

VILNIAUS BALDAI AB

CONSOLIDATED AND COMPANY'S FINANCIAL STATEMENTS
FOR THE FY 2023 ENDED 31 AUGUST 2023,
PREPARED ACCORDING TO THE INTERNATIONAL FINANCIAL REPORTING STANDARDS AS
ADOPTED BY THE EUROPEAN UNION,
PRESENTED TOGETHER WITH INDEPENDENT AUDITOR'S REPORT

CONTENTS

| | |
|---|----|
| INDEPENDENT AUDITOR'S REPORT..... | 3 |
| CONSOLIDATED ANNUAL REPORT..... | 11 |
| OBJECTIVE REVIEW OF THE COMPANIES GROUP'S POSITION, ACTIVITY AND DEVELOPMENT | 11 |
| COMPANY MANAGEMENT REPORT | 22 |
| COMPANY REMUNERATION POLICY | 30 |
| CONSOLIDATED SOCIAL RESPONSIBILITY REPORT..... | 32 |
| VILNIAUS BALDAI AB REPORT ON THE COMPLIANCE WITH THE GOVERNANCE CODE FOR THE COMPANIES LISTED ON THE STOCK EXCHANGE NASDAQ VILNIUS REGULATED MARKET FOR THE FY2023..... | 33 |
| CONSOLIDATED AND COMPANY'S FINANCIAL STATEMENTS | 49 |
| CONSOLIDATED AND COMPANY'S STATEMENT OF FINANCIAL POSITION | 49 |
| CONSOLIDATED AND COMPANY'S FINANCIAL STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME | 51 |
| CONSOLIDATED AND COMPANY'S FINANCIAL STATEMENT OF CHANGES IN EQUITY | 52 |
| CONSOLIDATED AND COMPANY'S FINANCIAL STATEMENT OF CASH FLOWS | 54 |
| NOTES TO THE FINANCIAL STATEMENTS | 56 |



GRANT THORNTON BALTIC UAB

Reg. Code 300056169 | VAT Code LT100001220914 | Register of Legal Entities of the Republic of Lithuania
www.grantthornton.lt

INDEPENDENT AUDITOR'S REPORT

TO THE SHAREHOLDERS OF AB VILNIAUS BALDAI

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

Opinion

We have audited the accompanying separate financial statements of AB Vilniaus baldai (the Company) and the accompanying consolidated financial statements of the Company and its subsidiaries (the Group), which comprise the separate and consolidated statement of financial position as at August 31, 2023, and the separate and consolidated profit (loss) and statement of comprehensive income, the separate and consolidated statement of changes in equity and the separate and consolidated statement of cash flows for the year then ended, and notes to the separate and consolidated financial statements, which include a summary of significant accounting policies and other explanatory notes.

In our opinion, the separate and consolidated financial statements present fairly, in all material respects of the separate and consolidated financial position of the Company and the Group, respectively, as at August 31, 2023, and of their separate and consolidated financial performance and their separate and consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union.

Basis for Opinion

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

Grant Thornton Baltic UAB

Vilnius | Upės street 21-1 | 08128 Vilnius | Lithuania | T +370 52 127 856 | E info@lt.gt.com
Kaunas | Jonavos street 60C | 44192 Kaunas | Lithuania | T +370 37 422 500 | E kaunas@lt.gt.com
Klaipėda | Taikos ave. 52c | 91184 Klaipėda | Lithuania | T +370 46 411 248 | E klaipeda@lt.gt.com

Key audit matters

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

We performed the responsibilities described in the Auditor's Responsibilities for the Audit of the Financial Statements section of this report, including those related to key audit matters. Accordingly, our audit included performing procedures designed to respond to the risks of material misstatement of the financial statements. The results of the procedures performed, including procedures performed in response to the matters presented below, provide a basis for our opinion expressed on the financial statements presented below.

Key audit matter

Revenue recognition (Consolidated and separate financial statements)

See Note 2.17 financial disclosure "Revenue recognition" and 16 "Sales income".

During 2023, the Company and the Group's net sales were reported at, respectively, EUR 97868 thousand and EUR 97868 thousand.

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

The subjectivity of the key assumptions required significant audit judgment and effort.

Among other things, we performed the following procedures:

- assessed the appropriateness of determining operating liabilities, determining the transaction price, allocating it to operating liabilities, determining and recognizing variable remuneration, and assessing whether the operating liability is settled at a particular point in time or over a period of time performing an independent assessment of the implementation process of IFRS 15 adopted by the Company and the Group;
- after analyzing the agreement with the major customer, we assessed the adequacy of key management estimates related to the timing of the recognition of income and variable remuneration;
- after analyzing the agreement with the major customer, we evaluated the decision of the management regarding the fulfillment of the activity obligation by delivering the furniture units to the customer;

- performed a retrospective review of significant judgments and estimates made by management in prior periods in relation to the results of subsequent periods. In addition, we evaluated the historical experience of dispute resolution related to canceled orders and variable remuneration;
- assessed the adequacy and appropriateness of the Company's and the Group's revenue recognition disclosures provided in the Company's separate and Group's consolidated financial statements.

Other information

The other information comprises the information included in 2023 consolidated annual report, including Corporate Governance statement, and Consolidated Social Responsibility Report and Corporate Remuneration Report, but does not include the separate and consolidated financial statements and our auditor's report thereon. Management is responsible for the other information.

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

In connection with our audit of the separate and consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the separate and consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

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

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

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

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

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

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

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

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

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

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

- Identify and assess the risks of material misstatement of the separate and consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's and the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's and the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the separate and consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company and the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the separate and consolidated financial statements, including the disclosures, and whether the separate and the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company and the Group to express an opinion on the separate and consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

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

Report on other legal and regulatory requirements

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

In accordance with the decision made by shareholders on 3 November 2022 we have been chosen to carry out the audit of the Company's and the Group's separate and the consolidated financial statements. Our appointment to carry out the audit of Company's and the Group's separate and the consolidated financial statements in accordance with the decision made by

shareholders has been renewed every 2 years and the period of total uninterrupted engagement is 4 years.

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

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

Report on the compliance of format of the consolidated and the company financial statements with the requirements for European Single Electronic Reporting Format

We have been engaged based our agreement by the management of the Company to conduct a reasonable assurance engagement for the verification of compliance with the applicable requirements of the European single electronic reporting format of consolidated and company financial statements, including Consolidated and company’s annual report, for the year ended 31 August 2023 (the “Single Electronic Reporting Format of the consolidated financial statements”).

Description of a subject and applicable criteria

The Single Electronic Reporting Format of the consolidated and company financial statements has been applied by the management of the Company to comply with the requirements of art. 3 and 4 of the Commission Delegated Regulation (EU) 2019/815 of 17 December 2018 supplementing Directive 2004/109/EC of the European Parliament and of the Council with regard to regulatory technical standards on the specification of a single electronic reporting format (the “ESEF Regulation”). The applicable requirements regarding the Single Electronic Reporting Format of the consolidated financial statements are contained in the ESEF Regulation. Furthermore, the Company has voluntarily performed the marking of the separate financial statements in accordance with the requirements applicable to the consolidated financial statements.

The requirements described in the preceding paragraph determine the basis for application of the Single Electronic Reporting Format of the consolidated and company financial statements and, in our view, these requirements constitute appropriate criteria to form a reasonable assurance conclusion.

Responsibilities of management and those charged with governance

The management of the Company is responsible for the application of the Single Electronic Reporting Format of the consolidated and company financial statements that complies with the requirements of the ESEF Regulation.

This responsibility includes the selection and application of appropriate markups in iXBRL using ESEF taxonomy and designing, implementing and maintaining internal controls relevant for the preparation of the Single Electronic Reporting Format of the consolidated and company financial statements which is free from material non-compliance with the requirements of the ESEF Regulation.

Those charged with governance are responsible for overseeing the financial reporting process.

