RESPONSIBLE PERSONS CONFIRMATION

02.04.2021

Following Article 24 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 not audited VILNIAUS BALDAI AB Interim Consolidated Financial Statements for the six months of FY2021 ended 28 February 2021, 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.

ENCLOSURE:

1. Not audited VILNIAUS BALDAI AB Interim Condensed Consolidated Financial Statements for the six months of FY2021 ended 28 February 2021.

General Manager Jonas Krutinis

Chief Financial Officer Edgaras Kabečius

AB „Vilniaus baldai", Įm. kodas: 121922783, PVM kodas: LT219227811
+370 5 25 25 700, info@vilniausbaldai.lt, www.vilniausbaldai.lt
Savanorių pr. 178, LT-03154 Vilnius, Lietuva
Sąskaitos nr. LT86 7290 0990 7740 6347
AS „Citadele banka" Lietuvos filialas, b.k. 72900

VILNIAUS BALDAI AB

INTERIM CONDENSED CONSOLIDATED REPORT FOR THE SIX MONTHS OF FY 2021 ENDED FEBRUARY 28, 2021

CONTENTS

(all amounts are in EUR thousand unless otherwise stated)

COMPANIES COMPOSING THE GROUP

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

GENERAL INFORMATION ABOUT THE COMPANY:

Name	Joint stock company Vilniaus Baldai AB
Legal form	Joint stock company
Code	121922783
VAT payer's code	LT219227811
LEI code	529900MJDB8L13ZF6G26
Authorised capital	EUR 4,508,069.72, divided into 3,886,267 ordinary registered shares with the par value of EUR 1.16 each
Office address	Savanoriu Ave. 178B, LT-03154 Vilnius
Telephone	(8~5) 252 57 00
E-mail	info@vilniausbaldai.lt
Internet website	www.vilniausbaldai.lt
Registration date and place	9 February 1993, Vilnius City Board
Register, where all the information about the Company is collected and stored	Register of Legal Entities
Main type of activity	Design, production and selling of furniture

GENERAL INFORMATION ABOUT THE SUBSIDIARY:

Name	Limited liability company ARI-LUX UAB
Legal form	Limited liability company
Code	120989619
VAT payer's code	LT209896113
Authorised capital	EUR 2,896
Office address	Savanoriu Ave. 178B, LT-03154 Vilnius
Telephone	(8~5) 252 57 44
E-mail	info@ari-lux.lt
Internet website	
Registration date and place	28 October 1991, Vilnius City Board
Register, where all the information about the Company is collected and stored	Register of Legal Entities
Main type of the activity	Packaging

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

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

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

During the first half of 2021 Vilniaus Baldai revenue stood at EUR 46 million. New glue technology for Asian markets was implemented, as well as automation project of lacquering line was finalised.

The Company focused on quality improvement, processes optimization 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 2021 (in 2020 – 99%). Furniture accounted for 99% of the Company's sales during 2021 (in 2020 – 99%), 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.There were no manufacturing restrictions because of the environment pollution.

Repayment of the 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 14).

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

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

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

The Group Revenue stood at 24 480 thousand EUR during September – November of 2020.
Net profit of the Group during September – November of 2020 was 1 852 thousand EUR, while EBITDA was 3 153 thousand EUR.

The Group Revenue stood at 21 627 thousand EUR during December of 2020 – February of 2021.
Net profit of the Group during December of 2020 – February of 2021 was 785 thousand EUR, while EBITDA was 1 981 thousand EUR.

The Group Revenue stood at 46 107 thousand EUR during September of 2020 – February of 2021.
Net profit of the Group during September of 2020 – February of 2021 was 2 637 thousand EUR, while EBITDA was 5 134 thousand EUR.

The main financial position items of the Group, EUR thousand:

	28.02.2021	29.02.2020
Non - current assets	68 057	64 270
Current assets	17 718	12 789
Total assets	**85 775**	**77 059**
Capital and reserves	**27 399**	**22 038**
Total liabilities	**58 376**	**54 974**
Non - current liabilities	40 966	38 757
Financial debts	*39 667*	37 212
Lease (16 IFRS adaption)	*591*	910
Current liabilities	17 410	16 217
Financial debts	*1 710*	-
Lease (16 IFRS adaption)	*158*	-
Grants and subsidies	**-**	**47**

The main comprehensive income items of the Group, EUR thousand:

	FY 2021 I half, ended February 28	FY 2020 I half, ended February 29
Sales income, EUR thousand	**46 107**	**40 413**
- in Lithuania	*301*	*163*
- in EU countries	*26 664*	*24 658*
- other countries	*19 142*	*15 592*
Gross profit, EUR thousand	**5 960**	**5 007**
Gross profit margin, %	12.93	12.39
Operating profit, EUR thousand	**3 322**	**2 378**
Operating profit margin, %	7.20	5.88
Profit before taxes, EUR thousand	**2 642**	**2 347**
Profit before taxes margin, %	5.73	5.81
Net profit, EUR thousand	**2 637**	**2 337**
Net profit margin, %	5.72	5.78
EBITDA, EUR thousand	**5 134**	**4 014**
EBITDA margin, %	11.13	9.93

The Company's sales in Lithuania mostly comprise sales of raw materials and waste of raw materials. In 2019 the company changed revenue recognition due to application of IFRS 15.

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 2021 first half:

Production	2021 I half, ended February 28	2020 I half, ended February 29
	EUR thousand	EUR thousand
Furniture	48 092	40 233
Other production	-	-
Total	**48 092**	**40 233**

Production sales according to the markets in the period of 2021 first half:

Sales	2021 I half, ended February 28		2020 I half, ended February 29	
	EUR thousand	%	EUR thousand	%
In Lithuania	301	0,65	163	0.40
In abroad	45 806	99,35	40 250	99.60
Total	**46 107**	**100,0**	**40 413**	**100.0**

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.

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.

There were 898 employees working in the Group and 830 employees in the Company at the end of the first half of 2021 (780in the Group and 716 in the Company as of 31 August 2020). The average age of the employees is 40 years.

