 August 2019 over 99%). 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 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.

Impairment accounted for by the Group and the Company until 1 September 2018 reflects the estimated losses from doubtful trade receivables. The principal component of impairment is individually assessed losses from significant doubtful trade receivables. Impairment assessment methods were constantly reviewed to ensure that the difference between the estimated and actual losses was as low as possible.

As of 1 September 2018, the Group and the Company assess the probability of default upon initial recognition of financial assets and at each reporting date considering whether the credit risk has significantly increased since initial recognition. To assess whether there has been a significant increase in credit risk, the Group and the Company compare the risk of default related to assets as at the reporting date to the risk of default on initial recognition.

Credit risk is measured as the maximum credit exposure for each group of financial instruments and is equal to their carrying amount. The major credit risk relates to the carrying amount of each group of assets.

The Group's sales and trade receivable amounts from main customers comprised:

Customers:	Sales	Trade receivables
Four or more years "trading history with the Group"	72,979	1,395
Less than four years "trading history with the Group"	345	483
Higher risk	-	-
Total gross carrying amount	**73,324**	**1,878**

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.

(all amounts are in EUR thousand unless otherwise stated)

For calculation of the expected credit losses, trade receivables are categorised into separate groups according to credit risk characteristics. The amounts for each group are analysed by the number of days past due. As trade and other receivables usually do not include deposit or other collaterals, the ratio of expected losses coincides with the probability of default.

The Group and the Company determine credit risk based on historical data, considering past due payments.

The following table provides information about the Group's and the Company's exposure to credit risk and ECLs for trade receivables as at 31 August 2020:

	Expected credit losses, %	Initial value	Impairment	Carrying amount
Not past due	0%	1.878	-	1.878
Past due for 1 to 30 days	0%	-	-	-
Past due for 31 to 60 days	1%	-	-	-
Past due for 61 to 120 days	2%	-	-	-
Past due for over 120 days	3%	-	-	-
Total		**1.878**	**-**	**1.878**

The management have analysed 5 years historical data and determined, that there were no impairment losses incurred.

As at 31 August 2020 the Group and the Company had no impaired trade receivables.

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.

Financial assets and liabilities stated in various currencies as of 31 August 2020 were as follows (stated in EUR):

	Group		Company	
	Assets	**Liabilities**	**Assets**	**Liabilities**
EUR	8,018	55,399	7,925	55,397
PLN	-	289	-	289
USD		3		3
	8,018	**55,691**	**7,925**	**55,689**

Financial assets and liabilities stated in various currencies as of 31 August 2019 were as follows (stated in EUR):

	Group		Company	
	Assets	**Liabilities**	**Assets**	**Liabilities**
EUR	3,244	35,841	16,105	27,265
PLN	-	799	-	799
	3,244	**36,640**	**16,105**	**28,064**

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 August 2020 and 31 August 2019.

(all amounts are in EUR thousand unless otherwise stated)

	Group		Company	
	Increase/ decrease, %	Effect on profit before tax	Increase/ decrease, %	Effect on profit before tax
2019				
EUR	+1 %	(205)	+1 %	(174)
EUR	-1 %	202	-1 %	172
2020				
EUR	+1 %	(404)	+1 %	(404)
EUR	-1 %	404	-1 %	404

Fair value of financial assets and liabilities

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.

Trade and other receivables, trade and other payables and borrowings. 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 EURIBOR market based variable interest rates.

25 Capital management

The Group's and the Company's capital includes share capital, legal reserve 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 August 2020.

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.

The Group and the Company have externally imposed capital requirements from the bank.

At 21 June 2019 was signed the loan agreement between VILNIAUS BALDAI AB and EUROPEAN BANK FOR RECONSTRUCTION AND DEVELOPMENT and AS CITADELE BANKA, LITHUANIAN BRANCH. According to this agreement, the following requirements are imposed to secure the repayment of bank borrowings and settlement of finance lease obligations:

Financial Ratios:

a) Debt Service Coverage Ratio. The Borrower shall, at all times commencing on 31 August 2020 onwards, maintain a ratio of:
   i. Cash Available for Debt Service for the 12 months preceding the date of calculation; to
   ii. the sum of the principal repayments (excluding any amounts falling due under any overdraft or revolving facility that were available for simultaneous redrawing according to the terms of such facility) and interest payments on all Financial Indebtedness due or accrued during such period, on a 12-month rolling stock basis, of not less than 1:20:1.

b) Net Financial Debt to EBITDA Ratio. The Borrower, shall at all times commencing on 31 August 2021 onwards, maintain a ratio of (x) Net Financial Debt to (y) EBITDA for the 12 months preceding the date of calculation of not more than:
   i. as at 31 August 2021, 5.00:1;
   ii. for the period from 1 September 2021 to 31 August 2022, 4.50:1;
   iii. for the period from 1 September 2022 to 31 August 2023, 3.50:1; and
   iv. for the period from 1 September 2023 onwards, 3.00:1.