Our responsibility

Our responsibility was to express a reasonable assurance conclusion whether the Single Electronic Reporting Format of the consolidated and company financial statements complies with the ESEF Regulation.

We conducted our engagement in accordance with International Standard on Assurance Engagements 3000 (Revised) 'Assurance Engagements other than Audits and Reviews of Historical Financial Information' (the „ISAE 3000 (R)“). This standard requires that we comply with ethical requirements, plan and perform procedures to obtain reasonable assurance whether the Single Electronic Reporting Format of the consolidated financial statements is prepared, in all material aspects, in accordance with the applicable requirements. Reasonable assurance is a high level of assurance, but it does not guarantee that the service performed in accordance ISAE 3000 (R) will always detect the existing material misstatement (significant noncompliance with the requirements).

Summary of the work performed

Our planned and performed procedures were aimed at obtaining reasonable assurance that the Single Electronic Reporting Format of the consolidated financial statements was applied, in all material aspects, in accordance with the applicable requirements and such application is free from material errors or omissions.

Our procedures included in particular:

- obtaining an understanding of the internal control system and processes relevant to the application of the Single Electronic Reporting Format of the consolidated financial statements, including the preparation of the XHTML format and marking up the consolidated financial statements;
- verification whether the XHTML format was applied properly;
- evaluating the completeness of marking up the consolidated and company financial statements using the iXBRL markup language according to the requirements of the implementation of single electronic format as described in the ESEF Regulation;
- evaluating the appropriateness of the Group's' use of XBRL markups selected from the ESEF taxonomy and the creation of extension markups where no suitable element in the ESEF taxonomy has been identified; and
- evaluating the appropriateness of anchoring of the extension elements to the ESEF taxonomy.

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



Conclusion

In our opinion, the Single Electronic Reporting Format of the consolidated and company financial statements for the year ended 31 August 2023 complies, in all material respects, with the ESEF Regulation.

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

November 24, 2023

Certified auditor
Genadijus Makuševas
Auditoriaus pažymėjimo Nr. 000162

21-1 Upės str, Vilnius, the Republic of Lithuania
Grant Thornton Baltic UAB
Audit firm certificate No. 001513

Accounting & Outsourcing
Audit & Assurance
Legal advisory
Tax
Financial advisory

CONSOLIDATED ANNUAL REPORT

24 November 2023

OBJECTIVE REVIEW OF THE COMPANIES GROUP'S POSITION, ACTIVITY AND DEVELOPMENT

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 | Pramones str. 23, Guopstu k., LT-21148 Traku r. |
| 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 | Pramones str. 23, Guopstu k., LT-21148 Traku r. |
| Telephone | (8~5) 252 57 44 |
| E-mail | info@ari-lux.lt |
| Registration date and place | 28 October 1991, Vilnius City Board |
| Register, where all the information about the Company is collected and stored | Register of Legal Entities |
| Main type of the activity | Packaging |

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

Vilniaus Baldai AB is one of the leading manufacturers of flat-pack furniture in Lithuania. The joint stock company Vilniaus Baldai is a Company that cherishes time-honoured traditions, applies modern technologies and enjoys a stable and continuous business growth.

In the 2023 financial year, Vilniaus baldai AB, commemorating the 140th anniversary of its activity, successfully continued its activities in the new factory. This was the first full financial year in which production was concentrated and carried out in one place. The year could be divided into two parts: in the first, we were still looking for how to use the opportunities provided by the new factory in the most efficient way, and in the second, together with the stabilization of sales, we already started to consistently improve the profitability indicators. This is best illustrated by the EBITDA indicator: during the first half of the year EBITDA was 1,025 thousand EUR, while in the second half it was 7,697 thousand EUR. We managed to successfully consolidate the processes in the new factory, made necessary decisions and paid extra attention to cost management and all this, together with the new factory and state-of-the-art solutions of automation and robotization, enabled us to finish the financial year on a very positive note. Furthermore, we have a solid basis to believe that we are able to continue this positive trend in the new financial year that has already begun.

It is important to mention that although the sales revenue of Vilniaus baldai AB in 2023 amounted to 98 million EUR and compared to 2022 decreased by 3 percent, but in terms of profitability, the Company made a huge breakthrough. If we eliminate a one-time profit of 9.6 million EUR, due to the sale of long-term assets, from the results of the 2022 financial year, we would see that the EBITDA from operational activity increased by 9.8 million. EUR.

The Company focused on quality improvement, processes optimization, automation and equipment utilization improvement with the help of LEAN methodology. Extra emphasis was placed on empowering every employee to contribute to process improvement so that everyone can be involved in changing the status quo.

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 99,6% of total sales of Vilniaus baldai AB during 2023 (in 2022 – 99,5%). Furniture accounted for 99,6% of the Company's sales during 2023 (in 2022 – 99,5%), 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 and at the same time has an impact on the Company's costs and profitability. However, the current military conflicts taking place in the world do not have a significant impact on the Company's activities. 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. In order to be an attractive employer in the search for new talents, the Company actively cooperates with various educational institutions and training centers, organizes excursions for schoolchildren, supports various initiatives in the region, and also carries out a joint project with the Ministry of National Defense of the Republic of Lithuania, which aims to help soldiers return to the labor market. Trade Union, representing interests of the employees, operates actively in the Company.

Supply. As the economic situation was changing during the 2023 financial year, the supply and availability of raw materials has become much easier, since the producers of raw materials are only partially utilizing their available production capacities. A similar trend should continue in the 2024 financial year as well. However, there remains the risk of an increase in the scale of ongoing military conflicts and the related negative effect on markets and the supply of raw materials. From a long-term and strategic point of view, 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 pays a lot of attention to employee training and development. Employees are regularly sent to the Visaginas Technology and Business Vocational Training Center for qualification upgrading. A number of employees were interned abroad where they went and received training at *Biesse* equipment manufacturer in Italy. This type of training not only increases the competence of employees, but also increases the level of motivation and engagement.

The Alldevice program is used for the planning of periodic and preventive works, with the help of which work for technicians and operators is planned for the regularly performed preventive maintenance of the equipment.

According to the IKEA IPS methodology, equipment maintenance is continuously and systematically improved, with the aim of reducing the number of failures and increasing the availability of equipment by involving both technicians and line operators in this process. Line failure analytics allows us to predict weak points in lines and proactively manage the risk of failure.

The physical and moral condition of the main assets is good and does not pose a risk to the Company's operations.

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 protect environment, to decrease pollution and usage of resources and to sort waste. On 26 September 2023 ISO systems audit was performed. During the audit, no non-conformities were found or notices given. There was no production restriction due to environmental pollution.

An FSC® (FSC-C104209) Chain of Custody system is a product traceability system from a forest or (in case of secondary raw material) from a recycling moment to a place where it is sold under a FSC® mark and/or its production finished and it is labelled with the mark. The annual FSC® audit was carried out on the 22nd of February 2023. During the audit, no non-conformities or notices were determined or given.

Repayment of loans. The repayment of loans is made according to the contractual schedules. All the payments to the bank are made on time. Information on the terms and conditions of repayment of financial liabilities, credit and interest rate risks of the Group and the Company is provided in the notes to the consolidated and Company's financial statements (Notes 12 and 23).

Characteristics of internal control and risk management systems related to the preparation of consolidated financial statements of the Group and the Company. The compliance with the requirements for the preparation of the set of the consolidated financial statements, internal control and financial risk management systems, legal acts regulating the preparation of the set of the consolidated financial statements is supervised by the Audit Committee established on 22 December 2021.

The Company's Chief Financial Officer and Financial Controller regularly review the International Financial Reporting Standards (IFRS) adopted in the European Union to ensure timely implementation of all changes in the financial statements, analyze transactions material to the Group and the Company, ensure fair and timely collection of information and periodically inform senior management about the progress of the financial statements.