The average number of the employees in the Company during the first half of 2021:

	2021 I half, ended February 28	2020 I half, ended February 29
Executive personnel	9	6
Specialists	55	51
Workers	716	625
Total	**780**	**682**

Remuneration comprises a basic and variable component. A variable component of remuneration depends on the Company's results of operations. The Company is proud of its highly experienced and qualified employees.

The average wages of the employees in the period of during the first half 2021:

(all amounts are in EUR thousand unless otherwise stated)

	2021 I half, ended February 28	2020 I half, ended February 29
Executive personnel	7 361	6 238
Specialists	2 360	2 341
Workers	1 699	1 621
Total	**1 815**	**1 725**

The collective agreement is concluded in the Company. The collective agreement was renewed on December 2, 2020. The agreement is mandatory for all the employees of the Company. The purpose of this agreement is to ensure the harmonious work of the staff, high level of working conditions of different categories of employees, salary and other working conditions, also, to ensure additional social guarantees which are not stated according to the regulations of Lithuanian legislation for the employees of the Company. The collective agreement includes the working contract formation, change, termination, work and rest time, payment for the work done, improvement of the qualification of the employees, safety at work and medical assistance, social care, trade union activity and guarantees of the elected employees. If the terms and conditions of the collective agreement are more favourable compared to the working contract, then the collective agreement is followed.

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

The information presented in the interim condensed consolidated financial statements and the explanatory notes.

4. INFORMATION ABOUT THE OWN SHARES

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

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

The Company does not have any branches or representative offices.

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

On the 22 of December 2020 the Annual General Shareholders Meeting of VILNIAUS BALDAI AB adopted the following resolutions:

Agenda item #1: Consolidated annual report. The Company‘s consolidated annual report for the FY 2020 ended 31 August 2020.

Agenda item #2: Company's auditor's report. The report of auditor Grant Thornton Baltic UAB for the FY 2020 ended 31 August 2020 was presented.

Agenda item #3: Approval of the Consolidated and Company's financial statements for the FY 2020 ended 31 August 2020. Resolution: to approve Consolidated and Company's financial statements for the FY 2020 ended 31 August 2020.

Agenda item #4: Approval of the Company‘s profit distribution. Resolution: to approve Company‘s profit distribution.

(all amounts are in EUR thousand unless otherwise stated)

Undistributed retained earnings, brought forward	14 799
Net result for the current year	4 986
Profit (loss) not recognized in the income statement of the reporting financial year	(183)
Distributable result	19 602
Transfers to the obligatory reserves	-
Transfers to other reserves	-
To be paid as dividends	-
To be paid as annual payments (bonus) to the Board members	-
Undistributed retained earnings, carried forward	19 602

The coronavirus (COVID-19) pandemic and the strict measures to stop it still does not fade away.

Due to the prevailing uncertainty, it is currently not possible to assess the impact of the current situation on the company's annual financial results.

No other significant events occurred in the Company.

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

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

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

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

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

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

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

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

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

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

The Company has signed the contract with the Siauliu bankas AB (Seimyniskių Str. 1A, Vilnius) on the management of the Company's securities accounting and the payment of dividends to the shareholders.

11. STRUCTURE OF THE ISSUER'S AUTHORIZED CAPITAL

Structure of the authorized capital of Vilniaus Baldai AB:

Type of shares	Number of shares, units	Nominal value, EUR	Total nominal value, EUR	Share in the authorized capital, %
Ordinary registered shares	3 886 267	1.16	4 508 069.72	100.00

All shares are fully paid up and no restrictions are applied to their transfer.

Rights and obligations carried by the shares

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

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

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

The shareholders have the following property and moral rights:

1. to receive a part of Company's profit (dividend);
2. to receive Company's funds when the authorized capital of the Company is decreased in order to pay the Company's funds to the shareholders;
3. to receive shares without payment if the authorized capital is increased out of the Company's funds except in cases provided for by the laws of the Republic of Lithuania;
4. to have the pre-emption right in acquiring shares or convertible debentures issued by the Company, except in cases when the General Meeting in the manner prescribed in the Law on Companies of the Republic of Lithuania decides to withdraw the pre-emption right in acquiring the Company's newly issued shares or convertible debentures for all the shareholders;
5. to lend the Company in the manner prescribed by laws, but the Company, borrowing from its shareholders has no right to mortgage its property to shareholders. The interest shall not exceed the average interest rate of commercial banks in the lender's place of residence or business in force at

(all amounts are in EUR thousand unless otherwise stated)

the time of the loan contract when the Company is borrowing from the shareholder. In this case it is prohibited to the Company and its shareholders to agree on a higher interest rate;
6. to receive a part of assets of the Company in liquidation;
7. other statutory property rights;
8. the rights, indicated in statutes 1 - 4 have persons who were Company's shareholders at the tenth day after the decision that was accepted at the end of general shareholders' meeting (hereinafter – at the end of right record day);
9. to participate in general shareholders' meetings;

The shareholders have the following property and moral rights (cont'd):

10. to submit the questions related to the agenda of general shareholders' meetings to the Company in advance;
11. to vote at general shareholders' meetings according to voting rights carried by their shares. Each registered ordinary share carries one vote at the general shareholders' meeting except the exceptions indicated in the Company Law of the Republic of Lithuania. The right to vote at the general shareholders' meetings may be prohibited or restricted by the Company Law of the Republic of Lithuania and other cases established by law, as well as, when the ownership of the share is being disputed;
12. to receive information on the Company as indicated in the Company Law of the Republic of Lithuania;
13. to file a claim with the court for reparation of Company's damage resulting from nonfeasance or malfeasance by the Company's executive and board members of their obligations prescribed by the Company Law of the Republic of Lithuania and other laws as well as Company's regulations;
14. to authorize natural or legal person to represent him in relations with the Company and other persons;
15. other non-property rights established by the Company Law of the Republic of Lithuania or Company's regulations.