c) Equity Ratio. The Borrower shall, at all times commencing on 31 August 2020 onwards, maintain a ratio of Equity to [Total Assets] of not less than:

(all amounts are in EUR thousand unless otherwise stated)

i. as at 31 August 2020, 0.3:1;
ii. for the period from 1 September 2020 to 31 August 2021, 0.35:1; and
iii. for the period from 1 September 2021 onwards, 0.40:1.

d) Minimum EBITDA. The Borrower shall, at all times commencing on the date of this Agreement onwards, maintain EBITDA of not less than:
   i. for the period from the date of this Agreement to 31 August 2019, EUR 5,500,000;
   ii. for the period from 1 September 2019 to 31 August 2020, EUR 6,800,000; and
   iii. for the period from 1 September 2020 to 28 February 2021, EUR 7,200,000, to be calculated on a 12-month rolling stock basis.
e) Minimum EBITDA ratio. The Borrower shall, at all times commencing on the date of this Agreement onwards, maintain a percentage of (x) EBITDA divided by (y) sales revenue of not less than:
   i. for the period from the date of this Agreement to 31 August 2019, 7%; and
   ii. for the period from 1 September 2019 to 28 February 2021, 8%, to be calculated on a 12-month rolling stock basis.

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

2020FY banks' covenants are presented below:

- EBITDA not less than EUR 6,800,000.

EBITDA (for the last 12 months) is EUR 7,254 thousand.

- EBITDA divided by (y) sales revenue of not less than 8%.

At 31 August 2020 percentage of EBITDA divided by sales revenue – 9.9 %.

- Debt coverage ratio not less than 1.2

At 31 August 2020 debt coverage ratio is 3.7

- Equity ratio not less than 0.3

At 31 August 2020 equity ratio is 0.33

As of 31 August 2020, and 31 August 2019, the Group and the Company complied with all external requirements established to secure the repayment of bank borrowings.

26 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 August 2020 were: ARI-LUX UAB (the subsidiary), Invalda Privatus Kapitalas AB (ultimate shareholder) and all companies controlled by Invalda Privatus Kapitalas AB (other related parties). (31 August 2019 were: ARI-LUX UAB (the subsidiary), Trenduva UAB (the subsidiary), Invalda Privatus Kapitalas AB (ultimate shareholder) and all companies controlled by Invalda Privatus Kapitalas AB (other related parties).)
Transactions of the Group and the Company with related parties during 2020 and 2019 and the balances as of 31 August 2020 and 31 August 2019 were as follows:

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

2019 **Group**	**Purchases**	**Sales**	**Receivables**	**Payables**
UAB „Bordena“	5,641	3,040	-	929
UAB „Krevina“	-	2,900	-	-
UAB „Švytėjimas“	427	-	-	-
UAB „Inreal valdymas“	91	2	-	10
UAB „Inreal Go“	1	-	-	-
UAB „Geruvis“	1	-	-	-
	6,161	**5,942**	**-**	**939**

(all amounts are in EUR thousand unless otherwise stated)

2019 Company	**Purchases**	**Sales**	**Receivables**	**Payables**
UAB „ARI-LUX“	471	3	-	55
UAB „Trenduva“	-	79	79	-
UAB „Bordena“	5,641	3,040	-	929
UAB „Krevina“	-	2,900	-	-
UAB „Švytėjimas“	427	-	-	-
UAB „Inreal valdymas“	91	2	-	10
UAB „Inreal Go“	1	-	-	-
UAB „Geruvis“	1	-	-	-
	6,632	**6,024**	**79**	**994**

2020 Group	**Purchases**	**Sales**	**Receivables**	**Payables**
UAB „Bordena“	4.140	2.230	364	-
UAB „Inreal valdymas“	393	-	-	159
UAB „Švytėjimas“	40	-	-	1
	4.573	**2.230**	**364**	**160**

2020 Company	**Purchases**	**Sales**	**Receivables**	**Payables**
UAB „ARI-LUX“	511	4	1	64
UAB „Bordena“	4.140	2.230	364	0
UAB „Inreal valdymas“	393			159
UAB „Švytėjimas“				
	5,084	**2,234**	**365**	**224**

In 2020 sales to related parties comprised sale of raw materials (EUR 2,230 thousand) that in financial statements reduces cost of sales, sale of property plant and equipment presented in Note 20 and other minor sales.