The Audit Committee:

| Tomas Bubinas | |
|---|--|
| Position Independent Member of the Audit Committee, elected to the Audit Committee 22/12/2021, end of the term – 2025 | |
| Work experience Since 2013 Chief Operating Officer at Biotechpharma UAB 2010–2012 Senior Director at TEVA Biopharmaceuticals USA 2001–2010 Chief Financial Officer at SICOR Biotech / TEVA Baltic 1999–2001 Senior Manager at PricewaterhouseCoopers 1994–1999 Senior Auditor, Manager at Coopers & Lybrand | |
| Education Master’s degree in economics at Vilnius University and Executive MBA of BMI (Baltic Management Institute), a fellow member of the Association of Chartered Certified Accountants (ACCA) and a registered Lithuanian Sworn Auditor | |
| Participation in Vilniaus baldai AB authorised capital | Number of shares and of voting rights |
| - | - |

| Vaidas Savukynas | |
|---|--|
| Position Member of the Audit Committee, elected to the Audit Committee on 22/12/2021, end of the term – 2025 | |
| Work experience Since 2013 Chief Financial Officer at Invalda Privatus Kapitalas AB 2011–2013 Chief Financial Officer at food retail chain Narodnyi in Kyrgyz Republic 2010–2010 Director of Administration at Zemaitijos Pienas AB 1998–2009 Chief Financial Officer and Financial Analyst at concern MG Baltic and its companies (MG Baltic Trade, Apranga, Minvista) 1993–1995 Chief Executive Officer at brokerage company Bankoras 1990–1993 Marketing Manager at Lietuvos Birza AB | |
| Education Vilnius University diploma in economics, master’s degree in social sciences at Stockholm University (Sweden), Financial sector schemes introductory courses in Leeds University (Great Britain) | |
| Participation in Vilniaus baldai AB authorised capital | Number of shares and of voting rights |
| - | - |

| Danutė Kadanaitė | |
|---|--|
| Position Member of the Audit Committee, elected to the Audit Committee on 22/12/2021, end of the term – 2025 | |
| Work experience From 2014 Head of “Verus Sensus” UAB 2009 UAB “Legisperitus” – a lawyer 2008 – 2009 AB FMĮ “Finasta” – a lawyer 2008 AB “Invalda” – a lawyer 1999 – 2002 Attorney Artūras Šukevičius office – administrator 1994 – 1999 UAB FMĮ “Apyvarta” – a legal adviser | |
| Education Master of Finance Law at M. Romeris University, Bachelor of Law at Law University of Lithuania, Manager at International Business School. | |
| Participation in Vilniaus baldai AB authorised capital | Number of shares and of voting rights |
| - | - |

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

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

Indicators characterising the operation of the Group in the period of 2019–2023:

| | 2023 m. | 2022 m. | 2021 m. | 2020 m. | 2019 m. |
|--|---------|---------|---------|---------|---------|
| Net profitability = net profit / sales * 100 | 1.62% | 1.45% | 0.17% | 6.86% | 5.41% |
| Average return on assets ROA = net profit / (assets at the beginning of the period + assets at the end of the period) / 2 *100 | 0.48% | 0.43% | 0.05% | 1.78% | 2.15% |
| Return on equity ROE = net profit / equity*100 | 5.65% | 5.52% | 0.69% | 20.37% | 20.66% |
| Net earnings per share EPS = net profit / number of shares | 0.41 | 0.38 | 0.04 | 1.29 | 1.05 |
| Debt ratio = liabilities / assets | 0.65 | 0.7 | 0.7 | 0.7 | 0.66 |
| Debt to equity coefficient = liabilities / equity | 1.90 | 2.20 | 2.47 | 2.37 | 1.94 |
| Current ratio = current assets / current liabilities | 0.95 | 0.78 | 0.64 | 0.85 | 0.69 |
| Asset's turnover = sales / assets | 1.20 | 1.19 | 1.15 | 0.88 | 1.3 |
| Book value of share = equity / number of shares | 7.24 | 6.82 | 6.43 | 6.35 | 5.07 |
| Turnover (million EUR) | 97.87 | 100.74 | 99.36 | 73.32 | 75.20 |
| Gross profit (million EUR) | 7.75 | -0.18 | 7.35 | 9.46 | 6.75 |
| Net profit (million EUR) | 1.59 | 1.46 | 0.17 | 5.03 | 4.07 |
| EBITDA (million EUR) | 8.77 | 8.51 | 5.52 | 7.25 | 5.64 |
| EBIT (mln. eurų) | 4.38 | 4.00 | 1.48 | 4.27 | 3.93 |
| Dividends per share (for the prior accounting period), (EUR) | 0 | 0 | 0 | 0 | 0.08 |
| Earnings per share P/E | 15.90 | 21.53 | 239.79 | 6.57 | 6.83 |
| The lowest share price (EUR) | 6.15 | 7.00 | 8.05 | 5.70 | 7.00 |
| The highest share price (EUR) | 8.40 | 10.08 | 11,20 | 11,6 | 10,7 |
| Closing price (EUR) | 6.50 | 8.1 | 10.60 | 8.5 | 7.15 |
| Capitalisation (million EUR) | 25.26 | 31.48 | 41.19 | 33.03 | 27.79 |

PRODUCTION AND SALES

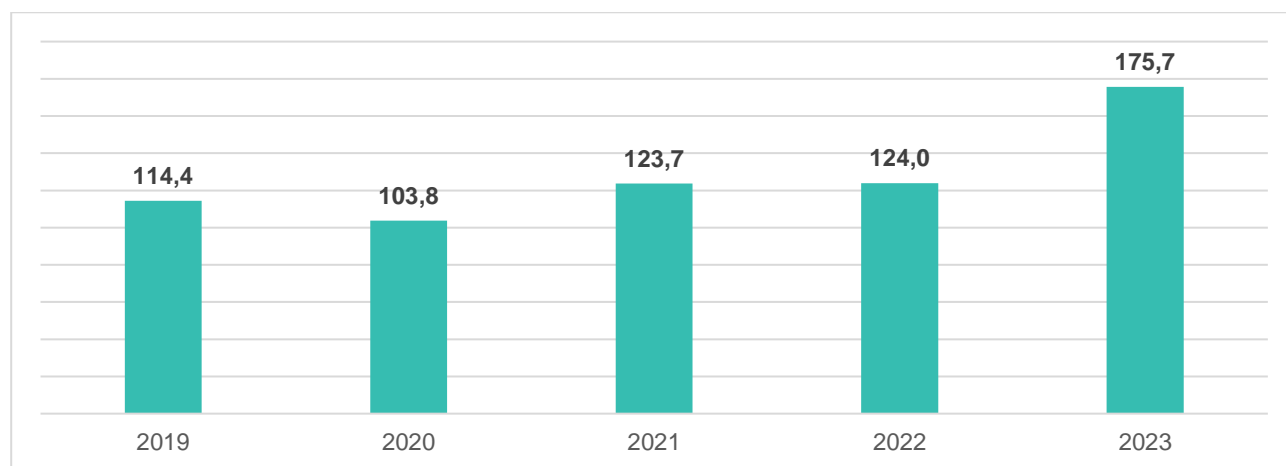
Vilniaus baldai AB designs, produces flat-pack furniture. The production of the Company is produced from wood particle boards, using board on frame technology, which allows to produce lightweight, yet massively looking furniture. When employing this technology less raw materials can be used, and stable quality of the production is attained. Each year new products are developed and production technologies of existing ones are improved taking into consideration the needs of consumers and prevailing tendencies. The planning system implemented in the Company is constantly developed to achieve higher production flexibility and efficiency.