12. SHAREHOLDERS

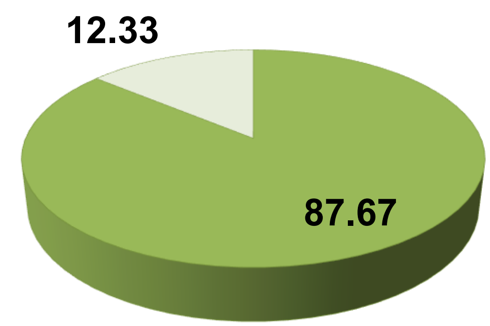
Total number of the shareholders as of February 28, 2021 was 1 312.

The shareholders who had upon the property rights or possessed more than 5% of the issuer's authorised capital on February 28, 2021:

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, Žalgirio Str. 92-901, Vilnius	3 407 135	87.67	87.67

(all amounts are in EUR thousand unless otherwise stated)

Structure of the authorized capital, %



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

The are no voting rights restrictions.

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

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

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

The main characteristics of the shares:

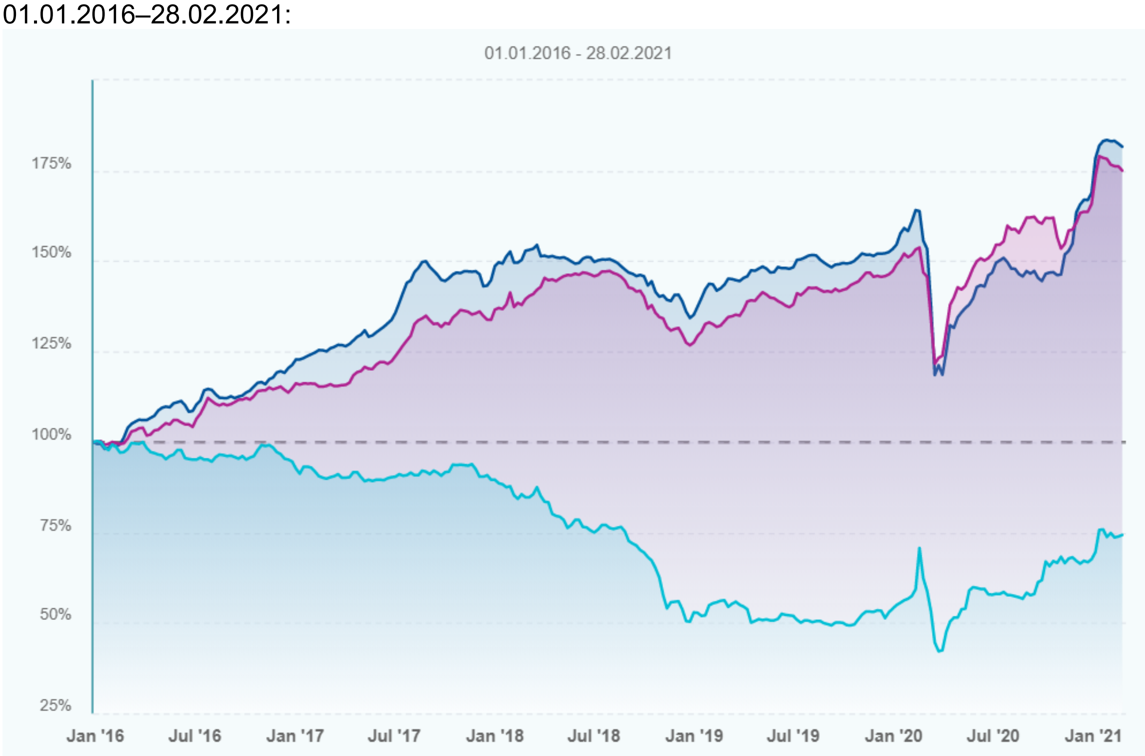
Type of shares	VP ISIN code	Abbreviation	Number of shares, units.	Nominal value, EUR	Total nominal value, EUR
Ordinary registered shares	LT0000104267	VBL1L	3 886 267	1.16	4 508 069.72

The trade of the shares of the Company:

	2021 I half, ended February 28	2020 I half, ended February 29
Price of the shares, EUR:		
- opening	8.5	7.15
- highest	11.1	11.60
- lowest	8.05	7.1
- closing	10.8	9.15
Turnover of shares, units	17 661	22 260
Turnover of shares, EUR	170 767	178 116
Total number of transactions, units	640	274
Capitalization, million EUR	41.97	27.79

Vilniaus Baldai AB turnover and price from 01.01.2016 - 28.02.2021:

Comparison of the price of shares of Vilniaus Baldai AB with the OMXBB and OMXV index in the period of 01.01.2016–28.02.2021:



(all amounts are in EUR thousand unless otherwise stated)

INDEX | EQUITY	OPENING VALUE	CLOSING VALUE	CHANGE %
OMX_Baltic_Benchmark_GI	648.32	1,177.05	+81.55
OMX Vilnius_GI	485.99	850.99	+75.1
VBL1L - Vilniaus baldai	14.4	10.8	-25

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

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

15. ISSUER'S BODIES

The Company has the General Meeting of shareholders, a one-man management body – chief executive officer (General Director) and the collegial management body – the Board. The Company does not have a 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, 05.07.2016 and 08.10.2020 end of the term – 2024.	
Work experience Since May 2013 Adviser, Chairman of the Board of Invalda privatus kapitalas AB 2006 – May 2013 Adviser of Invalda AB, Board member (since May 2007 till May 2013 Chairman of the Board) 2006 – 2007 Director of Invaldos Nekilnojamojo Tutro 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 %

(all amounts are in EUR thousand unless otherwise stated)

Mr. Dalius Kaziunas

Position
Board member, elected to the Board on 29.04.2010, re-elected on 27.04.2012, 05.07.2016 and 08.10.2020 end of the term – 2024.