b) Loans to Invalda Privatus Kapitalas AB

	2020	**2019**
As at 1 September	-	-
Loans advanced during year	-	-
Loan repayments received	-	-
Interest charged	-	-
Interest received	-	-
As at 31 August	**-**	**-**

c) Loans to Trenduva UAB:

	2020	**2019**
At 1 September	13,154	2,191
Loans advanced during year	-	10,884
Loan repayments received	-	-
Interest charged	(13,154)	-
Interest received	-	79
At 31 August	-	**13,154**

(all amounts are in EUR thousand unless otherwise stated)

d) Loans from Invalda Privatus Kapitalas AB to Trenduva UAB, transferred to the Company after the merger of UAB Trenduva:

	2020	2019
At 1 September	-	-
Non-current loans	3,000	3,000
Loan repayments received	-	-
Interest charged	-	-
Interest received	-	-
At 31 August	**3,000**	**3,000**

Remuneration of the management and other payments

The Company's General Manager, Chief Financial Officer, Head of Quality and Technology, Head of Technical, Head of Production, Head of HR, Head of Purchasing department, Strategic Projects Manager and Head of Sales and Logistics are considered to be the key management of the Group.

	Group		Company	
	2020	**2019**	**2020**	**2019**
Wages, salaries	605	402	604	391
Social security	11	38	11	38
	616	**440**	**615**	**429**

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

27 Contingent liabilities

As of 31 August 2020 the Group and the Company had no significant contingent liabilities.

The tax authorities have a right to examine the Groups and the Company's books and accounting records at any time during the 3 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.

28 Going concern

As at 31 August 2020 current liabilities exceed current assets of the Group by the amount of EUR 2,636 thousand (2019 – EUR 5,276 thousand) and of the Company by the amount of EUR 2,765 thousand (2019 – EUR 1,003 thousand).

The main reason is a construction of new factory resulting in significant increase in trade payables. The Company's production and sales volumes are increasing and the management projects that cash flows from operating activities is sufficient to cover temporary liquidity gap and to fund investments projects.

29 Events after the end of the reporting period

In 2020, the first stage of the new Vilniaus baldai AB factory project was completed. The new factory was built and equipped, new production lines were installed, and furniture production was gradually started in Guopstos Village, Trakai District.
On the 8th of October 2020 the General Shareholders Meeting of Vilniaus baldai AB adopted the following resolutions:

1. Elections of the Audit Company and establishment of conditions for payment for audit services.
2. Election of the Company's Management Board members
3. Approval of Company's Remuneration policy

On the 2nd of November the additional loan of EUR 1,200 thousand was received from its main customer

2020 the Company's sales were 2.5 percent. lower than in FY 2019 due to the global coronavirus pandemic that began in March. As a result, our main customer's stores in various countries have been closed for some time. Given the situation, we have had to reduce production for some time. However, later, when the restrictions were released, sales returned to their previous volumes and even exceeded them. Currently the Company continues to plan to increase production and sales volumes, further planning will depend on the volume of orders of our main client. The Company continues to work in accordance with the rules and recommendations issued by the official authorities – this way it aims to ensure maximum safety of the employees.

(all amounts are in EUR thousand unless otherwise stated)

Due to the prevailing uncertainty, it is currently not possible to assess the impact of the current situation on the Company's financial results for next year. In the light of the global coronavirus pandemic and the measures taken by other countries to stop it, this is evaluated as a risk that could affect the Company's sales in the short-term. The Company's production and sales volumes are increasing and the management projects that cash flows from operating activities is sufficient to cover temporary liquidity gap and to ensure the continuity of the company's activities.

There were no other significant events after 31 August 2020 until the date of approval of these financial statements.

30 Adjustments to comparative information

The company had granted loans to the subsidiary UAB Trenduva, which was reorganized by way of merger by acquisition with AB Vilniaus Baldai in the reporting year. This post-reporting event was known to the Company preparing the financial statements of the previous year, therefore the granted loans had to be accounted as short-term loan.

		Company		
	Notes	**As of 31 August 2019 (before adjustment)**	**Adjustment**	**As of 31 August 2019 (after adjustment)**
ASSETS				
Non-current assets				
Loans granted to subsidiaries		13,075	(13,075)	
Total non-current assets		**38,820**	**(13,075)**	**25,745**
Current assets				
Loans granted			13,075	13,075
Total current assets		**11,569**	**13,705**	**24,644**
Total assets		**50,389**		**50,389**

General Manager	Jonas Krutinis		27 November 2020
Chief Accountant	Elinga Judickienė		27 November 2020

SOCIAL RESPONSIBILITY REPORT 2020

CONTENT

The financial year 2020 was a year of both challenges and achievements for Vilniaus Baldai. These included efforts to sustain our work processes in the face of the coronavirus pandemic, as well as the start of our production operations at a new factory in Trakai District.