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

The volumes of Company's production in terms of value in the period of 2019–2023:

| Production | 2023 | 2022 | 2021 | 2020 | 2019 |
|------------------|---------------|---------------|----------------|---------------|---------------|
| | thousand EUR | thousand EUR | thousand EUR | thousand EUR | thousand EUR |
| Furniture | 97,169 | 96,447 | 100,581 | 71,207 | 76,849 |
| Other production | - | - | - | - | - |
| Total | 97,169 | 96,447 | 100,581 | 71,207 | 76,849 |

Production per employee, working on employment contract basis, 2019–2023 (thousand EUR / year):



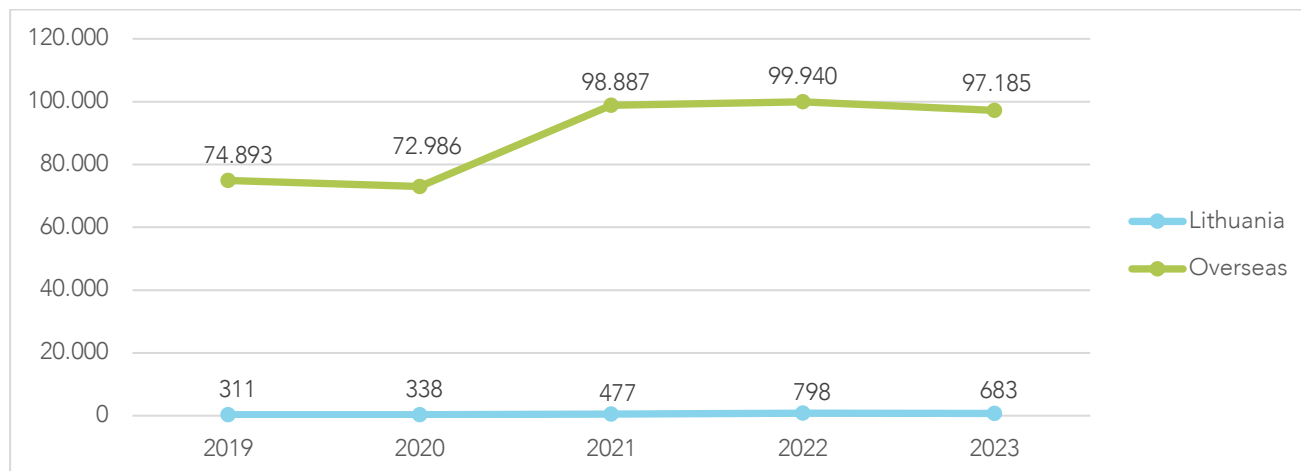
In the 2023 financial year, production volume remained at a similar level to the previous financial year, but production per person increased by as much as 41.7%. After the successful implementation of the expansion project and the move to the new factory, the maximum production volume increased at least 2 times to 250 million. EUR per year.

Production sales according to the markets in the period of 2019–2023:

| Sales | 2023 | | 2022 | | 2021 | | 2020 | | 2019 | |
|--------------|---------------|------------|----------------|------------|---------------|------------|---------------|------------|---------------|------------|
| | Thousand EUR | % | Thousand EUR | % | Thousand EUR | % | Thousand EUR | % | Thousand EUR | % |
| Lithuania | 683 | 0.70 | 798 | 0.79 | 477 | 0.48 | 338 | 0.46 | 311 | 0.41 |
| Overseas | 97,185 | 99.30 | 99,940 | 99.21 | 98,887 | 99.52 | 72,986 | 99.54 | 74,893 | 99.59 |
| Total | 97,868 | 100 | 100,738 | 100 | 99,364 | 100 | 73,324 | 100 | 75,204 | 100 |

The Company's sales in Lithuania mostly comprise sales of raw materials and waste of raw materials. In 2019 changed revenue recognition due to application of IFRS 15, for more details see Note 2 in the financial statements.

Sales of the Company in the period of 2019–2023, in EUR thousand:



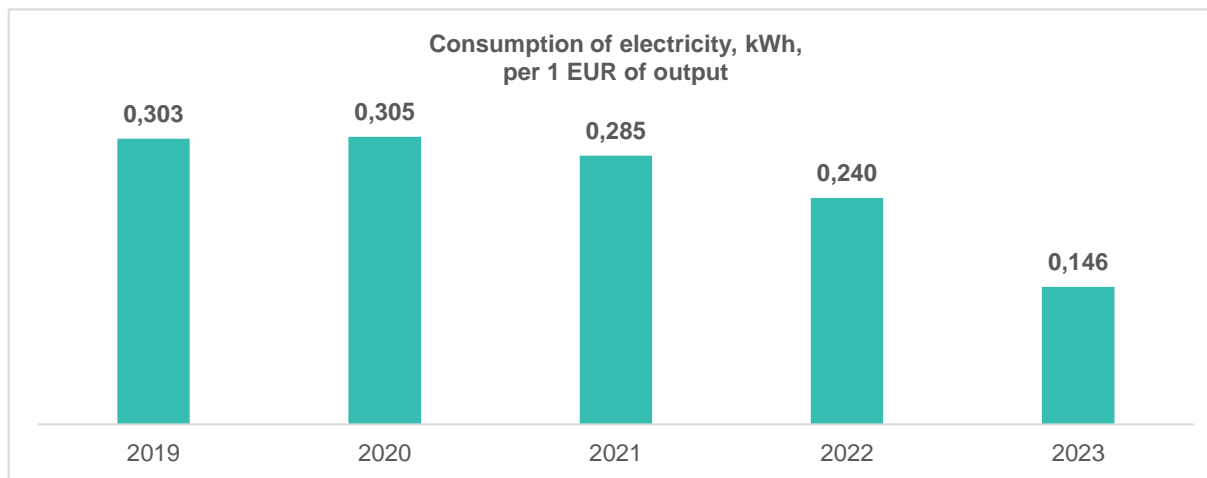
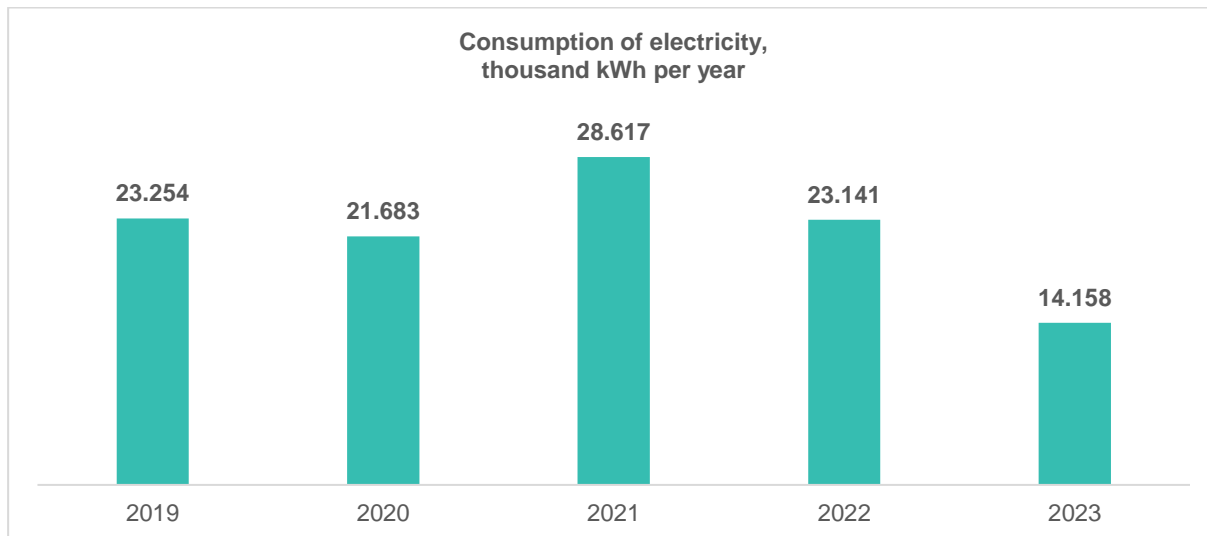
SUPPLY

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

The Company establishes long-term contracts with its suppliers. The Company acquires the main raw materials from the local, Polish, Slovak and German suppliers. The main suppliers are IKEA Industry Lietuva UAB, IKEA Components S.R.O, IKEA Industry Polska Sp.zo.o, Homanit Krosno Odrzanskie SP, Rehau UAB, Remmers Baltica UAB. The local supply of the raw materials is pre-conditioned by the cheap transportation costs and good relations with the major suppliers.