Work experience
Since May 2013 CEO, Board member of Invalda privatus kapitalas AB
2012 – May 2013 President of Invalda AB, Board member (till April 2012)
2008 – 2011 Adviser and Board member of Invalda 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	1.82 % of shares and of voting rights
Chairman of the Board of Lauko gelininkystes bandymu stotis UAB	0.00 %
Member of the Supervisory Board at Vernitas AB	0.00 %
Chairman of the Board of Invetex UAB	0.00 %
Member of the Board of Bordena UAB	0.00 %
Chairman of the Board of Svytejimas UAB	0.00 %

Mr. Andrius Anusauskas

Position
Chairman of the Board, elected to the Board on 08.10.2020, end of the term – 2024.

Work experience
Since August 2018 Finance director at Inreal valdymas, UAB
2013 – 2018 Finance project manager at Invalda privatus kapitalas, AB
2008 – 2013 Finance project manager at Invalda, AB
2006 – 2008 CFO at SNORO fondų valdymas, UAB
2004 – 2006 Accountant at Finasta, AB FMĮ
2002 – 2004 Accountant at Labochema, UAB

Participation in the activities of other companies	**Number of shares and voting rights**
Member of the Board at Invetex, UAB	0,00 %
Member of the Board at Lauko Gėlininkystės Bandymų Stotis, UAB	0,00 %
Director at Kulpės slėnis, UAB	0,00 %
Director at Invetex, UAB	0,00 %
Director at Deltuvis, UAB	0,00 %
Director at Juozapavičiaus 7, UAB	0,00 %
Director at POMUS, UAB	100,00%
Liquidator at Dangės krantinės, UAB	0,00 %
Liquidator at LT investicijos, UAB	0,00 %
Liquidator at Variagis, UAB	0,00 %

(all amounts are in EUR thousand unless otherwise stated)

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

The Company's key management personnel include the Company's General Manager, Chief Financial Officer, Head of Quality and Technology, Head of Technical Services, Head of Production, Head of HR, Head of Purchasing department, Strategic Projects Manager and Head of Sales and Logistics. In 2021 the average monthly remuneration to the management of the Company amounted to EUR 34 thousand (2020 – EUR 26 thousand). The remuneration is not paid to the Board members of the Company.

Remuneration to the management member of the Company:

	2021 I half, ended February 28	2020 I half, ended February 29
Wages, salaries	395	304
Social security	7	5
Total	**402**	**309**

* - As a result of the tax reform on 01-01-2019 and 01-01-2020, payroll calculations have changed. The distribution between wages (BRUTO) and social security contributions has the greatest impact.

During the first half of FY2021 the Company did not transfer any assets for the Board members, Head of the Company, Head of Finance. Also any guarantees or warranties, by which the performance of their liabilities would be secured, were not made.

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

During the first half of 2021 no material agreements were signed which would become effective, would change or would be terminated if the control of issuer will change. Furthermore, there were no agreements signed during the first half of 2021 between the Company and its body, employees which allow compensations if they would resign or would be fired without the justified reason or their work would be finished due to the issuer control change.

17. RELATED PARTY TRANSACTIONS

The parties are considered related when one party has the possibility to control the other one or have significant influence over the other party in making financial and operating decisions. The related parties of the Company as of February 28, 2021 were: ARI-LUX UAB (the subsidiary), Invalda Privatus Kapitalas AB (ultimate shareholder) and all companies controlled by Invalda Privatus Kapitalas AB (as of August 31, 2020 were: ARI-LUX UAB (the subsidiary), Invalda Privatus Kapitalas AB (ultimate shareholder) and all companies controlled by Invalda Privatus Kapitalas AB). Transactions with related parties during the first half of FY2021 and the balances as of February 29, 2020 are provided in the Notes (Note 17) to the interim condensed consolidated financial statements for the six months of 2021.

(all amounts are in EUR thousand unless otherwise stated)

18. DATA ON THE PUBLICLY DISCLOSED INFORMATION

The information publicly disclosed by Vilniaus Baldai AB during the first half of 2021 is presented on the Company's website www.vilniausbaldai.lt.

Summary of publicly disclosed information:

Date of disclosure	Brief description of disclosed information
16-09-2020	Convocation of the General Meeting of Shareholders of "VILNIAUS BALDAI" AB and draft decisions
25-09-2020	Update: Convocation of the General Meeting of Shareholders of "VILNIAUS BALDAI" AB and draft decisions
08-10-2020	Resolutions of the General Shareholders Meeting of VILNIAUS BALDAI AB on 8/10/2020
23-10-2020	VILNIAUS BALDAI AB result for activity and non-audited condensed interim consolidated financial statement for the twelve months of FY 2020
23-11-2020	UPDATE: VILNIAUS BALDAI AB investor's calendar for 2020FY
27-11-2020	VILNIAUS BALDAI AB annual audited information for the year 2020
30-11-2020	Social Responsibility Report 2020
30-11-2020	Convocation of the general shareholders meeting of VILNIAUS BALDAI AB and draft resolutions
08-12-2020	VILNIAUS BALDAI AB investor's calendar for 2021FY
11-12-2020	Due to a fire in the Vilniaus baldai factory
11-12-2020	Correction: Due to a fire in the Vilniaus baldai factory
11-12-2020	Due to a fire in the Vilniaus baldai factory (II)
22-12-2020	Resolutions of the Annual General Shareholders Meeting of VILNIAUS BALDAI AB on 22/12/2020
23-12-2020	VILNIAUS BALDAI AB result for activity and non audited condensed interim consolidated financial statement for the three months of FY 2021

General Manager Jonas Krutinis

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VILNIAUS BALDAI AB

INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENT FOR THE SIX MONTHS OF FY 2021 ENDED FEBRUARY 28, 2021

CONTENTS

(all amounts are in EUR thousand unless otherwise stated)

COMPANY INFORMATION

1. Reporting period covered by this Financial Statement

The Financial Statements for the six months of the financial year (FY) 2021 ended February 28, 2021.