In August, the first stage of the new Vilniaus Baldai factory project was successfully completed in the Trakai District of Guopstos Village – the building was constructed and fully equipped, new production lines were installed, a team of professionals was assembled and the manufacturing of furniture has now begun. With a total investment of EUR 55 million, modern automation, robotics and technological solutions have been implemented in the factory that will allow the company to double its production capacity. This will also enable to company to supplement its product range with new items in response to the needs of our main customer – IKEA. The move to the new factory is planned to be completed by the end of 2022.

In order to manage the impact of the coronavirus pandemic, the company has implemented new work organisation methods and risk management tools, as well as deepening our knowledge of crisis management practices. During the first quarantine in the spring, one of our most important achievements was saving the jobs of all our employees, as our production lines were forced to stop before resuming operations. We are proud to have provided our employees with better payment conditions than those guaranteed by the state during this downtime. We also maintained good relationships with our suppliers, continued the implementation of our planned projects and updated our range of manufactured furniture, according to the customer requirements.

The company has declared 2020 as the Year of Vilniaus Baldai team. As a result, initiatives to promote communication, involvement and improvements have been implemented, which resulted in a significant reduction of the employee turnover rate. In order to achieve further advancements, the company will dedicate 2021 to the promotion of professional initiatives.

We will continue paying a great deal of attention to protecting the environment through a responsible use of resources and continuous process improvements, to ensure that our customers receive sustainably manufactured, high-quality and ecological furniture.

AB Vilniaus Baldai

KEY PERFORMANCE INDICATORS

A NEW FACTORY

In the financial year 2020, the public limited company Vilniaus Baldai completed the first stage of constructing a new factory in Trakai District, Guopstos Village. The factory building has been built and equipped, new production lines are installed and the production of furniture is gradually starting. The second phase, consisting of the company's relocation, is expected to be completed by the end of 2022.

The Vilniaus Baldai factory project is based on a long-term agreement with the company's main customer, in order to meet its future needs. EUR 55 million has been invested in the construction of a 73 thousand sq. metre factory that is being built on an 18 ha plot, located 5 km from Vilnius. It will allow the company to significantly improve its working conditions, as well as to increase its production capacity and supplement its range with new products.

Jobs for local people

The new factory has already started part of its production operations, while the work in its warehouses for raw materials and finished products is also underway. These work processes are currently the responsibility of about 150 employees, but this number will grow as the production volumes increase. Members of the Vilniaus Baldai team travel to the new factory on company buses that run on different routes. The bus travel times are tailored to meet both the shift schedules and the demands of public transport.

The new factory will be equipped with comfortable changing rooms and modern lounges for its workers. Areas with computers will also be provided, where it will be possible to find the company's news and read the magazine published for employees. The factory in Trakai District also has a canteen, where part of the meal costs are reimbursed by the company.

Solutions based on good practice

The A++ energy class Vilniaus Baldai factory has been built in accordance with the highest sustainability requirements, as enshrined in the IKEA IWAY standard, and was designed based on examples of good practice. It will enable the company to reduce its energy consumption, carbon dioxide emissions and waste generation.

The new factory will also create an opportunity for the employees to work more efficiently. As well as being equipped with new, modern equipment, the equipment previously owned by the company will be improved during the relocation. This will result in higher-skilled and better-paying jobs. Those who are interested in being hired will first have an opportunity to deepen their knowledge and improve their skills at special training sessions organised for this purpose.

RESPONSIBLE USE OF RESOURCES

In order to use natural resources responsibly, Vilniaus Baldai has continually invested in energy-saving equipment and is implementing other technological innovations.

Production technology

More than half of the furniture manufactured by the company is made using hollow frame BoF technology, in which solid wood is replaced with recycled paper honeycomb. This reduces the consumption of wood, as a raw material, by up to five times.