ENERGY

Vilniaus baldai AB during 2023 the Company consumed 14,158 thousand kWh of electricity (2022 – 23,141 thousand kWh), the electricity consumption for production of EUR 1 amounted to 0,146 kWh (2022 – 0,240 kWh).



EMPLOYEES

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

There were 522 employees working in the Group and 459 employees at the Company as of the end of FY2023 (700 at the Group and 628 at the Company as of the end FY2022). The average age of the employees is 42 years.

The average number of the Company's recorded employees, working on an employment contract basis, in the period of 2019–2023:

| | 2023 | 2022 | 2021 | 2020 | 2019 |
|---------------------|------------|------------|------------|------------|------------|
| Executive personnel | 8 | 8 | 9 | 7 | 6 |
| Specialists | 52 | 63 | 56 | 50 | 47 |
| Workers | 493 | 707 | 748 | 629 | 619 |
| Total | 553 | 778 | 813 | 686 | 672 |

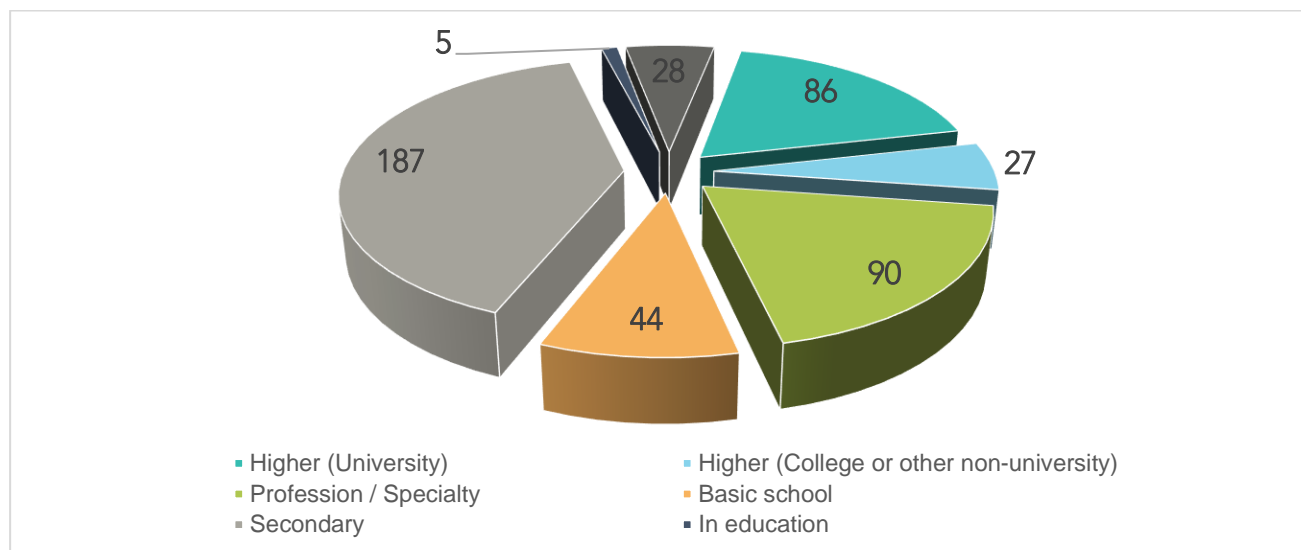
Remuneration comprises a basic and variable component. A variable component of remuneration depends on the Company's results of operations.

The average wages of the employees in the period of 2019–2023, EUR:

| | 2023 | 2022 | 2021 | 2020 | 2019 |
|---------------------|--------------|--------------|--------------|--------------|--------------|
| Executive personnel | 6,209 | 5,592 | 6,480 | 5,765 | 6,573 |
| Specialists | 2,983 | 2,647 | 2,399 | 2,534 | 2,146 |
| Workers | 2,135 | 1,893 | 1,782 | 1,690 | 1,550 |
| Total | 2,279 | 2,001 | 1,881 | 1,800 | 1,643 |

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

Grouping of the personnel according to the education:



The collective agreement is concluded in the Company. The collective agreement was renewed on 8 August 2023. The agreement is mandatory for all the employees of the Company. The purpose of this agreement is to ensure the harmonious work of the staff, high level of working conditions of different categories of employees, salary and other working conditions to ensure additional social guarantees, which are not stated according to the regulations of Lithuanian legislation for the employees of the Company. The collective agreement includes the working contract formation, change, termination, work and rest time, payment for the work done, improvement of the qualification of the employees, safety at work and medical assistance, social care, trade union activity and guarantees of the elected employees. If the terms and conditions of the collective agreement are more favorable compared to the working contract, then the collective agreement is followed.

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

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

4. INFORMATION ABOUT OWN SHARES

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

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

The Company does not have any branches or representative offices.

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

There were no significant events after the end of the reporting period.

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

In 2018, Vilniaus baldai AB and IKEA AG signed a long-term contract, which provides for the minimum production and sales volume required for business continuity. The contract is valid until the end of the 2025 financial year. In order to fulfill the obligations stipulated in the contract and to prepare for sustainable further growth, the Company completed the project of the new factory located in the village of Guopstos in the Trakai district in the 2022 financial year.

During the 2023 financial year, the new factory made it possible to significantly increase production efficiency, reduce electricity consumption and, accordingly, improve all the company's financial indicators.

The company has successfully adapted to supply chain disruptions caused by the COVID-19 pandemic, as well as fluctuations in raw material and energy prices caused by the war in Ukraine, as well as rising interest rates and changes in consumer behavior. This is confirmed by the company's stable sales, increased profitability, reduced financial obligations and increased capital.

Carrying out activities in a single location – the new factory – has allowed to fully concentrate on improving the production flow, increasing efficiency, saving, increasing the efficiency of electricity use, ensuring quality and improving its indicators. In the last financial year, the new production base made it possible to significantly increase production efficiency and use of resources, while at the same time saving duplicative costs, which made it possible to amortize unfavorable market trends. In the coming year, we will continue the projects of increasing efficiency, improving quality and saving energy in order to increase the company's flexibility and competitiveness.

Last year, the company also successfully implemented new automated pressing, packaging and internal logistics technologies, which will have a positive impact on the result in this financial year.

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

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

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

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

COMPANY MANAGEMENT REPORT

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

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

2. STRUCTURE OF THE ISSUER'S AUTHORISED CAPITAL

Structure of the authorised capital of Vilnius baldai AB:

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

The Company's authorised share capital is divided into 3,886,267 ordinary registered shares with the par value of EUR 1.16 each. The shares are uncertificated. They are recorded in personal securities accounts of shareholders. These accounts are managed following the procedure established by regulatory legislation on the securities market.