2. Main data about the issuer

Name of the issuer	Joint stock company (AB) Vilniaus Baldai
Code	121922783
LEI code	529900MJDB8L13ZF6G26
Authorized capital	4 508 069.72 EUR
Office address	Savanoriu Ave. 178B, LT - 03154 Vilnius
Telephone	(+370~5) 252 57 00
E-mail	info@vilniausbaldai.lt
Website	www.vilniausbaldai.lt
Legal form	Joint stock company
Registration date and place	9 February 1993, Vilnius City Board
Register, where all the information about the Company is collected and stored	Register of legal entities
Type of activity	Design, production and sales of furniture

Information about the subsidiary company of the issuer

Name of the issuer	Limited liability company (UAB) Ari - Lux
Code	120989619
Authorized capital	2 896 EUR
Share of (AB) Vilniaus Baldai in the company	100 %
Office address	Savanoriu Ave. 178B, LT - 03154 Vilnius
Telephone	(+370~5) 252 57 44
E-mail	info@ari-lux.lt
Website	-
Legal form	Limited liability company
Registration date and place	28 October 1991, Vilnius City Board
Register, where all the information about the Company is collected and stored	Register of legal entities
Type of activity	Packaging

3. Information about where to access the Financial Statement and the underlying documents, name of the designated mass media for announcements

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

(all amounts are in EUR thousand unless otherwise stated)

4. Board

Chairman of the Board:	Vytautas Bucas,
Members of the Board:	Dalius Kaziunas,
	Andrius Anusauskas.

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

Members of the managing bodies, employees and the Head of the Administration of the issuer are responsible for the accuracy of the information:
Jonas Krutinis, General Manager, tel. (+370~5) 252 57 00, fax. (+370~5) 231 11 30,
Edgaras Kabecius, Head of Finance, tel. (+370~5) 252 57 00.

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

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

Jonas Krutinis, General Manager of Vilniaus Baldai AB

Edgaras Kabecius, Head of Finance of Vilniaus Baldai AB

Date of signing the Report – April 2, 2021.

(all amounts are in EUR thousand unless otherwise stated)

INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENT FOR THE SIX MONTHS OF FY2021 ENDED FEBRUARY 28, 2021

The auditors reviewed the Financial Statements of 31.08.2020, while the Financial Statements as of 28.02.2021 and 29.02.2020 are unaudited.

1. STATEMENT OF FINANCIAL POSITION

	28.02.2021	31.08.2020	29.02.2020
Assets			
Non - current assets			
Non - current tangible assets	65 909	65 739	62 993
Intangible assets	68	23	24
Lease (16 TFAS adaption)	738	787	910
Deferred income tax asset	1 341	1 341	343
Total non - current assets	**68 057**	**67 890**	**64 270**
Current assets			
Inventories	11 172	6 803	8 084
Trade debtors	3 863	1 878	1 769
Current income tax prepayment	96	155	590
Other accounts receivable	1 198	1 521	1 026
Cash and cash equivalents	1 389	4 993	1 320
Total current assets	**17 718**	**15 350**	**12 789**
Total assets	**85 775**	**83 240**	**77 059**
Shareholders' equity and liabilities			
Capital and reserves			
Share capital	4 508	4 508	4 508
Legal reserve	451	451	451
Retained earnings	22 440	19 729	17 079
Total capital and reserves	**27 399**	**24 688**	**22 038**
Non - current liabilities			
Loans and other interest bearing payables	39 667	39 230	37 212
Provision for employee benefits	708	708	635
Grants and subsidies	-	45	47
Lease (16 TFAS adaption)	591	583	910
Total non - current liabilities	**40 966**	**40 566**	**38 804**
Current liabilities			
Loans and other interest bearing payables	1 710	1 128	-
Debts to suppliers	11 047	9 990	8 192
Payables for property, plant and equipment	443	2 390	4 637
Current income tax payable	5	-	9
Other liabilities	4 047	4 264	3 379
Lease (16 TFAS adaption)	158	214	-
Total current liabilities	**17 410**	**17 986**	**16 217**
Total liabilities	**58 376**	**58 552**	**54 974**
Total equity and liabilities	**85 775**	**83 240**	**77 059**

(all amounts are in EUR thousand unless otherwise stated)

2. STATEMENT OF COMPREHENSIVE INCOME

	FY2021 I half, ended February 28	FY2020 I half, ended February 29	FY2021 II quarter, ended February 28	FY2020 II quarter, ended February 29
Revenue	46 107	40 413	21 627	19 065
Cost of sales	(40 147)	(35 406)	(19 274)	(16 856)
Gross profit	**5 960**	**5 007**	**2 353**	**2 208**
Distribution costs	(454)	(594)	(208)	(320)
Administrative costs	(2 345)	(2 192)	(1 178)	(1 182)
Other operating income, net	161	157	166	99
Profit from operating activities	**3 322**	**2 378**	**1 133**	**806**
Financial income	1	-	12	8
Financial costs	(681)	(31)	(355)	(28)
Financial income, net	(680)	(31)	(343)	(22)
Profit before taxes	**2 642**	**2 347**	**790**	**784**
Income tax	(5)	(9)	(5)	(8)
Profit for the period	**2 637**	**2 337**	**785**	**775**
Other comprehensive income	-	-	-	-
Total comprehensive income for the period	**2 637**	**2 337**	**785**	**775**
Attributable to Owners of the Company:				
Profit	2 637	2 337	785	775
Other comprehensive income			-	-
Total comprehensive income	2 637	2 337	785	775
Earnings per share (in EUR)	0,68	0,60	0,20	0,20

(all amounts are in EUR thousand unless otherwise stated)