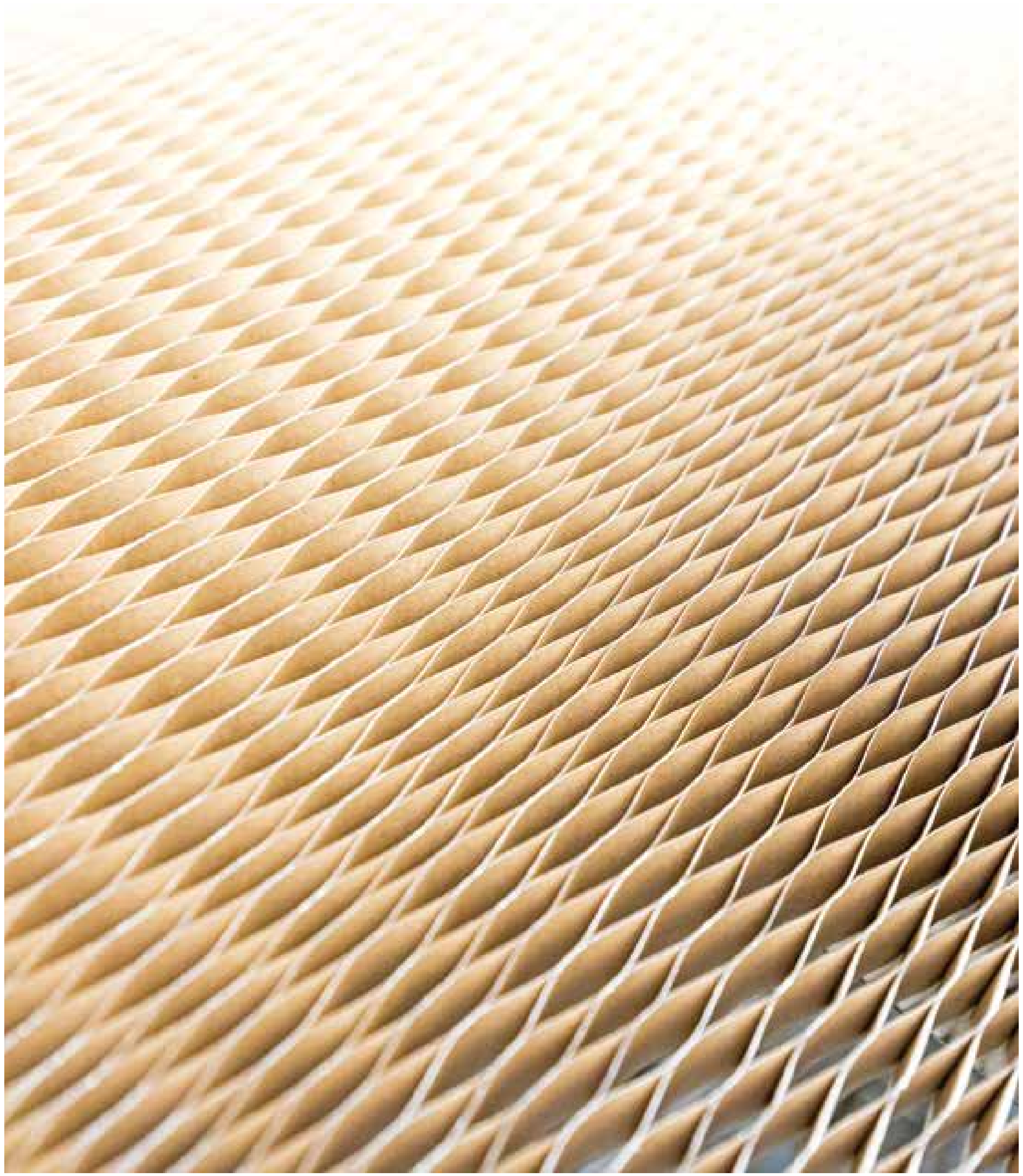
Raw materials certified by the FSC and sourced from responsibly managed forests are also used in the production lines. The FSC chain-of-production certificate confirms that the materials used in the production are clearly identified as FSC-certified, or are separated from non-certified and uncontrolled materials throughout the production chain.

Use of FSC-certified wood raw materials in the company's products

Investments in equipment

Through continuous technological testing and investments in energy saving equipment, such as LED lamps for the UV coating line, the company has found ways to apply less materials and achieve a better product quality. In addition, investing in the modern and efficient SHELLING cutting line has created an opportunity to achieve the optimal use of raw materials.

When adding new items to the range of furniture manufactured by the company, we strive to select the lightest possible materials with the lowest density, which are strong enough to withstand the mechanical requirements when put together. At the same time, we look for the most economical and the safest product packaging solutions, to the product to reach its end customer intact and in the best condition. All of these steps have allowed us to work together with our main customer to achieve our common goal – producing sustainable and high-quality products that are affordableto as many people as possible.



ENVIRONMENTAL PROTECTION AND QUALITY

Every piece of furniture produced by Vilniaus Baldai must meet our high quality, functional standards. It must also have a unique shape and be created in a sustainable environment, according to the goals is set for the company by our main customer. In other words, we pay special attention to both the quality of our furniture and to environmentally-friendly solutions. This ensures that the end user will receive high quality and eco-friendly furniture.

Quality assurance

The company has implemented the Quality, Environmental Protection and FSC Production Management System, which is periodically certified in accordance with the ISO 9001, ISO 14001 and FSC-STD-40-004 standards. By listening to our customer's environmental, social and working condition requirements, we have established strict requirements when purchasing products, raw materials and services, as well as in our own operations.

