VILNIAUS BALDAI
ANNO 1883
... Better Faster Stronger ...

RESPONSIBLE PERSONS CONFIRMATION

29.11.2019

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 2019, ended 31 August 2019, 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 2019, Consolidated Annual Report for 2019).

General Manager	Jonas Krutinis
Chief Financial Officer	Edgaras Kabečius

VILNIAUS BALDAI AB

CONSOLIDATED AND COMPANY’S FINANCIAL STATEMENTS FOR THE
FY 2019 ENDED 31 AUGUST 2019,
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

Opinion

We have audited the separate financial statements of AB Vilniaus Baldai ("the Company") and the consolidated financial statements of AB Vilniaus Baldai and its subsidiaries ("the Group"). The Company's separate and the Group's consolidated financial statements comprise:

- the separate and the consolidated statement of financial position as at 31 August 2019,
- the separate and the consolidated statement of profit or loss and other comprehensive income for the year then ended,
- the separate and the consolidated statement of changes in equity for the year then ended,
- the separate and the consolidated statement of cash flows for the year then ended, and
- the notes to the separate and the consolidated financial statements, which include a summary of significant accounting policies and other explanatory notes.

In our opinion, the accompanying separate and the consolidated financial statements give a true and fair view of the non-consolidated financial position of the Company and the consolidated financial position of the Group as at 31 August 2019, and of their non-consolidated and consolidated financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards, as adopted by the European Union.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). 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), and we have fulfilled our other ethical responsibilities in accordance with the Law on Audit 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. The 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 audit matter and our respective response are described below.

Revenue recognition	
See Note 2.17 Revenue recognition, note 17 Revenue	
The key audit matter	**How the matter was addressed in our audit**
The Company and the Group derive their revenues from contract with main customer for furniture production that are recognised at a point in time. The Company produces items of furniture based on orders received from the main customer. The determining if performance obligation is satisfied over time or at a point in time requires significant judgement from the Management Board. In addition, the contract with the main customer includes variable renumeration and estimating revenues that may be recognised at the reporting date also requires significant judgement. The subjectivity of the principal assumptions required significant amount of audit judgment and effort. Accordingly, we consider this area to be our key audit matter.	Our audit procedures included among others: • we assessed the appropriateness of the identification of performance obligations, determination of transaction price, its allocation to performance obligations, identification and recognition of variable remuneration and whether the performance obligation is satisfied at a point in time or over a period of time by making our own independent assessment of the process of implementation of IFRS 15 adopted by the Company and the Group; • we evaluated the appropriateness of the key judgements made by the Management Board related to the timing of revenue recognition as well as variable remuneration by analysing the contract with the main customer; • we evaluated the Management Board's judgement with respect to the satisfaction of performance obligation upon delivery of items of furniture to the customer by analysing the terms and condition of the contract; • we performed a retrospective review of significant judgements and estimates made by the Management Board in prior periods in this respect versus subsequent outcome in the following periods; in particular, we assessed the historical experience for dispute resolution for cancelled orders and for variable remuneration; • we assessed the adequacy and accuracy of the Company's and the Group's revenue recognition disclosures as presented in the Company's separate and Group's consolidated financial statements.

Useful life of Property, plant and equipment	
See Note 2.6 Property, plant and equipment and Note 5 Property, plant and equipment	
The key audit matter	**How the matter was addressed in our audit**
As at 31 August 2019, the carrying amount of Property, plant and equipment in separate financial statements was EUR 25,376 thousand and consolidated financial statements EUR 45,731 thousand. With respect to items of Property, plant and equipment the Management Board exercises significant judgement that primarily relates to their useful life. The key assumptions applied by the Management Board are further described in Note 2.6 Property, plant and equipment. Changes to these assumptions could result in a material change in the depreciation charge recognised prospectively from the date of the revision of the useful life and affect materially the result for the year and carrying amount of inventories. The subjectivity of the key assumptions required an application of a significant amount of audit judgment and effort. Accordingly, we consider this area to be our key audit matter.	Our audit procedures included among others: • considering the appropriateness of the Company's and the Group's accounting policies relating to determination of useful life of property, plant and equipment and assessing compliance of the policies with the applicable accounting standards; • assessing the appropriateness of the process implemented by the Company and the Group with respect to determination and subsequent revision of useful life of items of property, plant and equipment; • performing retrospective review of accuracy of management's estimate with respect to useful life of significant items of property, plant and equipment by comparing actual useful life of fully depreciated assets that were still in use to the initial estimate of useful life including subsequent revisions thereof; • comparing useful life of significant items of property, plant and equipment applied by the Company and the Group to useful life applied by other companies in the manufacturing sector companies; • selecting a sample of acquisitions of items of property plant and equipment and testing whether useful life determined for these items was in accordance with management's estimate thereof; • inquiring the management as to their plans to dispose and write-off or replace significant items of property, plant and equipment whose useful life is scheduled to end in the following financial year, inspecting approved budgets for the following years and assessing consistency of these plans and budgets with the management's estimate of useful life of such assets; • considering the adequacy of the Company's and the Group's disclosures (Note 2.6 and Note 5) in respect of property, plant and equipment.

Other Information

The other information comprises the information included in the consolidated annual report, including the Report on the Compliance with the Governance Code for the Companies and including Corporate Social Responsibility Report, but does not include the separate and the consolidated financial statements and our auditor's report thereon. Management is responsible for the other information.

Our opinion on the separate and the consolidated financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the separate and the 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 the 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. We have nothing to report in this regard.

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

- The information given in the consolidated annual report, including the Report on the Compliance with the Governance Code for the Companies, for the for the financial year for which the separate and consolidated financial statements are prepared, is consistent with the separate and the consolidated financial statements; and
- The consolidated annual report, including the Report on the Compliance with the Governance Code for the Companies, has been prepared in accordance with the requirements of the Law on Consolidated Financial Reporting by Groups of 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 the Consolidated Financial Statements

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

In preparing the separate and the 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/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 separate and the Group's consolidated financial reporting process.

Auditor’s Responsibilities for the Audit of the Separate and the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the separate and the 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 the 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 or 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 or on 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 the 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/the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the separate and the 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 Group to express an opinion on the 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 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

Under decision of the general shareholders' meeting we were appointed on 8 October 2014 for the first time to audit the Company's separate financial statements and the Group's consolidated financial statements. Our appointment to audit the Company's separate financial statements and the Group's consolidated financial statements is renewed every 2 years under decision of the general shareholders' meeting, and the total uninterrupted period of engagement is 6 years.

We confirm that our audit opinion expressed in the Opinion section of our report is consistent with the additional report presented to the Company, the Group and its Audit Committee.

We confirm that to the best of our knowledge and belief, we have not provided to the Company and the Group any prohibited non-audit services referred to in Article 5(1) of the Regulation (EU) No 537/2014 of the European Parliament and of the Council.

In the course of audit, we have not provided any other services except for audit of separate and consolidated financial statements.

On behalf of KPMG Baltics, UAB

T. Jensen

Toma Jensen
Partner
Certified Auditor

Vilnius, the Republic of Lithuania
29 November 2019

(all amounts are in EUR thousand unless otherwise stated)

Approved __ __ 2019
at the Board Meeting

COMPANIES COMPOSING THE GROUP

Vilniaus Baldai AB (hereinafter “the Company”) prepares both separate Company’s and consolidated financial statements. The Group (hereinafter “the Group”) consists of Vilniaus Baldai AB and subsidiaries ARI-LUX UAB and TRENDUVA 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	Martina.Andrulyte@vilniausbaldai.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

GENERAL INFORMATION ABOUT THE SUBSIDIARY:

Name	**Limited liability company TRENDUVA UAB**
Legal form	Joint stock company
Code	304438643
VAT payer’s code	LT100011128413
Authorised capital	EUR 2,500
Office address	T. Narbuto str. 5, LT-08101 Vilnius
Telephone	(8~5) 252 57 00
E-mail	trenduva@vilniausbaldai.lt
Registration date and place	23 December 2016, Vilnius City Board
Register, where all the information about the Company is collected and stored	Register of Legal Entities
Main type of the activity	Real estate operations

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.

Vilniaus Baldai AB sales revenue reached EUR 75 million in 2019. In 2019 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.

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 2019 (in 2018 – 97%). Furniture accounted for 99% of the Company's sales during 2019 (in 2018 – 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 March 2019. No non-conformity issues or findings were identified during the audit. In 2019 Vilniaus Baldai AB paid EUR 4 thousand of the environment pollution taxes, as well as EUR 65 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).

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.

(all amounts are in EUR thousand unless otherwise stated)

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 2015–2019:

	2019	2018	2017	2016	January – August 2015
Net profitability = net profit / sales * 100	5.41%	3.25%	7.02%	5.50%	4.92%
Average return on assets ROA = net profit / (assets at the beginning of the period + assets at the end of the period) / 2 *100	2.15%	7.10 %	17.10%	12.43%	8.32%
Return on equity ROE = net profit / equity*100	20.66%	14.21%	30.38%	28.79%	18.17%
Net earnings per share EPS = net profit / number of shares	1.05	0.58	1.15	0.83	0.56
Debt ratio = liabilities / assets	0.66	0.57	0.45	0.55	0.56
Debt to equity coefficient = liabilities / share capital	1.94	1.32	0.84	1.22	1.28
Current ratio = current assets / current liabilities	0.69	1.48	1.16	1.07	1.03
Asset’s turnover = sales / assets	1.30	1.89	2.35	2.35	1.62
Book value of share = equity / number of shares	5.07	4.08	3.77	2.90	3.06
Turnover (thousand EUR)	75,204	69,322	63,423	58,953	43,900
Gross profit (thousand EUR)	6,748	6,447	8,838	7,657	4,717
Net profit (thousand EUR)	4,071	2,263	4,450	3,243	2,160
EBITDA (million EUR)	5.64	4.23	6.39	5.22	3.84
EBIT (million EUR)	3.93	2.65	5.02	3.92	2.60
Dividends per share (for the prior accounting period)	EUR 0.08	EUR 0.26	EUR 0.27	EUR 1.00	-
Earnings per share P/E	7.28	18.81	11.6	16.8	27.3
The lowest share price	EUR 7.0	EUR 10.70	EUR 12.80	EUR 13.50	EUR 15.20
The highest share price	EUR 10.7	EUR 13.60	EUR 14.50	EUR 15.60	EUR 17.30
Closing price	EUR 7.15	EUR 10.90	EUR 13.30	EUR 14.00	EUR 15.30
Capitalisation (thousand EUR)	27,785	42,360	51,687	54,408	59,459