Rights and obligations carried by the shares

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

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

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

The shareholders have the following property and non-property rights:

1. to receive a part of the Company's profit (dividend);
2. to receive Company's funds when the authorized capital of the Company is decreased in order to pay the Company's funds to the shareholders;
3. to receive shares without payment if the authorized capital is increased out of the Company's funds except in cases provided for by the Law on Companies of the Republic of Lithuania;
4. to have the pre-emption right in acquiring shares or convertible debentures issued by the Company, except in cases when the General Meeting in the manner prescribed in the Law on Companies of the Republic of Lithuania decides to withdraw the pre-emption right in acquiring the Company's newly issued shares or convertible debentures for all the shareholders;
5. to lend the Company in the manner prescribed by laws, but the Company, borrowing from its shareholders has no right to mortgage its property to shareholders. The interest shall not exceed the average interest rate of commercial banks in the lender's place of residence or business in force at the time of the loan contract when the Company is borrowing from the shareholder. In this case it is prohibited to the Company and its shareholders to agree on a higher interest rate;
6. to receive a part of assets of the Company in liquidation;
7. other statutory property rights;
8. the rights, indicated in items 1–4, are granted to those persons who were the Company's shareholders at the tenth day after the decision that was accepted at the end of general shareholders' meeting (hereinafter – at the end of right record day);
9. to participate in general shareholders' meetings;
10. to submit the questions related to the agenda of general shareholders' meetings to the Company in advance;
11. to vote at general shareholders' meetings according to voting rights carried by their shares. Each registered ordinary share carries one vote at the general shareholders' meeting except the exceptions indicated in the Law on Companies of the Republic of Lithuania. The right to vote at the general shareholders' meetings may be prohibited

or restricted by the Law on Companies of the Republic of Lithuania and other cases established by law, as well as, when the ownership of the share is being disputed;

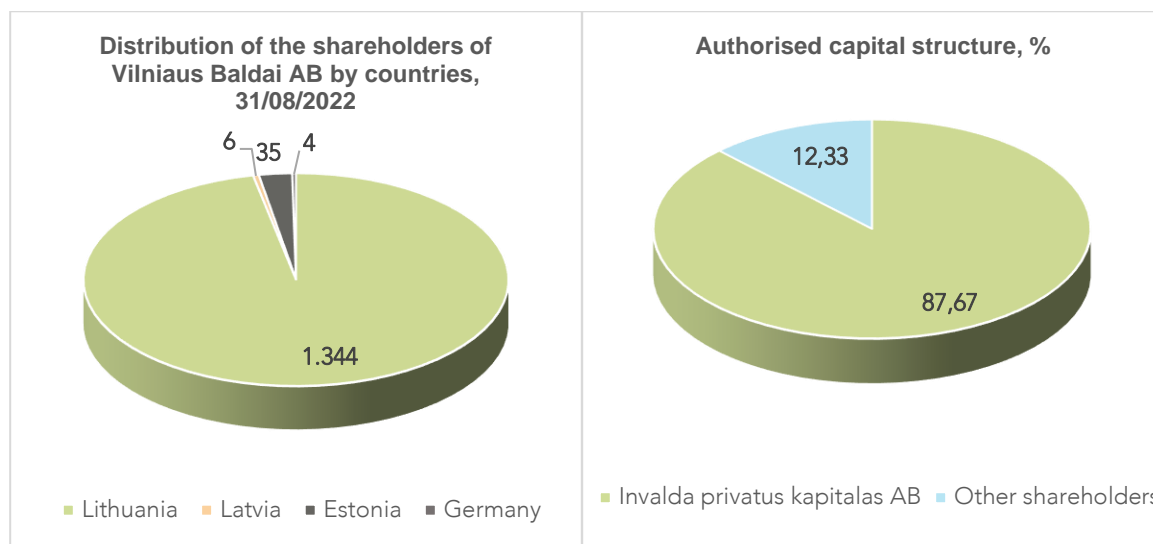
12. to receive information on the Company as indicated in the Law on Companies of the Republic of Lithuania;
13. to file a claim with the court for reparation of the Company's damage resulting from nonfeasance or malfeasance by the Company's executive and board members of their obligations prescribed by the Law on Companies of the Republic of Lithuania and other laws as well as Company's regulations;
14. to authorize natural or legal person to represent him in relations with the Company and other persons;
15. other non-property rights established by the Law on Companies of the Republic of Lithuania, other laws or the Company's regulations.

3. SHAREHOLDERS

Total number of the shareholders as of 31 of August 2023 is 1,389.

The shareholders who had upon the property rights or possessed more than 5% of the issuer's authorised capital as of 31 August 2023:

| Names of the companies, office addresses, codes | Number of shares owned under the property rights, units | Part of the authorised capital, % | Part of the votes, % |
|--|---|-----------------------------------|----------------------|
| Invalda Privatus Kapitalas AB, company code 303075527, Seimyniskiu str. 1 A, Vilnius | 3,407,135 | 87.67 | 87.67 |



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

There are no voting rights restrictions.

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

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

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

The main characteristics of shares:

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

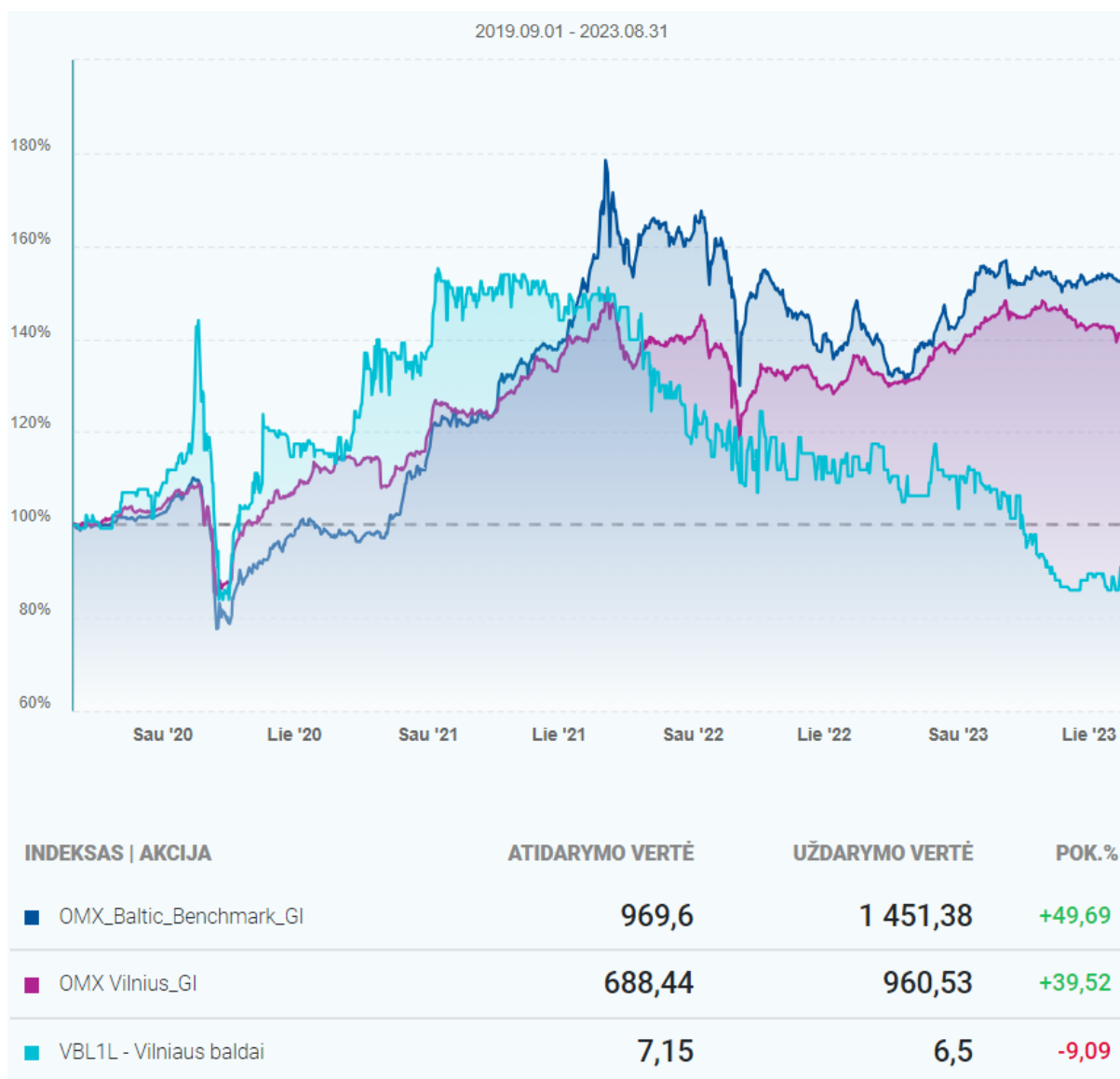
Prekyba Bendrovės akcijomis:

| | 2023 | 2022 | 2021 | 2020 | 2019 |
|-------------------------------------|---------|---------|---------|---------|---------|
| Price of the shares, EUR: | | | | | |
| - opening | 8.10 | 10.60 | 8.50 | 7.15 | 10.90 |
| - highest | 8.40 | 10.80 | 11.20 | 11.60 | 10.70 |
| - lowest | 6.15 | 7.00 | 8.05 | 5.70 | 7.00 |
| - closing | 6.50 | 8.10 | 10.60 | 8.50 | 7.15 |
| Turnover of shares, units | 14,553 | 22,441 | 30,623 | 40,167 | 91,269 |
| Turnover of shares, EUR | 100,226 | 202,900 | 308,827 | 309,662 | 613,459 |
| Total number of transactions, units | 645 | 821 | 1,138 | 708 | 251 |
| Capitalization, million EUR | 25.26 | 31.48 | 41.19 | 33.03 | 27.79 |