The company implements the LEAN system, which allows the whole team to improve and to perfect our ongoing management processes. One part of the continuous improvement of our processes is KAIZEN. Contributions to this approach are made by four specialist teams, as well as by other proactive team members. In this way, we have implemented approximately 30 process improvements each year, leading to consistently improved work efficiency and a better product quality.

Environmentally-friendly solutions

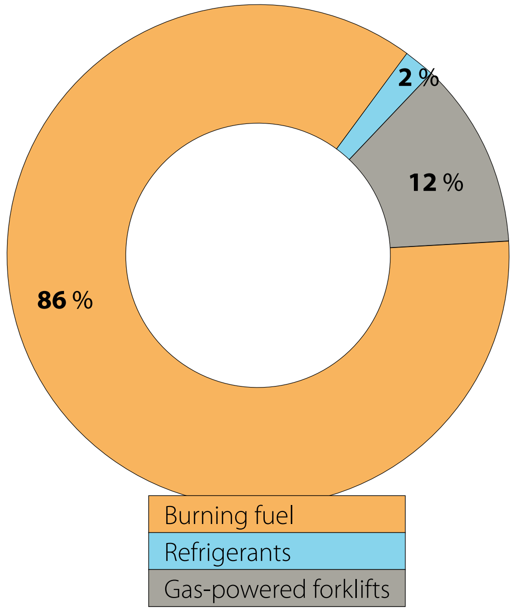
Every year, the company sets our environmental goals that will help us protect the environment more efficiently. These goals include the economical use of energy resources and raw materials, waste sorting and recycling, and constant improvements to our working environment.

There are containers for sorting waste in all the company's production and administrative premises, which help to constantly strengthen the responsible attitude prevalent within the company.

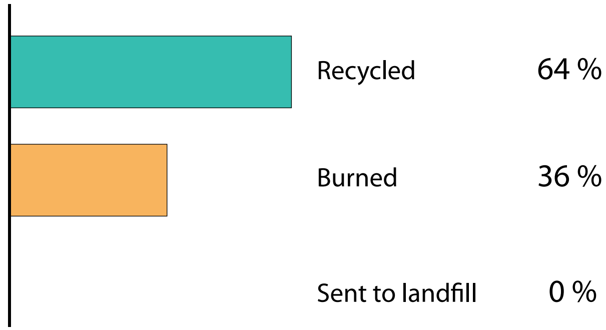
In addition, we aim to reduce our CO2 emissions. By 2023, we plan to abandon the use of gas-powered forklifts and will switch to lithium-ion battery-powered electric forklifts. We are planning to transform all our refrigerants into environmentally-friendly options by 2028, while continuing to use clean electricity produced from renewable sources.

We are contributing to IKEA's 2030 goal of using only materials that can be recycled and that are produced using renewable resources. Currently, 64 percent of our materials are recycled and 36 percent of them are burned, so that 0 percent of the company's waste goes to landfill sites.

Sources of CO_2 emissions in the company



Waste management in the company



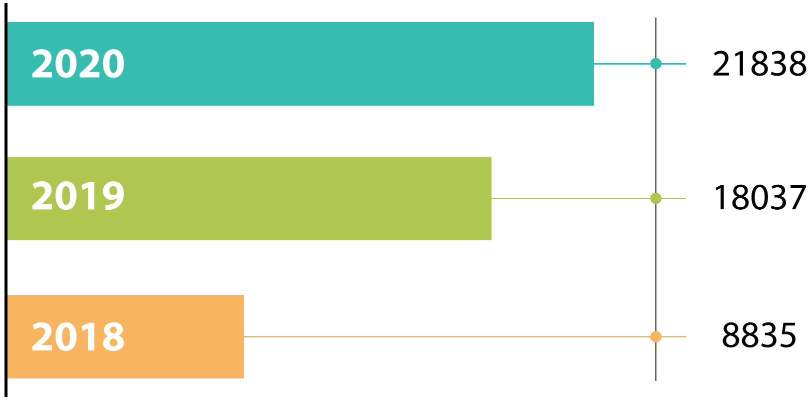
HEAT PRODUCTION FROM RENEWABLE ENERGY SOURCES

The private limited company Vilniaus Baldai became an independent heat producer in 2018. This means that the company produces heat energy from renewable resources and supplies this energy to the district heating networks of Vilnius.

A new UNICONFORT 4.5 MW biofuel boiler with an economiser and an efficient smoke cleaning system was installed in the company's boiler house. The main fuel for this boiler is a by-product of the production process – sawdust. In total, Vilniaus Baldai has invested over EUR 1.5 million in this heat energy production and supply project.