PRODUCTION AND SALES

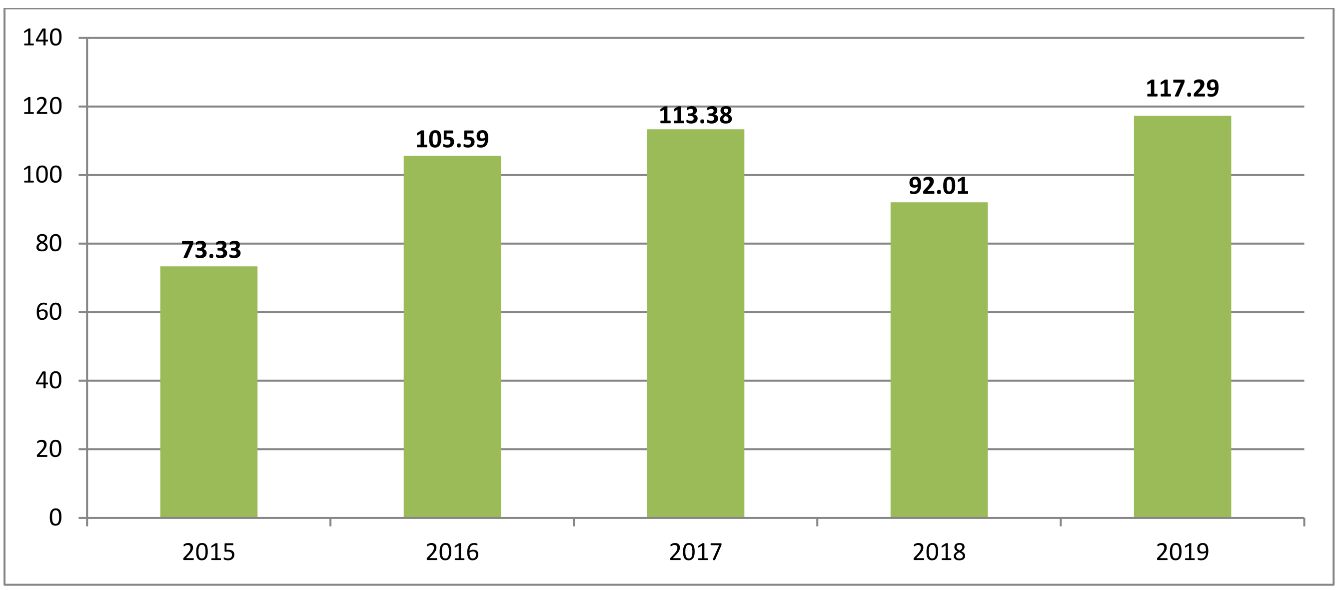
Vilniaus Baldai AB designs, produces flat-pack furniture. The production of the Company is produced from wood particle boards, using board on frame technology, which allows to produce lightweight, yet massively looking furniture. When employing this technology less raw materials can be used, and stable 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 2015–2019:

Production	2019	2018	2017	2016	January – August 2015
	thousand EUR	thousand EUR	thousand EUR	thousand EUR	thousand EUR
Furniture	76,849	65,969	61,341	58,181	46,199
Other production	-	-	-	-	-
Total	**76,849**	**65,969**	**61,341**	**58,181**	**46,199**

Production per employee, working on employment contract basis, 2015–2019 (thousand EUR / year):



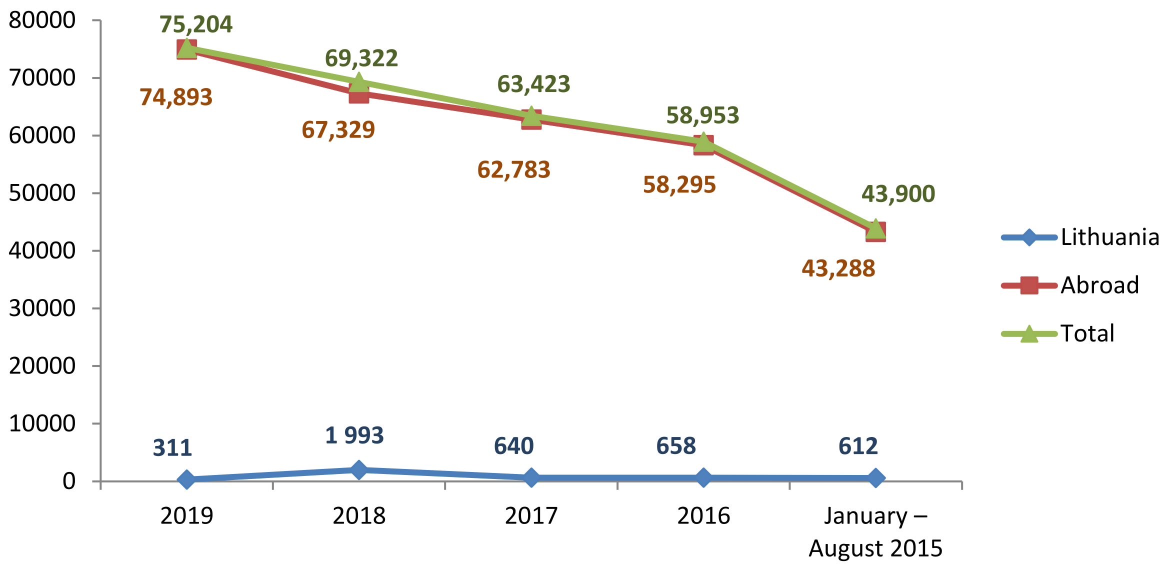
Production sales according to the markets in the period of 2015–2019:

Sales	2019		2018		2017		2016		January – August 2015	
	Thousand EUR	%	Thousand EUR	%	Thousand EUR	%	Thousand EUR	%	Thousand EUR	%
Lithuania	311	0.41	1,993	2.9	640	1.01	658	1.12	612	1.39
Abroad	74,893	99.59	67,329	97.10	62,783	98.99	58,295	98.88	43,288	98.61
Total	**75,204**	**100**	**69,322**	**100**	**63,423**	**100**	**58,953**	**100**	**43,900**	**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.

PRODUCTION AND SALES (cont'd)

Sales of the Company in the period of January–August 2015–2019, in EUR thousand:



SUPPLY

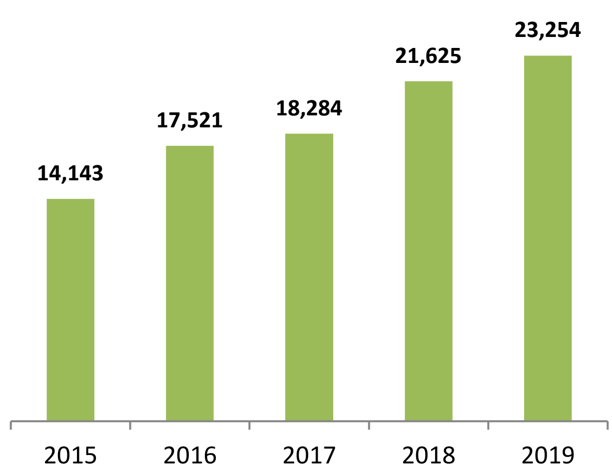
Vilniaus Baldai AB has introduced an effective system of the purchase of raw materials and services. The Company maintains strategic relations with suppliers and constantly searches for new opportunities in the markets of raw materials and services. The purchase process is distinguished into strategic 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.

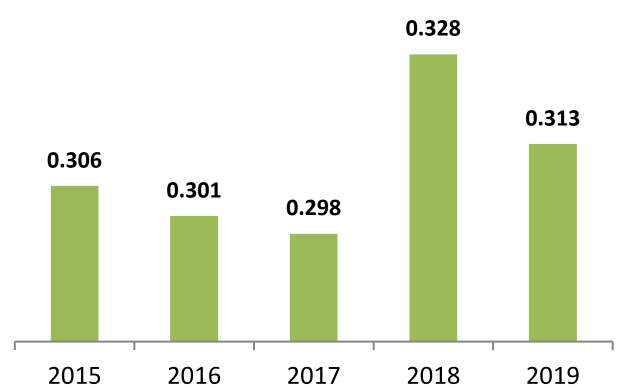
ENERGY

Vilniaus Baldai AB during 2019 the Company consumed 23,254 thousand kWh of electricity (2018 – 21,625 thousand kWh,). The electricity consumption for production of EUR 1 amounted to 0.313 kWh (2018 – 0.298 kWh).

Consumption of electricity, thousand kWh per year



Consumption of electricity per one output EUR, kWh



(all amounts are in EUR thousand unless otherwise stated)

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 2019 the number of work places at the Group and the Company increased due to growing capacity and higher sales. There were 730 employees working in the Group and 672 employees at the Company as of the end of FY2019 (776 at the Group and 717 at the Company as of the end FY2018). The average age of the employees is 40 years.

The average number of the Company's recorded employees, working on an employment contract basis, in the period of 2015–2019

	2019	2018	2017	2016	January–August 2015
Executive personnel	6	5	6	8	4
Specialists	47	47	36	36	36
Workers	619	544	499	507	590
Total	**672**	**596**	**541**	**551**	**630**

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

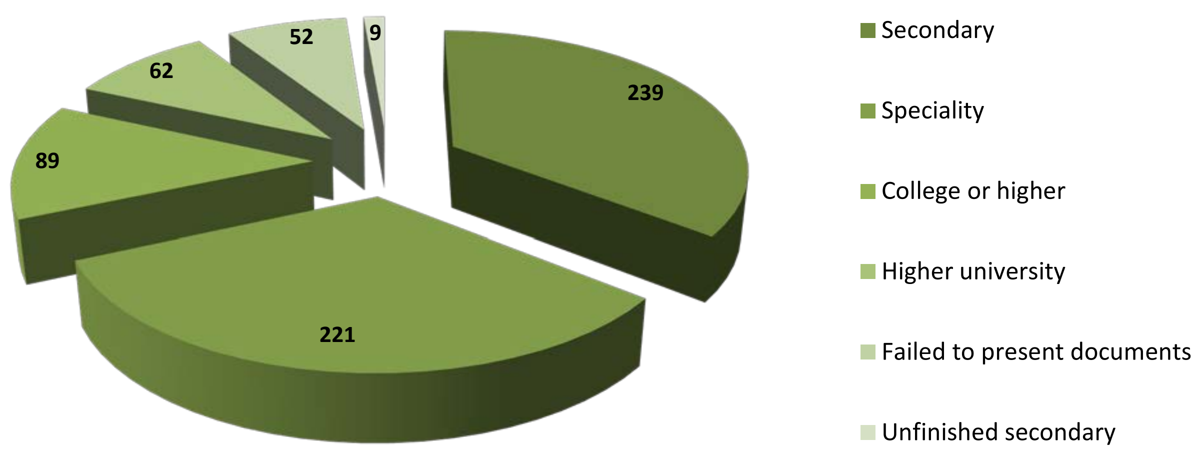
The average wages of the employees in the period of 2015–2019, EUR:

	2019*	2018	2017	2016	January–August 2015
Executive personnel	6,573	6,355	5,599	4,189	5,339
Specialists	2,146	1,569	1,482	1,369	1,700
Workers	1,550	1,091	1,077	922	962
Total	**1,643**	**1,172**	**1,151**	**999**	**1,030**

* - 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.

EMPLOYEES (cont'd)

Grouping of the personnel according to the education:



The collective agreement is concluded in the Company. The collective agreement was renewed on 2 January 2019. 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 favourable compared to the working contract, then the collective agreement is followed.

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

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

4. INFORMATION ABOUT OWN SHARES

The Company did not have any own shares, did not acquire or transfer any in the reporting 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 at the Company subsequent to the end of the reporting period prior to the approval of the consolidated annual report.

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

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.

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).

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;

(all amounts are in EUR thousand unless otherwise stated)

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

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.

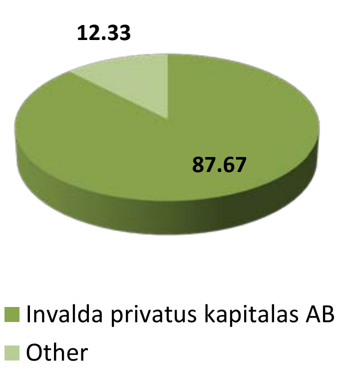
12. SHAREHOLDERS

Total number of the shareholders as of 31 of August 2019 is 1,262.