3. STATEMENT OF CHANGES IN EQUITY

	Share capital	Legal reserve	Obligatory reserve	Accrued earnings	Total
Balance as of 31 August 2018	**4 508**	**451**	**-**	**10 892**	**15 851**
Net profit	-	-	-	4 071	4 071
Other comprehensive income	-	-	-	90	90
Total comprehensive income	**-**	**-**	**-**	**4 161**	**4 161**
Legal reserve accrual	**-**	**-**	**-**	-	**-**
Dividends	-	-	-	(311)	(311)
Balance as of 31 August 2019	**4 508**	**451**	**-**	**14 742**	**19 701**
Net profit	-	-	-	5 029	5 029
Other comprehensive income	-	-	-	(42)	(42)
Total comprehensive income	**-**	**-**	**-**	**4 987**	**4 987**
Legal reserve accrual	-	-	-	-	-
Dividends	-	-	-	-	-
Balance as of 31 August 2020	**4 508**	**451**	**-**	**19 729**	**24 688**
Net profit	-	-	-	2 637	2 637
Other comprehensive income	-	-	-	-	-
Total comprehensive income	**-**	**-**	**-**	**2 637**	**2 637**
Legal reserve accrual	-	-	-	-	-
Dividends	-	-	-	-	-
Adjustments for prior periods	-	-	-	74	74
Balance as of 28 February 2021	**4 508**	**451**	**-**	**22 440**	**27 399**

(all amounts are in EUR thousand unless otherwise stated)

4. STATEMENT OF CASH FLOWS

	28.02.2021	29.02.2020
Net profit (loss)	2 637	2 337
Adjustments:		
Depreciation and amortization	1 824	1 281
Result on disposal, writing off, etc. of non -current	115	-
Changes in provisions	-	-
Interest (income) expenses	668	24
Deferred income tax (income) expenses	-	-
Income tax expenses	5	9
Other expenses (income)	65	10
Cash flows from ordinary activities before changes	**5 314**	**3 661**
Changes in trade receivables and other amounts	(1 662)	(368)
Changes in inventories	(4 370)	(633)
Changes in debts to suppliers and other liabilities	(1 098)	(1 051)
Income tax paid	(59)	(155)
Cash flows from operating activities	**(1 875)**	**1 454**
(Acquisition) of tangible non - current assets	(2 384)	(18 555)
Sale / writing of non - current tangible assets	230	-
Transfer (to) from time deposits	-	-
Grants received	-	-
Cash flows from investing activities	**(2 154)**	**(18 555)**
Loans (granted) / repaid	-	-
Loans received / (repaid)	1 020	16 837
Interest (paid) / received	(595)	(25)
Dividends (paid)	-	(2)
Cash flows from financing activities, net	**425**	**16 810**
Cash flows from operating, investing and financing	**(3 604)**	**(292)**
Cash and cash equivalents as of 1 September	**4 993**	**1 612**
Cash and cash equivalents as of 28/29 February	**1 389**	**1 320**

5. EXPLANATORY NOTES

1 SUMARY OF THE BASIC ACCOUNTING PRINCIPLES AND PRACTICES

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 OMX Vilnius AB.

As of February 28, 2021 the Group employed 898 people, the Company employed 830 people (on August 31, 2020 the Group employed 780 employees, the Company – 716).

Main accounting policies
These financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS), as adopted by the European Union (hereinafter the EU). The financial statements have been prepared based on acquisition cost principle.

Basis for drawing up of the interim condensed consolidated statements
The interim condensed consolidated financial statements for the six months of FY2021 ended February 28, 2021 have been prepared in accordance with IAS 34 Interim Financial Reporting.

The interim condensed consolidated financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group’s and the Company’s annual financial statements as for of FY2021.

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

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

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

Functional and presentation currency
Euro is the currency of Financial Statements of the Company as well as the Group. In the financial statements all figures are provided in EUR thousand.

Financial year
On October 8, 2014, the Extraordinary General Shareholders Meeting of Vilniaus Baldai AB has resolved to change the financial year, which earlier started 1 January and ended 31 December, to the financial year beginning on 1 September and ending on 31 August of the next year in order to coordinate the period of financial year of Vilniaus Baldai AB and its main customer. The change took effect on August 31, 2015.

Principles of consolidation

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

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

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

Intangible assets

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

Software

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

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

Property, plant and equipment

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

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

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

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

Buildings	10 - 66 years
Machinery and equipment	6 - 20 years
Vehicles	5 - 10 years
Other property, plant and equipment	2 - 6 years.

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

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

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

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

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

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.

Financial instruments - assets

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

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

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

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

Loans and receivables

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

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

Effective interest rate method

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

Derecognition of financial assets

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

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

Investments into subsidiaries

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

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

Inventories

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

Financial instruments – financial assets

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

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

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

i. financial assets that are subsequently measured at amortized cost;

ii. financial assets that are subsequently measured at fair value through other comprehensive income;

iii. financial assets that are subsequently measured at fair value through profit or loss.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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.

Leases

The Company and the Group are the lessees

(a) Finance lease
Leases of property, plant and equipment where the Company and the Group has substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalized at the lease's commencement at the lower of the fair value of the leased property and the estimated present value of the minimum lease payments. Each lease payment is allocated between the liability and finance charges so as to achieve a constant interest rate on the finance balance outstanding. The corresponding

rental obligations, net of finance charges, are included in long-term payables except for installments due within 12 months which are included in current liabilities.

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

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

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

Assets managed under lease right

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

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

Assets held for use are also assessed for impairment.

Lease obligations

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

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

Short-term and low-value property lease

The Company and the Group apply the recognition exemption to their current assets (i.e. leases with a term of less than 12 months at the inception date that do not include an option to purchase the asset). It also observes this exception by recognizing the lease of low-value assets consisting of office inventory.

Lease payments for short-term and low-value assets are recognized as an expense on a straight-line basis over the lease term.

Policies that were followed until 2019 January 1

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

The Company and the Group are the lessors

(c) Operating lease

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

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

Employee benefits

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

(b) Termination benefits
Termination benefits are payable whenever an employee’s employment is terminated before the normal retirement date or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Group or the Company recognizes termination benefits when it is demonstrably committed to either: terminating the employment of current employees according to a detailed formal plan without possibility of withdrawal; or providing termination benefits as a result of an offer made to

encourage voluntary redundancy. Benefits falling due more than 12 months after balance sheet date are discounted to their present value.