In the financial year 2020, the company sold heat to the city of Vilnius at a 13% cheaper rate compared to the heat production costs declared by Vilniaus šilumos tinklai.

Amount of heat sold (MWh)



EMPLOYEES

Vilniaus Baldai pays a great deal of attention to ensuring the continuous improvement of working conditions within the company, by investing in the training and professional development of employees. As a result, the average gross salary at the company was 29 percent higher than the average monthly salary in Lithuania in the second quarter of 2020.

Due to the circumstances resulting from the Covid-19 pandemic, special attention is being paid to employee education and safety to ensure the best possible health of our team members. Personal protective equipment is distributed for both work and non-work use, while the latest information on the situation in Lithuania and throughout the world is periodically shared in the workplace. Special working conditions are created for our employees in high-risk groups, where they are preferred. In the spring, during the first wave of Covid-19 that led to a closure of many of our customer stores throughout the world, and the consequent need to halt our production processes, our workers were provided with payment terms during the downtime that were better than the state-guaranteed rates.

Average monthly salaries (EUR)

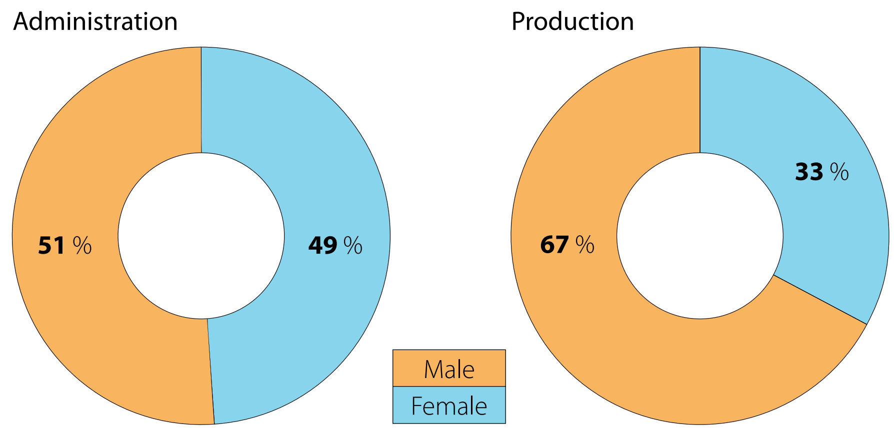
	2018	2019	2020
Management staff	6.355	6.573	5.765
Specialists	1.569	2.146	2.534
Workers	1.091	1.550	1.690
Total:	1.172	1.643	1.800

* Due to the tax reform that came into effect on 01/01/2019, the calculation method for the salaries has changed. The distribution between the salaries (excluding employee taxes) and the social security contributions has resulted in the largest impact.
** Source: https://osp.stat.gov.lt/informaciniai-pranesimai?articleId=7938671 The average monthly salary (excluding employee taxes) in the national economy (excluding individual enterprises) in the second quarter of 2020 amounted to EUR 1398.5, representing an increase of 1.3 percent compared to the first quarter of 2020.

780
Number of employees working in the Vilniaus Baldai group

7 %
Percentage increase in the number of employees during the year

41
Average age of the employees



WORK ENVIRONMENT

When organising our job selection processes, we strictly follow the requirements of the legal acts and follow the examples of good practice. Our aim is to ensure a comfortable, safe and development-friendly working environment.

Ensuring equal opportunities

We ensure equal opportunities for our existing and potential employees at all stages of the employment process – from the announcement of vacancies and the selection of candidates, to the employment conditions, education, work environment, etc.

The company has a zero tolerance policy with regard to discrimination on any grounds: race, religion, gender identity, ethnicity, marital or family status, age, political affiliation, nationality, physical ability, sexual orientation or any other aspect of a person's identity.

Respect for human rights

We guarantee that our employees can enjoy all basic human rights, alongside respectful behaviour, and the protection of honour and dignity. They are free to participate in public and political life, as well as to express their opinions, while ensuring that their public statements are understood as a personal opinion and not as the position of the company. We respect the right of our employees to choose to become members of a trade union.

Working environment zero tolerance for harassment

The company will not tolerate harassment in any form.

Protecting the interests of children

We do not use child labour – the company does not employ anyone who is younger than the statutory minimum age of employment and strictly prohibits all forms of forced labour.

Occupational health and safety

We strive to ensure a safe work environment and are constantly working to improving our safely measures. As a result, an electronic incident registration module has been developed by the company. This means that anyone can register sites where there is a potential risk of injury or another disaster, and can subsequently see when the hazard will be removed and who is responsible for this action. In addition, we insure all employees against accidents at work, as well as providing them with personal protective equipment, special clothing and shoes. We also provide medicines and vaccines, while monitoring and checking the health of our employees.