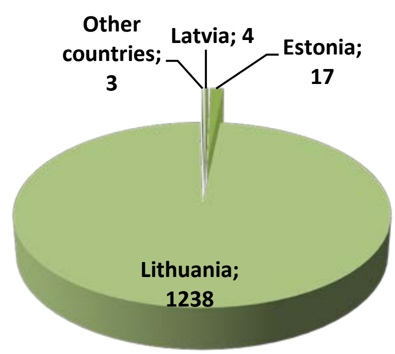
The shareholders who had upon the property rights or possessed more than 5% of the issuer's authorised capital as of 31 August 2019:

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, 31/08/2019



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.

(all amounts are in EUR thousand unless otherwise stated)

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.

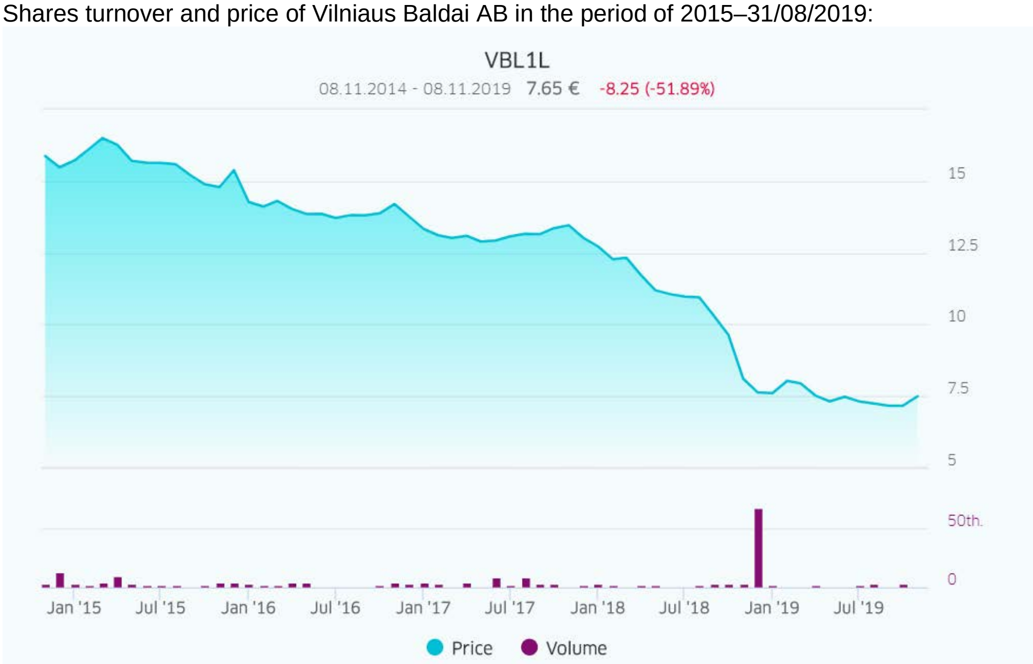
The main characteristics of shares:

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:

	2019	2018	2017	2016	January–August 2015
Price of the shares, EUR:					
- opening	10.70	13.10	13.70	15.60	15.40
- highest	10.70	13.60	14.50	15.60	17.30
- lowest	7.00	10.70	12.80	13.50	15.20
- closing	7.15	10.90	13.30	14.00	15.30
Turnover of shares, units	91,269	23,834	46,829	29,414	28,982
Turnover of shares, EUR	613,459	294,980	622,789	424,861	466,216
Total number of transactions, units	251	344	637	535	610
Capitalization, million EUR	27.79	42.36	51.69	54.41	59.46

Shares turnover and price of Vilniaus Baldai AB in the period of 2015–31/08/2019:



(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 2015–31/08/2019:

Indexes/Shares	Opening value	Closing value	+/-%
OMX Baltic Benchmark GI	638.88	969.60	+51.77
OMX Vilnius	354.02	688.44	+23.87
VBL1L	15.6	7.15	-54.17

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	2019 (for 2018)	2018 (for 2017)	2017 (for 2016)	2016 (for 2015)	2015 (for 2014)
Dividend (Eur)	310,901	1,044,633	1,049,292	3,886,267	-
Dividend per share (Eur)	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.

(all amounts are in EUR thousand unless otherwise stated)

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.

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 – 2020.

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 – 2020.

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%

16. ISSUER'S BODIES (cont'd)

Mr. 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

Participation in the activities of other companies	Number of shares and of voting rights
CFO at Invalda Privatus Kapitalas AB	0.00%
Member of the Board of Invetex AB	0.00%
Member of the Board of Lauko gėlininkystės bandymų stotis UAB	0.00%
Member of the Board of Bordena UAB	0.00%
Member of the Board of Svytejimas UAB	0.00%
CEO of Investiciju Tinklas UAB	0.00%
CEO of Adruva 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 includes the Company's General Manager, Chief Financial Officer, Head of Quality and Technology, Head of Technical Services, Head of Production, Head of HR. In 2019 the average monthly remuneration to the management of the Company amounted to EUR 33.1 thousand (2018 – EUR 28.5 thousand). The remuneration is not paid to the Board members of the Company.

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

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

* - 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 2019 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.

(all amounts are in EUR thousand unless otherwise stated)

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 2019 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 2019 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 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 (as of 31 August 2018: 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 2019 and 2018 and the balances in 2019 and 2018 are provided in the notes (Note 26) to the consolidated and Company's financial statements for the year 2019.

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 2019:

Date of disclosure	Brief description of disclosed information
12-08-2019	Resolutions of the General Shareholders Meeting of VILNIAUS BALDAI AB on 12/08/2019
19-07-2019	Convocation of the General Meeting of Shareholders of "VILNIAUS BALDAI" AB and draft decisions
28-06-2019	VILNIAUS BALDAI AB result for activity and non-audited condensed interim consolidated financial statement for the nine months of FY 2019
21-06-2019	VILNIAUS BALDAI AB has signed long term loan agreement
03-06-2019	VILNIAUS BALDAI AB sold part of owned real estate
05-04-2019	VILNIAUS BALDAI AB result for activity and non-audited condensed interim consolidated financial statement for the six months of FY 2019
13-03-2019	VILNIAUS BALDAI AB subsidiary has signed short term loan agreement
22-02-2019	Update: VILNIAUS BALDAI AB subsidiary has signed construction agreement
21-02-2019	VILNIAUS BALDAI AB subsidiary has signed construction agreement
15-01-2019	Procedure for the pay-out of dividends
03-01-2019	Notification on transaction concluded by manager of the company

(all amounts are in EUR thousand unless otherwise stated)

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

Date of disclosure	Brief description of disclosed information
02-01-2019	Resolutions of the Annual General Shareholders Meeting of VILNIAUS BALDAI AB on 31/12/2018
20-12-2018	UPDATE: Regarding update of 4 item „Distribution of Company's profit„ on the agenda of the ordinary general meeting of shareholders of AB VILNIAUS BALDAI to be held on 31 December 2018
20-12-2018	VILNIAUS BALDAI AB result for activity and non-audited condensed interim consolidated financial statement for the three months of FY 2019
07-12-2018	Convocation of the general shareholders meeting of VILNIAUS BALDAI AB and draft resolutions
07-12-2018	VILNIAUS BALDAI AB investor's calendar for 2019
30-11-2018	VILNIAUS BALDAI AB annual audited information for the year 2018
30-11-2018	Social Responsibility Report 2018
20-11-2018	UPDATE: "VILNIAUS BALDAI" AB investor's calendar for FY2018
24-10-2018	VILNIAUS BALDAI AB result for activity and non-audited condensed interim consolidated financial statement for the twelve months of FY 2018

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

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 FY2019

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.	No	Members of the Supervisory Board are not appointed by 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.	No	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.	No	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.	No	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.	No	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.	No	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.	No	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.	No	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.	No	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.	No	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.	No	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.	No	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.	No	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. The Company does not have a supervisory 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	Yes	Board members perform their functions properly: actively participate in the

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.		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.	No	The independence of the elected Board members was not evaluated in the Company as well as the content of the notion of the sufficiency of independent members.
3.2.8. 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)

<table>
<tr><td>5.3. Remuneration committee</td><td></td><td></td></tr>
<tr><td>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.</td><td>No</td><td>The Committees of Nomination and Remuneration are not established because of the structural simplicity of the Company's management.</td></tr>
<tr><td>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.</td><td colspan="2" rowspan="2">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</td></tr>
<tr><td>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.</td></tr>
</table>

[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.

5.4.4. 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.	the need of internal audit functions once per financial year.
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.	No	The Company does not prepare a statement of the remuneration policy. The Company publishes in the annual information the amount of the remuneration of chief management and the averages of the remuneration of the Company's administration and workers. The above mentioned information is presented in compliance with the procedure set out by the legislation of the Republic of Lithuania and at the Company.
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.	No	The Company does not prepare the remuneration statement, because the majority of the points of Principle VII are not relevant to the present structure of the Company.
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.	No	The Company does not prepare the remuneration statement, because the majority of the points of Principle VII are not relevant to the present structure of the Company.

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.	No	The Company does not prepare the remuneration statement, because the majority of the points of Principle VII are not relevant to the present structure 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.	No	The Company does not prepare the remuneration statement, because the majority of the points of Principle VII are not relevant to the present structure of the Company.
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.	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.
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

(all amounts are in EUR thousand unless otherwise stated)

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.		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.
8.3. 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)

Statement of financial position

		Group		Company	
	Notes	**As of 31 August 2019**	**As of 31 August 2018**	**As of 31 August 2019**	**As of 31 August 2018**
ASSETS					
Non-current assets					
Intangible assets	4	19	42	19	42
Property, plant and equipment	5				
Land and buildings		21,934	4,345	1,582	2,328
Machinery and equipment		22,720	15,406	22,720	15,406
Vehicles		-	2	-	2
Other property, plant and equipment		1,077	876	1,074	873
Total property, plant and equipment		45,731	20,629	25,376	18,609
Investments in subsidiaries	6	-	-	7	7
Loans granted to subsidiaries	9	-	-	13,075	-
Deferred income tax asset	22	343	115	343	115
Total non-current assets		**46,093**	**20,786**	**38,820**	**18,773**
Current assets					
Inventories	7	7,451	7,134	7,451	7,134
Trade receivables	8	1,161	6,457	1,240	6,504
Prepayments		129	178	6	162
Current income tax prepayment		435	248	435	248
Loans granted	9	-	-	-	2,160
Other receivables and current assets	10	1,138	1,102	952	1,055
Cash and cash equivalents	11	1,612	843	1,485	627
Total current assets		**11,926**	**15,962**	**11,569**	**17,890**
Total assets		**58,019**	**36,748**	**50,389**	**36,663**

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(all amounts are in EUR thousand unless otherwise stated)

Statement of financial position (cont'd)

	Notes	Group		Company	
		As of 31 August 2019	As of 31 August 2018	As of 31 August 2019	As of 31 August 2018
EQUITY AND LIABILITIES					
Equity					
Share capital	1	4,508	4,508	4,508	4,508
Legal reserve	12	451	451	451	451
Retained earnings		14,742	10,892	14,799	10,855
Total equity		**19,701**	**15,851**	**19,758**	**15,814**
Liabilities					
Non-current liabilities					
Non-current borrowings	13	20,376	7,873	17,376	7,873
Provisions for employee benefits	14	635	815	635	815
Deferred income/revenue		48	52	48	52
Total non-current liabilities		**21,059**	**8,740**	**18,059**	**8,740**
Current liabilities					
Current portion of non-current borrowings	13	-	966	-	966
Trade payables	15	9,105	8,064	9,096	8,060
Payables for property, plant and equipment		5,124	-	533	-
Other current liabilities and accrued liabilities	16	3,030	3,127	2,943	3,083
Total current liabilities		**17,259**	**12,157**	**12,572**	**12,109**
Total liabilities		**38,318**	**20,897**	**30,631**	**20,849**
Total equity and liabilities		**58,019**	**36,748**	**50,389**	**36,663**

The accompanying notes set out in pages 54–96 are an integral part of these financial statements.