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

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

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

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

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

The income tax rate in Lithuania was 15 % in 2021 (15 % in 2020).

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

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

Deferred taxes are calculated using the statement of financial position liability method. Deferred income taxes reflect the net tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes. Deferred tax assets and liabilities are measured using the tax rates expected to apply to taxable income in the years in which those temporary differences are expected to reverse based on tax rates enacted or substantially enacted at the statement of financial position date.

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

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

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

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

Revenue recognition

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.

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

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

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

Factoring
A factoring transaction is a financing transaction in which the factoring company finances the Company by purchasing debt obligations from it. By this transaction, the Company transfers to the Factor the

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

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

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

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.

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

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

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

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

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

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

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

Estimates and assumptions

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

Property, plant and equipment – useful life

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

Tax liabilities

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

Related party transactions

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

Pension and jubilee benefits

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

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.

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.

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.

(all amounts are in EUR thousand unless otherwise stated)

2 SEGMENT REPORTING

Management of the Company has determined the business segments based on the reports reviewed by the board of directors that are used to make strategic decisions. Consequently, it was decided that the Company has only one business segment – furniture production and trade.

Breakdown of revenue by the sales markets is as follows

	Sales	
	FY2021 I half, ended February 28	FY2020 I half, ended February 29
European Union countries	26 664	24 658
Other than European Union countries	19 142	15 592
Lithuania	301	163
	46 107	**40 413**

3 DISTRIBUTION COSTS

	FY2021 I half, ended February 28	FY 2020 I half, ended February 29
Transportation and storage costs	399	501
Remuneration and social insurance	-	-
Depreciation and amortization	4	38
Other	51	55
	454	**594**

4 ADMINISTRATIVE COSTS

	FY2021 I half, ended February 28	FY2020 I half, ended February 29
Remuneration and social insurance	1 165	1 056
Depreciation and amortization	77	252
Operation taxes expenses	92	88
Employee training and consultation	114	61
Insurance	31	26
Business trips	6	45
Waste utilization expenses	58	26
Utilities and communication	36	24
Bank services	91	79
Other	675	535
	2 345	**2 192**

5 OTHER OPERATING INCOME, NET

	FY2021 I half, ended February 28	FY2020 I half, ended February 29
Rent income	82	37
Other income and costs	79	120
	161	**157**

6 FINANCIAL INCOME, NET

	FY2021 I half, ended February 28	FY2020 I half, ended February 29
Loan interest income	(681)	(25)
Currency exchange profit, less loss	1	(6)
Other financial and investment income and expenses	-	-
	(680)	**(31)**

7 PERSONNEL COSTS

	FY2021 I half, ended February 28	FY2020 I half, ended February 29
Production and product development costs	6 187	6 087
Sales, administrative and other costs	1 177	1 060
	7 364	**7 147**

8 EARNINGS PER SHARE

The basic portion of earnings per share is computed by dividing net shareholders' earnings by the weighted average number of common shares outstanding during the year.

	FY2021 I half, ended February 28	FY2020 I half, ended February 29
Net annual profit	2 637	2 337
Weighted average number of the shares (thousand)	3 886	3 886
Earnings per share (EUR)	**0,68**	**0,60**

The Company has issued no other securities that could be potentially converted into common shares. The earnings per share and the earnings per potentially convertible share is the same.

(all amounts are in EUR thousand unless otherwise stated)

9 NON - CURRENT TANGIBLE ASSETS

	Land and Buildings	Machinery and equipment	Vehicles	Other non - current assets	Total
Costs as of 1 September 2020	34 118	55 200	14	2 430	91 762
Increase	15	2 109	-	208	2 332
Sales	-	(758)	-	(3)	(761)
Writing off	-	(26)	-	-	(26)
Reclassified from/ to	-	(1 069)	-	1 069	-
Costs as of 28 February 2021	34 133	55 456	14	3 704	93 307
Depreciation as of 1 September 2020	1 872	22 789	14	1 348	26 023
Depreciation	348	1 511	-	73	1 932
Sales	-	(555)	-	(2)	(557)
Writing off	-	-	-	-	-
Depreciation as of 28 February 2021	2 220	23 745	14	1 419	27 398
Net carrying value as of 28 February 2021	**31 913**	**31 711**	**-**	**2 285**	**65 909**
Net carrying value as of 1 September 2020	**32 246**	**32 411**	**-**	**1 082**	**65 739**
Depreciation period	10-66 years	6–20 years	5-10 years	2-6 years	-

Depreciation distribution is as follows:

	FY2021 I half, ended February 28	FY2020 I half, ended February 29
Production and product development costs	1 899	1 249
Sales, administrative and other costs	33	32
	1 932	**1 281**

10 INVENTORIES

	28.02.2021	31.08.2020
Raw materials	3 092	2 024
Production in progress	2 643	2 000
Finished products	5 001	2 380
Spare parts	434	398
Goods for resale	2	1
	11 172	**6 803**

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

(all amounts are in EUR thousand unless otherwise stated)

11 OTHER ACCOUNTS RECEIVABLE

	28.02.2021	31.08.2020
VAT recoverable	979	688
Other amounts receivable and future costs	219	833
	1 198	**1 521**

12 CASH AND CASH EQUIVALENTS

	28.02.2021	31.08.2020
Cash in banks	1 389	4 993
	1 389	**4 993**

13 CAPITAL AND RESERVES

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

Legal reserve

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. The legal reserve of the Company has decreased by EUR 1 thousand due to conversion from Litas to EUR. As of 28 Fabruary 2021 (and as of 31 August 2020) , the Company's legal reserve is fully formed.