The necessary information on safety and health issues is provided to our personnel, including (but not limited to) fire safety areas, the proper handling of chemicals and equipment, emergency preparedness and first aid. We carry out internal training and delegate specialists to participate in external training. Thus, we are constantly helping our employees to improve and raise their level of awareness, so that everyone personally protects themselves and their team members, and can take all necessary measures in case of danger.

Toxic substance abuse is prohibited

The work processes in the company require clear thinking and quick reactions. We depend on our workers for the quality of our production, as well as the safety of the employees and other team members. The use of alcohol, drugs and other psychotropic substances is strictly prohibited in the company, as is arriving at work under the influence of such substances.

VALUE SYSTEM BASED ON EMPLOYEE INSIGHTS

The core values at Vilniaus Baldai are responsibility, team and professionalism. Together with the entire team of company employees, we have refined these values as the basis of our daily activities, communication and cooperation.

Taking into account the interests expressed by the employees themselves, the financial year 2020 was declared Year of the Vilniaus Baldai Team. The essential elements of this programme were better communication, involvement and improvement.

In order to achieve these goals, we started to publish the quarterly Vilniaus Baldai magazine for our employees, in which the company's news is shared along with practical, useful and interesting content. We also organised quarterly meetings of the employee and manager teams, where we discussed the latest information and topical issues. In addition, we installed Suggestions and Comments boxes that have allowed the employees to share ideas or ask questions, and we are currently testing several rest areas with access to computers.

These initiatives and other efforts are aimed at providing comprehensive care for our employees. They have led to positive changes in the employee turnover rate, which in the financial year 2020 was 12 percent lower than the previous rate.

In order to further actions meet the expectations of the company's team and to provide as many opportunities as possible to share insights for improvement, 2021 will be dedicated to the values of professionalism and initiative.

OUR VALUES

- If I see a problem, I help to solve it
- I have enough courage to make decision on time
- I work as if I worked for myself and I aim to make it well at my first attempt
- I stick to what is agreed
- I turn goals into the results
- I make examples of good behaviour public and celebrate them

- I listen and I hear, I am open to listen to other opinion with respect
- I am engaged and I show initiative
- I am looking for solutions rather than the guilty ones
- I am ready to be the leader when it is needed
- I share the information with my colleagues
- I give my feedback in a proper manner and proper time
- I use positive statements instead of negative ones

- I constantly learn and improve myself
- I am interested in good practises of other companies and strive to apply it in my work
- I share my knowledge and experience with my colleagues
- I make decisions based on arguments and analysis of available information rather than emotions
- I ensure compliance with the requirements applicable in the company when I do any task
- I check the result once again after I complete the task

FAIR AND TRANSPARENT BUSINESS PRACTICES

Vilniaus Baldai's Code of Ethics is based on the values of trust, honour and honesty, which are cherished by the entire team. The code defines certain principles of conduct to ensure compliance with how we should work, establish and maintain the relationships with our colleagues, customers, business partners and other members of society. All members of the company's team are required to comply with the provisions set forth in the Code of Ethics.

Prevention of bribery and corruption

Our employees are prohibited from accepting cash gifts or cash equivalents (such as gift vouchers that can be transferred or exchanged for cash), as well as bank cheques, money transfers, investment securities, marketable securities, loans or shares. This includes giving or accepting gifts, as well as receiving benefits in exchange for favourable conditions intended to affect a business transaction or to gain business or a personal advantage.

Company suppliers, subcontractors and their business environment

We strive to ensure that the company's business partners, including the suppliers of services, goods or raw materials and their sub-suppliers, as well as the companies operating or performing work in the company's territory, comply with the provisions set out in the Code of Ethics. These provisions include the provision of equal opportunities for employees at work, respect for human rights, protection of the safety and health of employees, prevention of harassment, child or forced labour, and prohibitions on the use of drugs, alcohol, unallocated dangerous drugs or other psychotropic substances. Such provisions are also aimed at making the employees aware of our approach to support the prevention of corruption and bribery.

SOCIAL COMPANY

At Vilniaus Baldai's subsidiary, Ari-Lux, people are employed who have lost their capacity for professional and general work, including those who are economically inactive and unable to compete in the labour market on equal terms. In this way, we are helping these individuals return to the labour market and develop the necessary skills, while promoting integration and thus contributing to less social exclusion.

We have informally granted Ari-Lux the status of a non-profit company, and we will continue striving to meet the needs of the people who work at the company by adapting the jobs and creating conditions for them to work according to their capabilities.

In the financial year 2020, Ari-Lux had 64 employees.

SDG INDEX