General Manager	Jonas Krutinis		29 November 2019
Chief Accountant	Renata Banevičiūtė		29 November 2019

(all amounts are in EUR thousand unless otherwise stated)

Statement of profit or loss and other comprehensive income

	Notes	Group 2019	Group 2018	Company 2019	Company 2018
Revenue	17	75,204	69,322	75,204	69,322
Cost of sales	18	(68,456)	(62,875)	(68,557)	(62,967)
Gross profit		**6,748**	**6,447**	**6,647**	**6,355**
Selling and distribution expenses	19	(1,301)	(1,287)	(1,301)	(1,287)
Administrative expenses	19	(3,501)	(2,852)	(3,389)	(2,782)
Other income	20	2,630	568	2,633	573
Other expenses	20	(598)	(231)	(598)	(231)
Operating profit		**3,978**	**2,645**	**3,992**	**2,628**
Financial income	21	-	24	79	55
Financial costs	21	(134)	(85)	(134)	(84)
Result from financial activities		(134)	(61)	(55)	(28)
Profit before income tax		**3,844**	**2,584**	**3,937**	**2,599**
Income tax expense	22	227	(321)	228	(321)
Net profit for the reporting period		**4,071**	**2,263**	**4,165**	**2,278**
Other comprehensive income not to be re-grouped to profit or loss					
Actuarial change of employee-related accruals	14	106	(11)	106	(11)
Income tax effect	22	(16)	2	(16)	2
Total comprehensive income for the reporting period		**4,161**	**2,254**	**4,255**	**2,269**
Attributable to owners of the Company:					
Net profit		4,071	2,263	4,165	2,278
Other comprehensive income		90	(9)	90	(9)
Total comprehensive income		4,161	2,254	4,255	2,269
Basic and diluted earnings per share (in EUR)	23	1.05	0.58	1.07	0.58

The accompanying notes set out in pages 54–96 are an integral part of these financial statements.

General Manager	Jonas Krutinis		29 November 2019
Chief Accountant	Renata Banevičiūtė		29 November 2019

(all amounts are in EUR thousand unless otherwise stated)

Statement of changes in equity

		Attributable to the owners of the Company			
GROUP	**Notes**	**Share capital**	**Legal reserve**	**Retained earnings**	**Total**
Balance as of 31 August 2017		**4,508**	**451**	**9,687**	**14,646**
Adjustment on initial application of IFRS 9, net of tax		-	-	-	-
Restated balance as of 31 August 2017		**4,508**	**451**	**9,687**	**14,646**
Net profit for the reporting period		-	-	2,263	2,263
Other comprehensive income	14	-	-	(9)	(9)
Total comprehensive income		**-**	**-**	**2,254**	**2,254**
Transactions with owners					
Legal reserve accrual		-	-	-	-
Dividends declared		-	-	(1,049)	(1,049)
Total transactions with owners		**-**	**-**	**(1,049)**	**(1,049)**
Restated balance as of 31 August 2018		**4,508**	**451**	**10,892**	**15,851**
Adjustment on initial application of IFRS 9, net of tax		-	-	-	-
Adjustment on initial application of IFRS 15, net of tax		-	-	-	-
Adjusted balance as of 31 August 2018		**4,508**	**451**	**10,892**	**15,851**
Net profit for the reporting period		-	-	4,071	4,071
Other comprehensive income	14	-	-	90	90
Total comprehensive income		**-**	**-**	**4,161**	**4,161**
Transactions with owners					
Dividends declared		-	-	(311)	(311)
Total transactions with owners		**-**	**-**	**(311)**	**(311)**
Balance as of 31 August 2019		**4,508**	**451**	**14,742**	**19,701**

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(all amounts are in EUR thousand unless otherwise stated)

Statement of changes in equity (cont'd)

COMPANY	Notes	Attributable to the owners of the Company			
		Share capital	Legal reserve	Retained earnings	Total
Balance as of 31 August 2017		**4,508**	**451**	**9,635**	**14,594**
Adjustment on initial application of IFRS 9, net of tax		-	-	-	-
Restated balance as of 31 August 2017		**4,508**	**451**	**9,635**	**14,594**
Net profit for the reporting period		-	-	2,278	2,278
Other comprehensive income	14	-	-	(9)	(9)
Total comprehensive income		**-**	**-**	**2,269**	**2,269**
Transactions with owners					
Legal reserve accrual		-	-	-	-
Dividends declared		-	-	(1,049)	(1,049)
Total transactions with owners		**-**	**-**	**(1,049)**	**(1,049)**
Balance as of 31 August 2018		**4,508**	**451**	**10,855**	**15,814**
Adjustment on initial application of IFRS 9, net of tax		-	-	-	-
Adjustment on initial application of IFRS 15, net of tax		-	-	-	-
Adjusted 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	14	-	-	90	90
Total comprehensive income		**-**	**-**	**4,255**	**4,255**
Transactions with owners					
Dividends declared		-	-	(311)	(311)
Total transactions with owners		**-**	**-**	**(311)**	**(311)**
Balance as of 31 August 2019		**4,508**	**451**	**14,799**	**19,758**

The accompanying notes set out in pages 54–96 are an integral part of these financial statements.

General Manager	Jonas Krutinis		29 November 2019
Chief Accountant	Renata Banevičiūtė		29 November 2019

(all amounts are in EUR thousand unless otherwise stated)

Statement of cash flows

	Group		Company	
	2019	2018	2019	2018
Cash flows from operating activities				
Profit before income tax	3,844	2,584	3,937	2,599
Adjustments for:				
Depreciation and amortization	1,814	1,616	1,813	1,616
Change in provisions for employee benefits	(180)	107	(180)	107
Result from the disposal of property, plant and equipment	(1,648)	-	(1,648)	-
Interest expenses (income)	91	35	12	35
Other	96	11	97	11
	4,017	4,353	4,031	4,368
Changes in working capital:				
Decrease (increase) in inventories	(317)	(641)	(317)	(641)
Decrease (increase) in prepayments	49	16	156	31
Decrease (increase) in trade receivables	264	(1,850)	232	(1,897)
Decrease (increase) in other receivables	212	(410)	351	(410)
Decrease in other current payables and liabilities	944	3,750	896	4,060
Cash flows from operating activities	**5,169**	**5,218**	**5,349**	**5,511**
Income tax (paid)	(435)	(665)	(435)	(665)
Net cash flows from operating activities	**4,734**	**4,553**	**4,914**	**4,846**
Cash flows from investing activities				
Loans granted to related party	-	-	(10,915)	(2,160)
Loan repayments received from related party	-	500	-	500
Investment in subsidiary	-	-	-	(2)
Received interest	-	19	79	19
Purchases of property, plant and equipment and intangible assets	(23,037)	(8,891)	(9,292)	(6,872)
Proceeds from disposal of non-current assets	2,912	-	2,912	-
Net cash flows from (used in) investing activities	**(20,125)**	**(8,372)**	**(17,216)**	**(8,515)**

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(all amounts are in EUR thousand unless otherwise stated)

Statement of cash flows (cont'd)

	Group		Company	
	2019	2018	2019	2018
Cash flows from (used in) financing activities				
Proceed from Factoring	5,032	-	5,032	-
Proceeds from borrowings	20,376	7,685	17,376	7,685
Repayments of borrowings	(8,839)	(2,656)	(8,839)	(2,656)
Dividends paid	(318)	(1,045)	(318)	(1,045)
Interest paid	(91)	(54)	(91)	(54)
Net cash flows (used in) financing activities	**16,160**	**3,930**	**13,160**	**3,930**
Net (decrease) increase in cash and cash equivalents	**769**	**(111)**	**858**	**(261)**
Cash and cash equivalents at the beginning of the period	**843**	**954**	**627**	**888**
Cash and cash equivalents at the end of the period	**1,612**	**843**	**1,485**	**627**

The accompanying notes set out in pages 54–96 are an integral part of these financial statements.

General Manager	Jonas Krutinis		29 November 2019
Chief Accountant	Renata Banevičiūtė		29 November 2019

(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 2019 and 2018 the shareholders of the Group and the Company were:

	2019		2018	
	Number of votes held	**Percentage**	**Number of votes held**	**Percentage**
Invalda Privatus Kapitalas AB	3,407,135	87.67	3,342,160	86.00
Other shareholders	479,132	12.33	544,107	14.00
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 2019, 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 2019 and 31 August 2018 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 2019 and 2018. 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 and TRENDUVA UAB (hereinafter "the Group"). ARI-LUX UAB and TRENDUVA UAB information as of 31 August 2019:

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	8	86	Packaging of accessories
TRENDUVA UAB	T. Narbuto str. 5, LT-08101 Vilnius	100	3	(102)	(137)	Real estate operations

As of 31 August 2019 the number of employees of the Group and the Company was 730 and 672, respectively (as of 31 August 2018 – 776 and 717, 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 29 November 2019. 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 2019 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.

These financial statements for the year ended 31 August 2019 have been prepared under the assumption that the Group and the Company will continue as a going concern.

New standards, amendments and interpretations that are not yet effective

The following new Standards, Amendments and Interpretations are effective for annual periods beginning on or after 1 January 2019 and have not been used in the preparation of these financial statements:

IFRS 16 Leases

The Group and the Company will apply IFRS 16 Leases from 1 September 2019. The Group and the Company have assessed the estimated impact that initial application of IFRS 16 will have on their financial statements, as described below. The actual impacts of adopting the Standard 1 January 2019 may change because:

- the Company has not finalised the testing and assessment of control over its new IT systems; and
- the new accounting policies are subject to change until the Group and the Company present their first financial statements that include the date of initial application.

IFRS 16 introduces a single on-balance sheet lease accounting model for lessees. A lessee recognizes a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. There are recognition exemptions for short-term leases and leases of low-value items. Lessor accounting remains similar to the current standard, i.e. lessors continue to classify leases as finance and operating leases.

IFRS 16 replaces existing guidance, including *IAS 17 Leases*, *IFRIC 4 Determining whether an Arrangement Contains a Lease*, *SIC-15 Operating Leases - Incentives* and *SIC-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease.*

I. Leases where the Group and the Company are lessees

The Group and the Company will recognize new assets and liabilities arising from their operating leases disclosed in Note 26. The nature of the expenses related to those leases will now change because the Group and the Company will recognize a depreciation charge for right-of-use assets and interest expense on lease liabilities.

Previously, the Group and the Company recognized operating lease expense on a straight-line basis over the term of the lease, and recognized assets and liabilities only to the extent that there was a timing difference between the actual lease payments and the expense recognized. The Group and the Company will include the payments due under the lease in their lease liability.

The Group and the Company did not finalize assessment of impact yet, however, based on preliminary estimations significant impact is expected.

Based on the information currently available, the Group and the Company estimate that they will recognise rights to use the assets and additional lease liabilities of EUR 1,158 thousand as at 1 September 2019. Lease contracts that are expected to be terminated or are short term were not included in the assessment at this stage.