14 LOANS AND OTHER BORROWINGS

	28.02.2021	31.08.2020
Non – current liabilities		
Financial leasing	-	-
Loans from bank	34 597	34 597
Loans from related party	3 000	3 000
Other loans	2 071	1 633
Net carrying value, eop.	**39 668**	**39 230**
Short – term liabilities		
Current portion of financial leasing	-	-
Loans	1 710	1 128
Credit line	-	-
Net carrying value, eop.	**1 710**	**1 128**
Total liabilities	**41 378**	**40 358**

(all amounts are in EUR thousand unless otherwise stated)

	Maturity term	28.02.2021	31.08.2020
Credit Citadele Bank A/S	2027	17 815	17 815
Credit Europa Bank A/S	2027	17 815	17 815
Credit from related party	2027	3 000	3 000
Credit IKEA SUPPLY AG	2027	2 748	1 728

The Company's buildings, machinery and the current cash balances at and future inflows to the Company's accounts were pledged as a collateral for 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.

Interest risk

Euribor related floating interest rates are applied to the loans extended to the Company.

As of 28 February 2021 the Company used no financial instruments as interest risk hedging.

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

	Total amount payable as of February 28 FY2021	2021	2027
Financial lease	-	-	-
Credit line	-	-	-
Credit	41 378	1 710	39 668
	41 378	**1 710**	**39 668**

According to new 16 IFRS - Lease standard, The Group and the Company have recognized new assets and liabilities arising from their operating leases.

The Group and the company have signed lease contracts for vehicles and premises.
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. From 1 September 2019, The Group and the Company have applied IFRS 16 Leases. The Group and the Company have included the payments due under the lease in their lease liability.

(all amounts are in EUR thousand unless otherwise stated)

	28.02.2021	31.08.2020
Assets (according to IFRS 16)		
Premises	245	272
Vehicles	493	515
Total Assets	**738**	**787**
Lease of premises	227	227
Lease of vehicles	364	356
Non – current liabilities (according to IFRS 16)	**591**	**583**
Lease of premises	28	53
Lease of vehicles	130	161
Non – current liabilities part which is due current year (according to IFRS 16)	**158**	**214**
Total liabilities	**749**	**797**

15 POST – EMPLOYMENT ANT OTHER LONG TERM EMPLOYEE BENEFITS

	28.02.2021	31.08.2020
Post–employment and other long term employee benefits	708	708
	708	**708**

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

16 OTHER LIABILITIES

	28.02.2021	31.08.2020
Remuneration and social insurance	1 379	1 953
Holiday pay reserve	1 522	1 101
Dividends payable	999	1 000
Operating taxes	-	-
Other accounts payable and accrued taxes	147	210
	4 047	**4 264**

Currency risk

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

(all amounts are in EUR thousand unless otherwise stated)

17 RELATED PARTY TRANSACTIONS

28.02.2021	Purchases	Sales	Receivables	Payables
UAB „Inreal valdymas“	60	-	-	-
UAB „Švytėjimas“	86	-	-	11
UAB „Bordena“	3 662	2 114	1 816	-
UAB „Invalda privatus kapitalas“	-	-	-	204
	3 808	**2 114**	**1 816**	**215**

28.02.2021	Purchases	Sales	Receivables	Payables
UAB „Inreal valdymas“	199	-	-	5
UAB „Švytėjimas“	27	-	-	2
UAB „Bordena“	2 274	1 273	-	190
UAB „Invalda privatus kapitalas“	-	-	-	55
	2 500	**1 273**	**-**	**252**

Transactions with the subsidiary ARI-LUX

28.02.2021	Purchases	Sales	Receivables	Payables
UAB „Ari-Lux“	376	2	-	93
	376	**2**	**-**	**93**

29.02.2020	Purchases	Sales	Receivables	Payables
UAB „Ari-Lux“	288	2	-	69
	288	**2**	**-**	**69**

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

During the first half of FY2021 the Company was specifically focusing on productivity, improvement of internal processes and quality, production of the new products.

New glue technology for Asian markets was implemented, as well as automation project of lacquering line was finalised.

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

On December 22, 2020 the Annual General Shareholders Meeting of Vilniaus baldai AB adopted the following resolutions:

1. Agenda item #1: Consolidated annual report. The Consolidated Annual Report for the FY 2020 ended 31 August 2020.

(all amounts are in EUR thousand unless otherwise stated)

2. Agenda item #2: Company's Auditor's Report. The report of auditor “Grant Thornton Baltic” regarding the Consolidated and Company’s financial statements for the FY 2020 ended 31 August 2020 was presented.

3. Agenda item #3: Approval of the Consolidated as well as Company's financial statements for the FY 2020 ended 31 August 2020. Resolution: to approve the Consolidated and Company's financial statements for the FY 2020 ended 31 August 2020.

4. Agenda item #4: Approval of the Company‘s profit distribution. Resolution: to approve Company‘s profit distribution for the FY 2020 ended 31 August 2020.

Undistributed retained earnings, brought forward	14 799
Net result for the FY2020 ended 31 August 2020.	4 986
Profit (loss) not recognized in the income statement of FY2020 ended 31 August 2020.	(183)
Distributable result	19 602
Transfers to the obligatory reserves	-
Transfers to other reserves	-
To be paid as dividends	-
To be paid as annual payments (bonus) to the Board members	-
Undistributed retained earnings, carried forward	19 602

Dividends for the FY2020 have not been declared and will not be payable.

Financial results of activities

During September – November of 2020 revenue of the Group stood at 24 480 thousand EUR.
During September – November of 2020 net profit of the Group was 1 852 thousand EUR.
During September – November of 2020 EBITDA* of the Group was 3 153 thousand EUR.

During December of 2020 – February of 2021 revenue of the Group stood at 21 627 thousand EUR.
During December of 2020 – February of 2021 net profit of the Group was 785 thousand EUR.
During December of 2020 – February of 2021 while EBITDA was 1 981 thousand EUR.

During September of 2020 – February of 2021 revenue of the Group stood at 46 107 thousand EUR.
During September of 2020 – February of 2021 net profit of the Group was 2 637 thousand EUR.
During September of 2020 – February of 2021 EBITDA of the Group was 5 134 thousand EUR.

NOTE: * EBITDA, excluded non-recurring expenses and IFRS 16 influence

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