Shares turnover and price of Vilniaus baldai AB in the period of 01/09/2019–31/08/2023:



Comparison of the price of shares of Vilniaus baldai AB with the OMXBB and OMXV index in the period of 01/09/2019–31/08/2023:



5. DIVIDENDS

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

Vilniaus baldai AB dividend payments during the past 5 years:

| Dividendai | 2023 (for 2022) | 2022 (for 2021) | 2021 (for 2020) | 2020 (for 2019) | 2019 (for 2018) |
|--------------------------|--------------------|--------------------|--------------------|--------------------|--------------------|
| Dividend (Eur) | 0 | 0 | 0 | 0 | 310,901 |
| Dividend per share (Eur) | 0 | 0 | 0 | 0 | 0.08 |
| Number of shares | 3,886,267 | 3,886,267 | 3,886,267 | 3,886,267 | 3,886,267 |

6. 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.


7. ISSUER'S BODIES




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

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

The competence of the General Manager and the Board of the Company, the procedure of their appointment and removal does not differ from what is specified in the Law on Companies. The Board is made up of people with different professional experiences and competencies. All Board members are closely acquainted. There are no requirements for the composition of the board that could discriminate in any way on the basis of sex.

The Board and Administration of the Company:

| Vytautas Bucas | |
|---|--|
|  | Position Chairman of the Board, elected to the Board on 12/04/2007, re-elected on 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 LT AB, Board member (since May 2007 until May 2013 Chairman of the Board) 2006–2007 Director of Invaldos NekilnAojamojo Turto Fondas AB 2000–2006 SEB Bankas AB, Board member, Vice President, CFO, Head of IT Department 1992–2000 Senior Auditor, Senior Manager, Manager at Arthur Andersen |
| | Participation in the activities of other companies |
| | Chairman of the Board of Invalda Privatus Kapitalas AB |
| | Chairman of the Board of Bordena UAB Board Member of Švytėjimas UAB |
| | Number of shares and of voting rights |
| | 39.63% |
| | 0.00% |
| | 0.00% |

| | | |
|---|--|--|
|  | 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 LT AB, Board member (until 30/04/2012) 2008–2011 Adviser and Board member of Invalda LT AB 2008–2009 Director of Bankas Finasta AB 1996–February 2008 assistant of financial broker of FMI Finasta AB, financial broker, Director | |
| | Participation in the activities of other companies | Number of shares and of voting rights |
| | CEO and Board Member of Invalda Privatus Kapitalas AB | 1.70% |
| | Chairman of the Board of Lauko Gėlininkystės 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% |
|  | Andrius Anusauskas | |
| | Position Chairman of the Board, elected to the Board on 08/10/2020, end of the term – 2024. | |
| | Work experience Since May 2022 General manager at Inreal valdymas UAB 2018 – 2022 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 Bandymu Stotis UAB | 0.00 % |
| | Director at Kulpės slėnis UAB | 0.00 % |
| | Director at Invetex UAB | 0.00 % |
| | Director at Inreal UAB | 0.00 % |
| | Director at Deltuvis UAB | 0.00 % |
| Director at POMUS UAB | 100.00% | |
|  | 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% |
| Chairman of the Board of Autoverslo terminalas UAB | 0.00% | |

The Company's key management personnel include the Company's General Manager, Chief Financial Officer, Head of Technical Services, Chief Operating Officer, Head of HR, Head of Purchasing, Strategic Projects Manager and Head of Business Development. In 2022 the average monthly remuneration to the management of the Company amounted to EUR 50 thousand (2022 – EUR 46 thousand). The remuneration is not paid to the Board members of the Company.

Remuneration to the management members of the Company (in thousand EUR) during the past 5 years:

| | 2023 | 2022 | 2021 | 2020* | 2019** |
|-------------------------------|------------|------------|------------|------------|------------|
| Wages, salaries | 586 | 539 | 732 | 604 | 391 |
| Social security contributions | 12 | 10 | 12 | 11 | 38 |
| Total | 598 | 549 | 744 | 615 | 429 |

* - since 2020, the key management team has been supplemented by three Head managers

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

During 2023 the Company did not transfer any assets to the Board members, the Company's General Director, Head of Finance department; it also did not provide any guarantees or warranties, by which the performance of their liabilities would be secured.

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

During 2023 no material agreements were signed which would become effective, would change or would be terminated if the control of the issuer changed. Furthermore, there were no agreements signed during 2023 between the Company and its body, employees which allow compensations if they resign or are fired without the justified reason or their work finishes as a result of the change of the issuer's control.

9. RELATED PARTY TRANSACTIONS

The parties are considered related when one party has the possibility to control the other one or have significant influence over the other party in making financial and operating decisions. The related parties of the Company as of 31 August 2023 were: ARI-LUX UAB (the subsidiary) – reg.no 120989619, address Pramones str. 23, Guopstu k., LT-21148 Traku r., Invalda Privatus Kapitalas AB (ultimate shareholder) – reg.no 303075527, address Žalgirio g. 92-901, LT-09303 Vilnius and all companies controlled by Invalda Privatus Kapitalas AB (Bordena UAB – reg.no 304073881, address Žemaičių g. 49B, Ariogala, LT-60253 Raseinių r, Svytejimas UAB – reg.no 123017127, buveinės adresas Švenčionių g. 110A, Nemenčinė, Vilniaus r., Inreal valdymas UAB – reg.no 222894170, address Žalgirio g. 94, LT-09300 Vilnius, Inreal Geo UAB – reg.no 302604810, address Žalgirio g. 94, LT-09300 Vilnius, Geruvis UAB – reg.no 303569472, address Smiltynės g. 25, LT-93100 Klaipėda, Panerių konversija UAB – reg.no 305993224, address Žalgirio g. 94-1, LT-09300 Vilnius) (as of 31 August 2022: ARI-LUX UAB (the subsidiary), Invalda Privatus Kapitalas AB (shareholder) and all companies controlled by Invalda Privatus Kapitalas, including already liquidated Krevina UAB).

Transactions with the Group's related parties in 2023 and 2022 and the balances in 2023 and 2022 are provided in the notes (Note 25) to the consolidated and Company's financial statements for the year 2023.

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

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

11. DATA ON THE PUBLICLY DISCLOSED INFORMATION

The information publicly disclosed by Vilniaus baldai AB during 2023 is presented in the Company's website www.vilniausbaldai.lt.