II Leases in which the Group and the Company are lessors

The Group and the Company will reassess the classification of sub-leases in which the Group and the Company are lessors. No significant impact is expected for leases in which the Company is a lessor.

The Group and the Company will adopt *IFRS 16 Leases* from 1 September 2019 using modified retrospective approach without adjusting comparative information. The cumulative effect of adopting IFRS 16 will be recognised as an adjustment to the opening balance of retained earnings at 1 September 2019, with no restatement of comparative information.

Amendments to *IFRS 9 Prepayment Features with Negative Compensation*

The amendments are effective for annual periods beginning on or after 1 January 2019 with earlier application permitted. The Amendments allow measuring financial assets with prepayment features at amortised cost or at fair value through other comprehensive income when a party to an agreement is allowed to require or is required to pay or get a reasonable compensation for an agreement terminated before its term (thus, from the perspective of the asset's holder, negative compensation is possible). Based on the Company's management preliminary assessment, adoption of this standard will have limited or no impact on the financial statements of the Company and the Group.

IAS 28 Investments in Associates and Joint Ventures (amendment)

The amendments are effective for annual periods beginning on or after 1 January 2019 with earlier application permitted. The amendments define whether or not, when assessing long-term investments in associates and joint ventures, specifically the requirements related to impairment, which substantially form net investments part in associates and joint ventures, should follow IFRS 9, IAS 28, or both. The amendments clarify that an entity, before applying IAS 28, applies IFRS 9 for long-term interests, to which equity method is not applied. When applying IFRS 9, an entity does not consider changes in carrying amounts of long-term interests arising from application of IAS 28. Based on the Company's management preliminary assessment, adoption of this standard will have limited or no impact on the financial statements of the Company and the Group.

Amendments to IAS 19, *Plan amendment, Curtailment or Settlement*

The amendments are effective for annual periods beginning on or after 1 January 2019 with earlier application permitted. The amendments require entities to use updated actuarial assumptions to measure the cost of current services and net interest related to plan amendment, curtailment or settlement during the remaining reporting period. In addition, the amendments have been included to clarify the effect of a plan amendment, curtailment or settlement on the requirements regarding the asset ceiling. Based on the Company's management preliminary assessment, adoption of this standard will have limited or no impact on the financial statements of the Group and the Company.

IFRIC 23 *Uncertainty over Income Tax Treatments*

The Interpretation is effective for annual periods beginning on or after 1 January 2019 with earlier application permitted. The Interpretation is to be applied to the accounting for corporate income tax when there is uncertainty over income tax treatments under IAS 12. It clarifies how to use judgement to determine whether each tax treatment should be considered independently or whether some tax treatments should be considered together, inspections carried out by tax authorities; it presents a model for presenting uncertainties and accounting for changes in facts and circumstances. Based on the Company's management preliminary assessment, adoption of this standard will have limited or no impact on the financial statements of the Group and the Company.

The IASB issued the *Annual Improvements to IFRSs 2015 – 2017 Cycle*, which is a collection of amendments to IFRSs

The amendments are effective for annual periods beginning on or after 1 January 2019 with earlier application permitted. Based on the Company's management preliminary assessment, adoption of these amendments will have limited or no impact on the financial statements of the Company and the Group.

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. Business combinations

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. 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.

2.6. 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.

2.7. Financial instruments (accounting policies effective until 31 August 2018)

Financial assets

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

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

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

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

<u>Loans and receivables</u>

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

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

Trade receivables

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

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest rate method, less impairment losses. Short term trade receivables are not discounted.

Cash and cash equivalents

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

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

Effective interest rate method

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

De-recognition of financial assets

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

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

Liabilities

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

Borrowings

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

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

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

Trade payables

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Trade payables are recognized when the other party fulfils its contractual obligations and are initially recognised at fair value and subsequently measured at amortised cost using the effective interest rate method.

De-recognition of financial liabilities

A financial liability is derecognised only when the obligation is discharged or cancelled, or expires.

An exchange between the Company and the same lender of debt instruments with substantially different terms or a substantial modification of the terms of an existing financial liability is accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability, with the difference between their respective carrying amounts recognised in profit or loss.

2.8. Financial instruments (accounting policies effective as of 1 September 2018)

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.

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

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

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

2.10. 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.

2.11. Share capital

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

2.12. 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.

2.13. 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
Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to profit or loss on a straight-line basis over the period of the lease.

The Group and the Company are lessors

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

2.14. 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.

2.15. Provisions

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

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.

2.16. Income tax

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

The standard income tax rate in the Republic of Lithuania was 15% in 2019 (15% in 2018).

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.

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

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

Income tax and deferred tax for the accounting period

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

2.17. Revenue recognition

As of 1 September 2018 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.

2.18. Expense recognition

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

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

2.19. Foreign currency transactions

Foreign currency transactions are accounted for at the exchange rates prevailing at the date of the transactions. Gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies on the statement of financial position date are recognized in profit or loss. Such balances are translated at period-end exchange rates. Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated to euro at foreign exchange rates ruling at the dates the fair value was determined.

2.20. Impairment of assets

Non-financial assets

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.

Impairment of financial assets (effective until 31 August 2018)

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.

Impairment of financial assets (effective as of 1 September 2018)

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.

2.21. 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.

2.22. Related parties

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

2.23. Contingencies

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

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

2.24. Subsequent events

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

2.25. Offsetting and comparative figures

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

2.26. Use of estimates in the preparation of financial statements

The preparation of financial statements in conformity with IFRSs requires management to make judgements, estimates and assumptions that affect the reported amounts of assets, liabilities, income and costs and disclosure of contingencies, at the reporting date and within the next financial year. Estimates and judgements are continually evaluated and are based on management's experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

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

<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.

Acquisition of subsidiary
On May 11, 2018, Vilniaus Baldai AB has acquired 100 per cent of shares of Trenduva UAB. Shares are acquired from Invalda Privatus Kapitalas AB (code 303075527, address Šeimyniškių str. 3, Vilnius, register where data of the Company is accumulated and stored – Register of Legal Entities), which owns 86% of Vilniaus Baldai AB shares. Trenduva UAB owns two land plots of 18.5 ha in Trakai region, Guopstai. Land use of these land plots is indicated as industrial and warehousing, as well as communication and engineering corridors. Vilniaus Baldai AB plans to use this land for further production expansion. Vilniaus Baldai AB subsidiary Trenduva UAB has acquired land plots for the new factory construction from unrelated parties at the market price, total land plots acquisition price stands at EUR 1,803 thousand. According to Vilniaus Baldai AB audit committee, Trenduva UAB shares acquisition contract is made at arm's length principle, is fair and reasonable with regard to Vilniaus Baldai AB and its shareholders that are not a counterparty. Trenduva UAB shares price is based on the Company's financial ratios and is considered to be reasonable and fair.

Management considers acquisition of subsidiary as assets acquisition in these consolidated financial statements due to the fact that Trenduva UAB has no processes in place and does not generate revenue.

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 to ensure 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.

2.27 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.

2019FY 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.

2.28. 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).

2.29 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

A number of new Standards, amendments to Standards and Interpretations have become effective for annual periods beginning on or after 1 January 2018 and have been applied in preparing these consolidated and separate financial statements. Of these pronouncements, the following have an impact on the Group's and the Company's financial statements.

(all amounts are in EUR thousand unless otherwise stated)

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*. Other new standards effective as of 1 January 2018 have no significant impact on the financial statements of the Group and the Company.

Effect of transition to IFRS 15

IFRS 15 Revenue from Contracts with Customers and *Clarifications to IFRS 15 Revenue from Contracts with Customers* (issued in 2016). Effective for annual periods beginning on or after 1 January 2018. This standard replaces *IAS 18 Revenue* and *IAS 11 Construction Contracts*.

The Group and the Company have adopted IFRS 15 using the cumulative effect method (without practical expedients), with the effect of initially applying this standard recognised at the date of initial recognition (i.e. 1 September 2018). Accordingly, the information presented for period ended 31 August 2018 has not been restated - i.e. it is presented under IAS 18, IAS 11 and related interpretations and amendments. The disclosure requirements in IFRS 15 have not generally been applied to comparative information.

The new Standard provides a framework that replaces existing revenue recognition guidance in IFRS. The Group and the Company adopted a 5-step model, which is described in Note 2.17. The new model specifies that revenue should be recognised when (or as) the Group and the Company transfer control of goods or services to a customer at the amount to which the Group and the Company expect to be entitled. Depending on whether certain criteria are met, revenue is recognised:

1. over time, in a manner that depicts the Group's and the Company's performance; or
2. at a point in time, when control of the goods or services is transferred to the customer.

IFRS 15 also establishes the principles that the Group and the Company shall apply to provide qualitative and quantitative disclosures which provide useful information to users of financial statements about the nature, amount, timing, and uncertainty of revenue and cash flows arising from a contract with a customer.

The Clarifications to IFRS 15 clarify some of the Standard's requirements and provide additional transitional relief for companies that are implementing the new Standard. The amendments clarify how to:

- identify a performance obligation – the promise to transfer a good or a service to a customer – in a contract;
- determine whether a company is a principal (the provider of a good or service) or an agent (responsible for arranging for the good or service to be provided); and
- determine whether the revenue from granting a license should be recognised at a point in time or over time.

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..
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**	**2018**
Revenue in accordance with IAS 18	78,821	69,322
Impact of IFRS 15	3,617	1,791
Revenue in accordance with IFRS 15	75,204	67,531

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 (applicable from 1 September 2018)**	**Revenue recognition under IAS 18 (applicable before 1 September 2018)**
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 is recognized when the goods are dispatched from the warehouse and the related risks and rewards of ownership transferred, provided that a reasonable estimate of the returns could be made. If a reasonable estimate could not be made, then revenue recognition was deferred until the return period lapsed or a reasonable estimate of returns could be made.
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.	Revenue was recognised when the goods were delivered to the customers' premises, which was taken to be the point in time at which the customer accepted the goods and the related risks and rewards of ownership transferred, provided that a reasonable estimate of the returns could be made. If a reasonable estimate could not be made, then revenue recognition was deferred until the return period lapsed or a reasonable estimate of returns could be made.

Effect of transition to IFRS 9

IFRS 9 Financial Instruments sets out requirements for financial assets, financial liabilities and other non-financial items. This standard replaces *IAS 39 Financial Instruments: Recognition and Measurement.*

As a result of the adoption of amendments to IFRS 9 and *IAS 1 Presentation of Financial Statements*, the impairment of the Group's and the Company's financial assets is presented in separate items of the statements of profit or loss and other comprehensive income. Previously, the Group and the Company recognised impairment of receivables under administrative expenses.

(all amounts are in EUR thousand unless otherwise stated)

IFRS 9 contains three principal classification categories for financial assets:

1. financial assets that are measured at amortised cost in subsequent periods;
2. financial assets that are subsequently measured at fair value through other comprehensive income;
3. financial assets that are subsequently measured at fair value through profit or loss.

The classification of financial assets 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 the contractual cash flows only include principal and interest payments). IFRS 9 eliminates the previous IAS 39 categories of held to maturity, assets at fair value through profit or loss, loans and receivables and available for sale financial assets.

IFRS 9 largely retains the existing requirements in IAS 39 for the classification and measurement of financial liabilities. The main change is that the entity will have to report the effect of changes in the credit risk arising from changes in the fair value of financial liabilities classified as at fair value through profit or loss in the statement of comprehensive income.

The Group's and the Company's classification and measurement of financial instruments in accordance with the requirements of IFRS 9 as at 1 January 2018 is disclosed in the table below:

Group and Company	**Measurement method under IAS 39**	**Measurement method under IFRS 9**
Financial assets		
Trade and other receivables	Loans and receivables	At amortised cost
Loans granted	Loans and receivables	At amortised cost
Cash and cash equivalents	Loans and receivables	At amortised cost
Financial liabilities		
Loans and borrowings	Financial liabilities	Financial liabilities
Trade and other payables	Other financial liabilities	Other financial liabilities

The impairment model in IFRS 9 replaces the 'incurred loss' model in IAS 39 with a forward-looking an 'expected credit loss' (ECL) model, which means that a loss event will no longer need to occur before an impairment allowance is recognised. Impairment requirements under IFRS 9 are applied to both, actual receivables and accrued receivables. The new impairment model applies to financial assets measured at amortised cost or FVOCI, except for investments in equity instruments.

Under IFRS 9, impairment is determined on either of the following bases:

1) 12-month ECLs: these are ECLs that result from possible default events within the 12 months after the reporting date; and
2) Lifetime ECLs: these are ECLs that result from all possible default events over the expected life of a financial instrument.

Impact of impairment of the Group's and the Company's financial assets carried at amortised cost under IFRS 9 is presented below:

	Group	**Company**
31/08/2018 according to IAS 39	-	-
Change in impairment	-	-
01/09/2018 according to IFRS 9	**-**	**-**

The following assessments have been made on the basis of the facts and circumstances that existed at the date of initial application:

- The determination of the business model within which a financial asset is held;
- The designation of certain financial assets and financial liabilities as measured at FVOCI.

(all amounts are in EUR thousand unless otherwise stated)

4 Intangible assets

	Software	
	Group	**Company**
Cost:		
Balance as of 31 August 2017	249	249
Additions	32	32
Balance as of 31 August 2018	278	278
Additions	-	-
Balance as of 31 August 2019	278	278
Amortisation:		
Balance as of 31 August 2017	215	215
Charge for the year	25	25
Balance as of 31 August 2018	236	236
Charge for the year	23	23
Balance as of 31 August 2019	259	259
Net book value as of 31 August 2018	**42**	**42**
Net book value as of 31 August 2019	**19**	**19**

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 221 thousand as of 31 August 2019 (as of 31 August 2018 – EUR 86 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 2017	4,515	28,469	96	1,411	34,491
Additions	2,255	6,210	-	394	8,859
Disposals and retirements	-	-	-	-	-
Reclassified from/ to	-	-	-	-	-
Balance as of 31 August 20188	6,770	34,679	96	1,805	43,350
Additions	19,005	8,384	-	119	27,508
Disposals and retirements	(2,173)	(82)	(4)	(6)	(2,265)
Transferred from inventories	-	-	-	653	653
Reclassified from/ to	-	439	-	(439)	-
Balance as of 31 August 2019	23,602	43,420	92	2,132	69,246
Accumulated depreciation:					
Balance as of 31 August 2017	2,263	17,947	92	824	21,126
Charge for the year	162	1,326	2	105	1,595
Disposals and retirements	-	-	-		-
Balance as of 31 August 2018	2,425	19,273	94	929	22,721
Charge for the year	158	1,504	1	132	1,795
Disposals and retirements	(915)	(77)	(3)	(6)	(1,001)
Balance as of 31 August 2019	1,668	20,700	92	1,055	23,515
Net book value as of 31 August 2018	**4,345**	**15,406**	**2**	**876**	**20,629**
Net book value as of 31 August 2019	**21,934**	**22,720**	**-**	**1,077**	**45,731**

(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 2017	4,515	28,469	96	1,410	34,490
Additions	238	6,210	-	392	6,840
Disposals and retirements	-	-	-	-	-
Reclassified from/ to	-	-	-	-	-
Balance as of 31 August 20188	4,753	34,679	96	1,802	41,330
Additions	670	8,384	-	118	9,17
Disposals and retirements	(2,173)	(82)	(4)	(6)	(2,265)
Transferred from inventories	-	-	-	653	653
Reclassified from/ to	-	439	-	(439)	-
Balance as of 31 August 2019	3,250	43,420	92	2,128	48,890
Accumulated depreciation:					
Balance as of 31 August 2017	2,263	17,947	92	824	21,126
Charge for the year	162	1,326	2	105	1,595
Disposals and retirements	-	-	-	-	-
Balance as of 31 August 2018	2,425	19,273	94	929	22,721
Charge for the year	158	1,504	1	131	1,794
Disposals and retirements	(915)	(77)	(3)	(6)	(1,001)
Balance as of 31 August 2019	1,668	20,700	92	1,054	23,514
Net book value as of 31 August 2018	**2,328**	**15,406**	**2**	**873**	**18,609**
Net book value as of 31 August 2019	**1,582**	**22,720**	**-**	**1,074**	**25,376**

Depreciation charge for the year was recognised as follows:

	Group		**Company**	
	2019	**2018**	**2019**	**2018**
Cost of production	1,624	1,514	1,624	1,514
Operating expenses	85	81	84	81
	1,709	**1,595**	**1,708**	**1,595**

Property, plant and equipment of the Group and the Company with an acquisition cost of EUR 4,029 thousand was fully depreciated as of 31 August 2019 (EUR 4,174 thousand as of 31 August 2018), 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 2019 and as at 31 August 2018.

The Company's prepayments for non-current assets amounted to EUR 1,038 thousand as of 31 August 2019 (EUR 439 thousand as of 31 August 2018). 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)

During 2019, the Group entered into several contracts amounting to EUR 27,074 thousand for construction of new factory in 2019 – 2021 period. As at 31 August 2019 remaining commitment to purchase property, plant and equipment is EUR 9,226 thousand according these agreements. Total planned investments into new factory amounts to 53 million euros.

As of 31 August 2019, the Company's property, plant and equipment with the net book value of EUR 10,969 thousand was pledged to the bank as collateral for loans granted (Note 13).

As at 31 August 2019, the Group and the Company have reclassified spare parts amounting to EUR 653 thousand 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.

During 2019 the Group has capitalized EUR 342 thousand of borrowing cost in property, plant and equipment; the Company has capitalized EUR 286 thousand.

6 Investments into subsidiaries

Acquisition cost of investment of the Company in subsidiaries as of 31 August 2019 and 2018 are presented below:

	2019		2018	
	Share capital	**Acquisition cost**	**Share capital**	**Acquisition cost**
ARI-LUX UAB	100%	5	100%	5
TRENDUVA UAB	100%	2	100%	2
		7		**7**

Performance results of the subsidiary ARI-LUX UAB before elimination of related transactions in 2019 and 2018.

Statement of financial position

	As of 31 August 2019	As of 31 August 2018
Non-current assets	3	2
Current assets	173	165
Total assets	**176**	**167**
Equity and reserves	86	78
Non-current liabilities	-	-
Current liabilities	90	89
Total equity and liabilities	**176**	**167**

Statement of profit or loss and other comprehensive income

	2019	2018
Revenue	471	386
Cost of sales	(370)	(294)
Gross profit	**101**	**92**
Operating expenses	(92)	(72)
Profit (loss) before income tax	**9**	**20**
Income tax expense	1	-
Net profit (loss) for the reporting period	**8**	**20**

(all amounts are in EUR thousand unless otherwise stated)

6 Investments into subsidiaries (cont'd)

Performance results of the subsidiary TRENDUVA UAB before elimination of related transactions in 2019 and 2018.

Statement of financial position

	As of 31 August 2019	As of 31 August 2018
Non-current assets	20,352	2,018
Current assets	318	186
Total assets	**20,670**	**2,204**
Equity and reserves	(137)	(35)
Non-current liabilities	-	-
Current liabilities	20,807	2,239
Total equity and liabilities	**20,670**	**2,204**

Statement of profit or loss and other comprehensive income

	2019	2018
Revenue	-	-
Cost of sales	-	-
Gross profit	**-**	**-**
Operating expenses	(23)	(3)
Result from financial activities	(79)	(32)
Profit (loss) before income tax	**(102)**	**(35)**
Income tax expense	-	-
Net profit (loss) for the reporting period	**(102)**	**(35)**

On 11 May 2018, the Company acquired all shares of Trenduva UAB.

As explained in Note 2.26, management of the Group and the Company considers acquisition of subsidiary Trenduva UAB as acquisition of assets in these consolidated financial statements.

The following table summarises consideration transferred as at the date of acquisition:

Cash	2
Total consideration transferred	**2**

The following table summarises the amounts of assets acquired and liabilities assumed at the date of acquisition:

Non-current assets	1,983
Other receivables	36
Cash and cash equivalents	154
Loan and accrued interests	(2,171)
Total identifiable net assets acquired	**2**

(all amounts are in EUR thousand unless otherwise stated)

7 Inventories

	Group		Company	
	2019	**2018**	**2019**	**2018**
Raw materials	2,663	3,145	2,663	3,145
Work in progress	821	812	821	812
Finished goods	3,549	2,143	3,549	2,143
Spare parts	418	1,031	418	1,031
Goods for resale	-	3	-	3
Less: adjustment to net realizable value	-	-	-	-
	7,451	**7,134**	**7,451**	**7,134**

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

Inventories in value of EUR 6,906 thousand are pledged to the bank according to loan agreements (Note 13) as of 31 August 2019. Inventories in value of EUR 6,284 thousand were pledged to the bank as of 31 August 2018.

As at 31 August 2019, the Group and the Company have reclassified spare parts amounting to EUR 653 thousand that meet the Property, plant and equipment criteria from Inventories to Property, plant and equipment.

8 Trade receivables

	Group		Company	
	2019	**2018**	**2019**	**2018**
Trade receivables, gross	1,161	6,457	1,240	6,504
Less: impairment for doubtful receivables	-	-	-	-
	1,161	**6,457**	**1,240**	**6,504**

Factoring contract without recourse between Vilniaus Baldai AB and bank was signed on 20-05-2019. Factoring term 20-05-2020. Maximum payment term: 90 days to be calculated from the issue date of the invoice. Factoring limit and currency – 6,667 thousand EUR; 5,032 thousand of factoring limit was used at 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 2019 and 31 August 2018 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 2019 and 31 August 2018 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							
2018	6,171	171	162	-	-	-	**6,504**
2019	1,185	7	48	-	-	-	**1,240**

(all amounts are in EUR thousand unless otherwise stated)

8.Trade receivables (cont'd)

	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							
2018	6,124	171	162	-	-	-	**6,457**
2019	1,106	7	48	-	-	-	**1,161**

9 Loans granted

	Group		Company	
	2019	**2018**	**2019**	**2018**
Non – current assets	-	-	13,075	-
Loans granted to subsidiaries				
Current assets				
Loans granted to related companies	**-**	**-**	**-**	**2,160**
	-	**-**	**13,075**	**2,160**

As of 31 August 2018 and 31 August 2019 the Company has granted loans to its subsidiary Trenduva UAB. As of 31 August 2018 the annual interest rate for the loan was fixed 2.7%, the loan was on demand and was presented under current assets. On 28 June 2019 the Company issued another loan to Trenduva UAB with fixed 3,2 % annual interest rate for the loan. The Company and Trenduva UAB have not agreed on a formal loan repayment schedule. The management is planning to reorganise the Group by merging Trenduva UAB into Vilniaus Baldai AB and loans granted will be settled on merge by recognising Property, plant and equipment owned by Trenduva UAB in Vilniaus Baldai AB statement of financial position. Thus, loans granted are presented in non-current assets.

10 Other receivables

	Group		Company	
	2019	**2018**	**2019**	**2018**
Refundable VAT	796	802	653	802
Other receivables	342	300	299	253
	1,138	**1,102**	**952**	**1,055**

Other receivables of the Group and the Company were neither past due nor impaired as of 31 August 2019 and 31 August 2018.

11 Cash and cash equivalents

	Group		Company	
	2019	**2018**	**2019**	**2018**
Cash at bank	1,612	843	1,485	627
	1,612	**843**	**1,485**	**627**

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).

(all amounts are in EUR thousand unless otherwise stated)

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 2019 the Company's legal reserve was fully formed.

13 Financial liabilities

	Group		Company	
	As of 31 August 2019	As of 31 August 2018	As of 31 August 2019	As of 31 August 2018
Non-current borrowings				
Credit line	-	5,500	-	5,500
Loans from bank	17,376	2,373	17,376	2,373
Loans from related party	3,000	-	-	-
	20,376	**7,873**	**17,376**	**7,873**
Current borrowings				
Current portion of non-current finance lease	-	-	-	-
Current portion of loans	-	966	-	966
Credit line	-	-	-	-
	-	**966**	**-**	**966**

The Company's property, plant and equipment with the total net book value of EUR 10,439 thousand as of 31 August 2019 (EUR 17,013 thousand as of 31 August 2018), all the current cash balances and future inflows to the Company's accounts at the bank and inventories in value of EUR 6,906 thousand as at 31 August 2019 (inventories in value of EUR 6,284 thousand as at 31 August 2018) were pledged as collateral for the loans granted.

Loan from related party - 3,000,000 EUR, Interest rate 3,2 %. 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.

Loans from the bank:

- EUR 8,688 thousand, interest rate 3,1%, maturity 27 April 2030.
- EUR 8,688 thousand, interest rate 3,1% + 0,46%, maturity 27 April 2030

According loan agreement total loan commitment from the bank is EUR 37,820 thousand.

The fair value of current and non-current borrowings approximates their carrying amount as the contractual terms of the borrowings are considered to be at market rates.

Actual interest rates are close to the effective interest rates.

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

	Group		Company	
	2019	2018	2019	2018
Credit line	-	0.95%	-	0.95%
Loans	3.31%	1.32%	3.33%	1.32%

Borrowings at the end of the year currencies:

	Group		Company	
	2019	2018	2019	2018
Borrowings denominated in:				
EUR	20,376	8,839	17,376	8,839
	20,376	**8,839**	**17,376**	**8,839**

(all amounts are in EUR thousand unless otherwise stated)

13 Financial liabilities (cont'd)

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

	Group	Company
Borrowings as at 31.08.2018	**8,839**	**8,839**
Proceeds from borrowings	20,376	17,376
Repayments of borrowings	(8,839)	(8,839)
Borrowings as at 31.08.2019	**20,376**	**17,376**

14 Provisions for employee benefits

	Group		Company	
	2019	2018	2019	2018
Provisions for pension benefits	245	337	245	337
Provisions for jubilee and other benefits	390	478	390	478
	635	**815**	**635**	**815**

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:

	2019	2018
Discount rate	1.5%	1.5%
Salary growth rate	6%	6%
Rate of employee turnover by age group:		
younger than 25 years	40%	0–40%
from 25 to 45 years	40%	10–15%
from 45 to 59 years	20%	10%
from 59 to 75 years	15%	0–10%

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:

	Increase / decrease, %	Impact on other comprehensive income
2019		
Discount rate	+0.5%	(1)
Salary growth rate	+0.5%	1
Discount rate	-0.5%	1
Salary growth rate	-0.5%	(1)

(all amounts are in EUR thousand unless otherwise stated)

14 Provisions for employee benefits (cont'd)

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

The Group and the Company	2019	2018
At 1 September	337	297
Growth in the current year	25	37
Payments	(12)	(8)
Re-measurements of pension benefits	(106)	11
At 31 August	**244**	**337**

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

The Group and the Company	2019	2018
At 1 September	478	411
Growth in the current year	(58)	114
Payments	(29)	(47)
Re-measurements of jubilee and other benefits	-	-
At 31 August	**391**	**478**

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	
	2019	**2018**	**2019**	**2018**
Payroll liabilities and related taxes	984	1,101	928	1,081
Accrued vaccation	943	951	943	951
Dividends payable	1,008	1,015	1,008	1,015
Operating taxes payable	-	-	-	-
Other payables and accrued liabilities	95	60	64	36
	3,030	**3,127**	**2,943**	**3,083**

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 2019 and 2018 sales of goods comprised sales of furniture, which accounted for approx. 99 and 97 (99 if prior year figures would be adjusted due to IFRS 15) per cent respectively 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 2019 amounted to EUR 74,390 thousand, i.e. 99 per cent of total sales (in 2018 sales amounted to EUR 67,381 thousand, i.e. 97 (99 if prior year figures would be adjusted due to IFRS 15) 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)

17 Revenue (cont'd)

	Group		Company	
	2019	**2018**	**2019**	**2018**
Primary geographical markets:				
European Union countries, excluding Lithuania	43,223	38,601	43,223	38,601
Non-European Union countries	31,670	28,728	31,670	28,728
Lithuania	311	1,993	311	1,993
	75,204	**69,322**	**75,204**	**69,322**
Major products lines:				
Furniture	75,014	67,329	75,014	67,329
Raw materials	190	1,993	190	1,993
	75,204	**69,322**	**75,204**	**69,322**

Revenue from raw materials decreased due to application of IFRS 15, see Note 3 for more details.

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	
	2019	**2018**	**2019**	**2018**
Materials	50,844	46,263	50,844	46,263
Wages, salaries	10,257	7,863	9,923	7,643
Depreciation	1,624	1,500	1,624	1,500
Social security	894	2,428	864	2,360
Other production expenses	4,837	4,821	5,302	5,201
	68,456	**62,875**	**68,456**	**62,967**

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

For 2019 cost of materials amounting to EUR 3,617 thousand were netted with sales of raw materials due to application of IFRS 15, for more details see note 3.

19 Selling and distribution expenses and administrative expenses

	Group		Company	
	2019	**2018**	**2019**	**2018**
Selling and distribution expenses:				
Wages, salaries	11	6	11	6
Transportation and logistics expenses	1,169	1,168	1,169	1,168
Consultation expenses	-	2	-	2
Depreciation and amortisation	12	12	12	12
Utilities, maintenance and communications	3	5	3	5
Business trips expenses	-	-	-	-
Other	106	94	106	94
	1,301	**1,287**	**1,301**	**1,287**

(all amounts are in EUR thousand unless otherwise stated)

19 Selling and distribution expenses and administrative expenses (cont'd)

	Group		Company	
	2019	**2018**	**2019**	**2018**
Administrative expenses:				
Wages, salaries	1,987	1,195	1,782	1,157
Transportation and logistics expenses	214	92	214	92
Social security	146	372	141	361
Audit and consultation expenses	231	208	230	208
Depreciation and amortisation	73	69	72	69
Utilities, maintenance and communications	93	110	93	110
Waste utilisation expenses	65	46	65	46
Business trips expenses	52	74	52	74
Charity and support expenses	1	1	-	-
Other	639	685	740	665
	3,501	**2,852**	**3,389**	**2,782**

20 Other operating income and expenses

	Group		Company	
	2019	**2018**	**2019**	**2018**
Other operating income				
Rent and utilities income	253	295	253	300
Gain on disposal of property, plant and equipment	1,784	-	1,784	-
Heating revenue	497	224	497	224
Other income	96	49	99	49
	2,630	**568**	**2,633**	**573**
Other operating expenses				
Direct costs of rent income	(166)	(145)	(166)	(145)
Heat generation costs	(238)	(86)	(238)	(86)
Losses on disposal of property, plant and equipment	(136)	-	(136)	-
Other expenses	(58)	-	(58)	-
	(598)	**(231)**	**(598)**	**(231)**

21 Finance income and finance costs

	Group		Company	
	2019	**2018**	**2019**	**2018**
Finance income				
Interest income	-	3	79	34
Positive currency exchange	-	21	-	21
	-	**24**	**79**	**55**
Finance costs				
Interest expenses	(91)	(63)	(91)	(62)
Expenses due to currency exchange	(43)	(22)	(43)	(22)
	(134)	**(85)**	**(134)**	**(84)**

(all amounts are in EUR thousand unless otherwise stated)

21 Finance income and finance costs (cont'd)

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.

22 Income tax

	Group		Company	
	2019	**2018**	**2019**	**2018**
Components of the income tax expense				
Income tax expenses for the reporting year	1	310	-	310
Income tax expenses from dividends paid to natural persons	-	-	-	-
Total current income tax expense	1	310	-	310
Recognition and reversal of temporary differences	(228)	11	(228)	11
Change in deferred tax	(228)	11	(228)	11
Income tax expense carried in profit or loss	**(227)**	**321**	**(228)**	**321**

Deferred income tax asset and liability as of 31 August 2018 and 31 August 2019 was accounted using tax rate of 15%.

In 2019, 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 4 million 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 2019 by the investment tax credit of EUR 4 million.

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			
	2019		**2018**	
Profit (loss) before tax		3,844		2,584
Tax calculated at a statutory 15% tax rate	15%	577	15%	388
Tax effects of:				
- Expenses not deductible for tax purposes	0%	16	1%	34
- Income not subject to tax	0%	(3)	0%	(2)
- Income tax relief due to investment projects	(15%)	(590)	(4%)	(99)
Income tax expense carried in profit or loss	**0%**	**-**	**10%**	**321**

	Company			
	2019		**2018**	
Profit (loss) before tax		3,937		2,599
Tax calculated at a statutory 15% tax rate	15%	591	15%	390
Tax effects of:				
- Expenses not deductible for tax purposes	0%	2	1%	32
- Income not subject to tax	0%	(3)	0%	(2)
- Income tax relief due to investment projects	(15%)	(590)	(4%)	(99)
Income tax expense carried in profit or loss	**0%**	**-**	**10%**	**321**

(all amounts are in EUR thousand unless otherwise stated)

22 Income tax (cont'd)

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

	Group		Company	
	2019	**2018**	**2019**	**2018**
Deferred tax assets	374	157	374	157
Deferred tax liability	(31)	(42)	(31)	(42)
	343	**115**	**343**	**115**

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	**2017**	**Credited (debited) to income tax expenses**	**2018**	**Credited (debited) to income tax expenses**	**2019**
Deferred tax assets					
– Accrued charges	170	(13)	157	(73)	84
– Unused Investment relief	-	-	-	290	290
	170	(13)	157	217	374
Deferred tax liabilities					
– Investment relief	(44)	2	(42)	11	(31)
	(44)	2	(42)	11	(31)
Deferred tax assets, net	**126**	**(11)**	**115**	**228**	**343**

Company	**2017**	**Credited (debited) to income tax expenses**	**2018**	**Credited (debited) to income tax expenses**	**2019**
Deferred tax assets					
– Accrued charges	170	(13)	157	(73)	84
– Unused Investment relief	-	-	-	290	290
	170	(13)	157	217	374
Deferred tax liabilities					
– Investment relief	(44)	2	(42)	11	(31)
	(44)	2	(42)	11	(31)
Deferred tax assets, net	**126**	**(11)**	**115**	**228**	**343**

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	
	2019	**2018**	**2019**	**2018**
Net profit attributable to shareholders	4,071	2,263	4,165	2,278
Weighted average number of shares (thousand)	3,886	3,886	3,886	3,886
Basic earnings per share (in EUR)	**1.05**	**0.58**	**1.07**	**0.58**

There were no changes in the share capital of the Company during 2019 and 2018; 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	
	2019	**2018**	**2019**	**2018**
Financial assets				
Loans granted	-	-	13,075	2,160
Trade and other receivables	1,503	6,757	1,539	6,757
Cash and cash equivalents	1,612	843	1,485	627
	3,115	**7,600**	**16,099**	**9,544**

	Group		Company	
	Category – Financial liabilities measured at amortised cost		Category – Financial liabilities measured at amortised cost	
	2019	**2018**	**2019**	**2018**
Financial liabilities				
Borrowings	20,376	8,839	17,376	8,839
Trade and other payables	15,322	9,139	10,701	9,111
	35,708	**17,978**	**28,077**	**17,950**

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 2019 were 0.69 and 0.26 (Group's), 0.92 and 0.33 (Company's) respectively (the Group's liquidity and quick ratio as of 31 August 2018 – 1.31 and 0.73, and the Company's 1.48 and 0.89 respectively).

(all amounts are in EUR thousand unless otherwise stated)

24 Financial risk management (cont'd)

The tables below summarise the maturity profile of the Group's and the Company's financial liabilities as of 31 August 2019 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	-	258	772	7,928	-	8,895
Trade and other payables	219	8,920	-	-	-	9,139
Balance as of 31 August 2018	**219**	**9,178**	**772**	**7,928**	**-**	**18,097**
Interest bearing loans and borrowings	-	-	-	9,340	13,676	23,016
Trade and other payables	1,698	13,621	-	-	-	15,319
Balance as of 31 August 2019	**1,698**	**13,621**	**-**	**9,340**	**13,676**	**38,335**

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	-	258	772	7,928	-	8,958
Trade and other payables	219	8,892	-	-	-	9,111
Balance as of 31 August 2018	**219**	**11,169**	**772**	**7,928**	**-**	**18,069**
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**

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 2019 accounted for approximately 99% of the total Group's and Company's trade receivables (as of 31 August 2018 over 97%). 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.

(all amounts are in EUR thousand unless otherwise stated)

24 Financial risk management (cont'd)

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"	74,894	926
Less than four years "trading history with the Group"	310	212
Higher risk	-	-
Total gross carrying amount	75,204	1,138

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.

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 2019:

	Expected credit losses, %	**Initial value**	**Impairment**	**Carrying amount**
Not past due	0%	1,132	-	1,132
Past due for 1 to 30 days	0%	6	-	6
Past due for 31 to 60 days	1%		-	
Past due for 61 to 120 days	2%		-	
Past due for over 120 days	3%		-	
Total		**1,138**	**-**	**1,138**

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

As at 31 August 2019 the Group and the Company had no impaired trade receivables.

(all amounts are in EUR thousand unless otherwise stated)

24 Financial risk management (cont'd)

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 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	**35,640**	**16,105**	**28,064**

Financial assets and liabilities stated in various currencies as of 31 August 2018 were as follows (stated in EUR):

	Group		Company	
	Assets	**Liabilities**	**Assets**	**Liabilities**
EUR	7,600	17,713	9,544	7,685
PLN	-	108	-	108
RUB	-	157	-	157
	7,600	**17,978**	**9,544**	**17,950**

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 2019 and 31 August 2018.

	Group		Company	
	Increase/ decrease, %	**Effect on profit before tax**	**Increase/ decrease, %**	**Effect on profit before tax**
2018				
EUR	+1%	(126)	+1%	(58)
EUR	-1%	110	-1%	60
2019				
EUR	+1%	(205)	+1%	(174)
EUR	-1%	202	-1%	172

24 Financial risk management (cont'd)

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 2019.

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.

The following requirements were imposed to secure the repayment of bank borrowings and settlement of finance lease obligations as at 31 August 2018:

(a) ratio of equity (less amounts receivable from related parties and less loans granted to the Company by related parties) to total assets (less amounts receivable from related parties and less loans granted to the Company by related parties) should not be lower than 0.30;
(b) ratio of net debt to EBITDA should not be higher than 2.00 for the last 12 months.
(c) loan amount should not be higher than the total amount of: 50% of pledged inventory (50%) plus 50% of pledged equipment and plus 70% of pledged property and plant.

25 Capital management (cont'd)

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:
   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.

(all amounts are in EUR thousand unless otherwise stated)

25 Capital management (cont'd)

The calculation of 2018FY banks' covenants is presented below:

	2018*
Equity	15,811
Receivables from related parties	600
Loans granted to the Company by related parties	-
Adjusted equity	**15,211**
Assets	36,663
Receivables from related parties	600
Loans granted to the Company by related parties	-
Adjusted assets	**36,063**
Equity to assets ratio	**0.42**

Debt	**8,839**
Cash and cash equivalents	**(627)**
Net debt	**8,212**
EBITDA (for the last 12 months)	**4,209**
Net debt to EBITDA ratio	**1.95**

	Company and Group		
	2018*		
Pledged inventory	6,284	50%	3,142
Pledged equipment	6,096	50%	3,048
Pledged property and plant	10,917	70%	7,642
Total			**13,832**
Debt			**8,839**

*Applicable only for 2018FY.

Loan amount is not higher than the total amount of 50% of pledged inventory (50%) plus 50% of pledged equipment and plus 70% of pledged property and plant: loan amount 8,393 < 13,832.

2019FY banks' covenants are presented below:

- EBITDA not less than EUR 5,500,000.

EBITDA (for the last 12 months) is EUR 5,643 thousand.

- EBITDA divided by (y) sales revenue of not less than 7%.

At 31 August 2019 percentage of EBITDA divided by sales revenue – 7.5 %.

As of 31 August 2019 and 31 August 2018, the Group and the Company complied with all external requirements established to secure the repayment of bank borrowings.

(all amounts are in EUR thousand unless otherwise stated)

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 2019 and also as of 31 August 2018 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 2019 and 2018 and the balances as of 31 August 2019 and 31 August 2018 were as follows:

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

2018 Group	**Purchases**	**Sales**	**Receivables**	**Payables**
Other related parties	3,315	1,388	569	647
	3,315	**1,388**	**569**	**647**

2018 Company	**Purchases**	**Sales**	**Receivables**	**Payables**
ARI-LUX UAB	386	4	-	28
Trenduva UAB	-	31	2,191	-
Invalda Privatus Kapitalas AB	-	3	-	-
Other related parties	3,315	1,385	569	647
	3,701	**1,423**	**2,760**	**675**

2019 Group	**Purchases**	**Sales**	**Receivables**	**Payables**
Other related parties	6,161	5,942	-	939
	6,161	**5,942**	**-**	**939**

2019 Company	**Purchases**	**Sales**	**Receivables**	**Payables**
ARI-LUX UAB	471	3	-	55
Trenduva UAB	-	79	79	
Other related parties	6,161	5,942	-	939
	6,632	**6,024**	**79**	**994**

In 2019 sales to related parties comprised sale of raw materials (EUR 3,041 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

	2019	**2018**
As at 1 September	-	506
Loans advanced during year	-	-
Loan repayments received	-	506
Interest charged	-	-
Interest received	-	-
As at 31 August	**-**	**-**

(all amounts are in EUR thousand unless otherwise stated)

26 Related-party transactions (cont'd)

c) Loans to Trenduva UAB:

	2019	2018
At 1 September	2,191	-
Loans advanced during year	10,884	2,160
Loan repayments received	-	-
Interest charged	-	-
Interest received	79	31
At 31 August	**13,154**	**2,191**

d) Loans from Invalda Privatus Kapitalas AB to Trenduva UAB:

	2019	2018
At 1 September	-	-
Non-current loans	3,000	-
Loan repayments received	-	-
Interest charged	-	-
Interest received	-	-
At 31 August	**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 and Director of the subsidiaries are considered to be the key management of the Group.

	Group		Company	
	2019	2018	2019	2018
Wages, salaries	402	418	391	392
Social security	38	130	38	122
	440	**548**	**429**	**514**

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 Operating leases

Operating lease commitments

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

The Group's and the Company's lease expenses related with the lease of vehicles and premises amounted to EUR 919 thousand in 2019 (2018 – EUR 447 thousand).

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

	Group		Company	
	2019	2018	2019	2018
Not later than 1 year				
Lease of vehicles	46	34	46	31
Lease of premises	917	527	917	527
	963	**561**	**963**	**558**
Later than 1 year and no later than 5 years				
Lease of vehicles	180	47	180	37
Lease of premises	919	1,771	919	1,771
	1,099	**1,818**	**1,099**	**1,808**
	2,062	**2,379**	**2,062**	**2,366**

(all amounts are in EUR thousand unless otherwise stated)

28 Contingent liabilities

As of 31 August 2019 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 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.

29 Going concern

As at 31 August 2019 current liabilities exceed current assets of the Group by the amount of EUR 5,276 thousand and of the Company by the amount of EUR 1,003 thousand.

The main reason is a construction of new factory resulting in significant increase in trade payables. Planned investments should comprise EUR 53 million and would be completed within the next 3 years. As to loan agreement signed with EBRD and Citadele Banka loan commitment is EUR 37,820 thousand and the Group has borrowed EUR 17,376 thousand as at 31 August 2019, thus additional funding is possible. Invalda Privatus Kapitalas AB has lent EUR 3,000 thousand. Remaining funding for the construction project will be generated from the Company's operating cash flows. The Company's production and volumes were increasing in current financial year, and the management projects that additional funding together and cash flows from operating activities will be sufficient to cover temporary liquidity gap and to fund construction project.

Planned investments	Bank commitment	Loan from Invalda Privatus kapitalas	Loan from main customer	Required own funds
53,000	37,870	3,000	2,190	9,940

Moreover, after the end of the reporting period, the Company signed a loan agreement of EUR 2,190 thousand with its main customer.

30 Events after the end of the reporting period

On 3 September 2019 an agreement with main customer for loan of EUR 2,190 thousand was signed, loan maturity – 25 April 2027.

On 5 September 2019 Vilnaius bandai AB signed maximum pledge agreements with banks from which financing for the new factory construction was obtained in 2019.

On 18 September 2019 subsidiary Trenduva UAB changes its legal status to Trenduva AB due to reorganization.

On 8 October 2019 Vilniaus Baldai AB made an announcement regarding prepared reorganization plan to merge Vilniaus Baldai AB and its subsidiary Trenduva UAB into one company.

On 28 November 2019 reorganization by merger was completed, during which to Vilniaus Baldai AB was merged a subsidiary Trenduva AB, which ceased to exist without liquidation procedure.

Vilniaus Baldai AB took over all assets, rights and responsibilities of Trenduva AB, all rights and obligations under transactions of Trenduva AB were transferred to Vilniaus Baldai AB, and the transactions of Trenduva AB were included into the accounting of Vilniaus Baldai AB.

Upon completion of the reorganization, Vilniaus Baldai AB will fulfil all contractual rights and obligations of Trenduva AB under the terms and conditions set out in the respective agreement.

There were no other significant events after 31 August 2019 until the date of approval of these financial statements.

General Manager	Jonas Krutinis		29 November 2019
Chief Accountant	Renata Banevičiūtė		29 November 2019