Summary of publicly disclosed information during from 1 September 2022:

| Date of disclosure | Brief description of disclosed information |
|--------------------|--|
| 27-10-2023 | VILNIAUS BALDAI AB interim condensed consolidated financial statement for the twelve months of FY2023 ended August 31 |
| 30-06-2023 | VILNIAUS BALDAI AB result for activity and unaudited interim condensed consolidated financial statements for the nine months of FY 2023 |
| 31-03-2023 | VILNIAUS BALDAI AB result for activity and unaudited interim condensed consolidated financial statements for the six months of FY 2023 |
| 30-12-2022 | Resolutions of the Annual General Shareholders Meeting of VILNIAUS BALDAI AB on 30/12/2022 |
| 23-12-2022 | VILNIAUS BALDAI AB result for activity and non audited condensed interim consolidated financial statement for the three months of FY 2023 |
| 09-12-2022 | UPDATE: Convocation of the general shareholders meeting of VILNIAUS BALDAI AB and draft resolutions |
| 08-12-2022 | Convocation of the general shareholders meeting of VILNIAUS BALDAI AB and draft resolutions |
| 05-12-2022 | VILNIAUS BALDAI AB investor's calendar for 2023FY |
| 02-12-2022 | VILNIAUS BALDAI AB annual audited information for the year 2022 |
| 25-11-2022 | UPDATE: VILNIAUS BALDAI AB investor's calendar for 2022FY |
| 03-11-2022 | Resolutions of the general shareholders meeting of VILNIAUS BALDAI AB on 03/11/2022 |
| 24-10-2022 | VILNIAUS BALDAI AB result for activity and non audited condensed interim consolidated financial statement for the twelve months of FY 2022 |
| 12-10-2022 | Convocation of the general shareholders meeting of VILNIAUS BALDAI AB and draft resolutions |

COMPANY REMUNERATION POLICY

Vilniaus baldai AB (hereinafter – the Company) prepared the Company Remuneration Report (hereinafter – the Report) for the 2023 financial year, which started on 1 September 2022 and ended on 31 August 2023. The Report is prepared in accordance with the Law of the Republic of Lithuania on Financial Reporting by Undertakings as well as other legal acts.

The Company Remuneration Policy was approved by the Company's shareholders at the General Meeting (hereinafter – the GM) held on 8 October 2020. The Report outlines the principles of remuneration for each member of the Board of Directors (hereinafter – the Board) and the Audit Committee as well as provides information about other financial benefits.

Remuneration of Members of Board of Directors

Members of the Board are elected for the duration of four years as specified in the Articles of Association. Bonuses to the members of the Board are approved and become payable by the decision of the Company's shareholders at the GM in accordance with relevant legal acts.

Once the total amount of the bonuses available for distribution is approved at the GM, members of the Board determine how such bonus is divided among the members of the Board, depending on each member's contribution to Company's performance.

Members of the Board may receive remuneration from the Company according to clauses of their contracts of employment with the Company. Such clauses must be approved by the Board as well as the Audit Committee in advance.

Should members of the Board enter into Directors' Service Contracts with the Company, such contracts shall come into force only by the decision taken at the GM.

Members of the Board shall not be entitled to receive any other types of remuneration or other benefits from the Company unless such benefits are agreed at the GM.

Remuneration of the General Manager

The General Manager shall receive remuneration consisting of a fixed and variable portions:

- 1) Fixed remuneration is a fixed salary amount payable monthly and in accordance with the non-fixed term employment contract between the General Manager and the Company. Such salary amount is determined by the Board.
- 2) Variable remuneration is portion of the remuneration which depends on the financial performance of the Company. The amount of variable remuneration is determined by the Board and is payable on an annual basis.

The Board has the right to approve contractual arrangements between the General Manager and the Company in respect of additional pensions benefits, early retirement benefits as well as payments in respect of termination of the contract of employment.

The Company does not make any deferred payments of remuneration and does not exercise the option to recover a variable portion of remuneration.

Company Remuneration Policy for FY2023

The remuneration policy is in line with the Company's strategy, long-term goals and interests, and has the following aims:

1. to ensure competitive remuneration of the key management personnel, corresponding to the financial results of the Company;
2. increase the transparency of the Company and the accountability of key management personnel and enable shareholders, potential investors and interested parties to get a complete and reliable picture of the remuneration awarded to each member of key management personnel;
3. avoid conflicts of interest and discrimination on any basis while determining the remuneration of key management personnel and members of the Board

The Company does not form any Remuneration or other relevant committees. The function of these committees is performed by the Board of the Company.

There were no deviations from the remuneration policy during the 2023 financial year.

Key financial indicators of the Group during the period of FY2019 to FY2023:

| | 2023 | 2022 | 2021 | 2020 | 2019 |
|---|-------|--------|-------|-------|-------|
| Net profitability = net profit / turnover * 100 | 1.62% | 1.45% | 0.17% | 6.86% | 5.41% |
| EBITDA margin = EBITDA / turnover * 100 | 8.96% | 8.44% | 5.55% | 9.89% | 7.50% |
| Turnover (million EUR) | 97.87 | 100.74 | 99.36 | 73.32 | 75.20 |
| Net profit (million EUR) | 1.59 | 1.46 | 0.17 | 5.03 | 4.07 |
| EBITDA (million EUR) | 8.77 | 8.51 | 5.52 | 7.25 | 5.64 |
| EBIT (million EUR) | 4.38 | 4.00 | 1.48 | 4.27 | 3.93 |

Remuneration of Company's employees consists of a fixed and variable portions. The variable portion of remuneration is based on performance of the Company.

Remuneration of Company's employees during the period of FY2019 to FY2023, EUR:

| | 2023 | 2022 | 2021 | 2020 | 2019 |
|---------------------|--------------|--------------|--------------|--------------|--------------|
| Executive personnel | 6,209 | 5,592 | 6,480 | 5,765 | 6,573 |
| Specialists | 2,983 | 2,647 | 2,399 | 2,534 | 2,146 |
| Workers | 2,135 | 1,893 | 1,782 | 1,690 | 1,550 |
| Total | 2,279 | 2,001 | 1,881 | 1,800 | 1,643 |

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

Information about the Remuneration to the Members of the Board and Key Management Personnel in FY2023

In FY2023 the remuneration was not paid to the Board members of the Company.

In FY2023 a fixed portion of remuneration of 99 thousand EUR was paid to the General Manager, in accordance with the non-fixed term employment contract between the General Manager and the Company.

Remuneration of the General Manager of the Company in FY2023:

| | Fixed remuneration, EUR | Variable remuneration, EUR | Other benefits, EUR |
|----------------|-------------------------|----------------------------|---------------------|
| Jonas Krutinis | 98,843 | 0 | 17,248 |

The General Manager of the Company did not receive any remuneration from the Company which belongs to the Group of companies, as defined by the Law of the Republic of Lithuania on Consolidated Financial Reporting by Groups of Undertakings. The General Manager of the Company was not offered and did not receive any Company shares or options of the Company shares. The Company does not make any deferred payments of remuneration and does not exercise the option to recover a variable portion of remuneration.

CONSOLIDATED SOCIAL RESPONSIBILITY REPORT

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

General Manager

Jonas Krutinis

VILNIAUS BALDAI AB REPORT ON THE COMPLIANCE WITH THE GOVERNANCE CODE FOR THE COMPANIES LISTED ON THE STOCK EXCHANGE NASDAQ VILNIUS REGULATED MARKET FOR THE FY2023

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

| PRINCIPLES/ RECOMMENDATIONS | YES/ NO/ NOT APPL ICAB LE | COMMENTARY |
|---|--|---|
| 1. Principle 1: General meeting of shareholders, equitable treatment of shareholders, and shareholders’ rights | | |
| The corporate governance framework should ensure the equitable treatment of all shareholders. The corporate governance framework should protect the rights of shareholders. | | |
| 1.1. All shareholders should be provided with access to the information and/or documents established in the legal acts on equal terms. All shareholders should be furnished with equal opportunity to participate in the decision-making process where significant corporate matters are discussed. | Yes | The Company fully follows the provisions listed in this recommendation. |
| 1.2. It is recommended that the company’s capital should consist only of the shares that grant the same rights to voting, ownership, dividend and other rights to all of their holders. | Yes | The Company’s capital consists of ordinary shares that grant the same rights to all their holders. |
| 1.3. It is recommended that investors should have access to the information concerning the rights attached to the shares of the new issue or those issued earlier in advance, i.e. before they purchase shares. | Yes | The Company fully follows the provisions listed in this recommendation. |
| 1.4. Exclusive transactions that are particularly important to the company, such as transfer of all or almost all assets of the company which in principle would mean the transfer of the company, should be subject to approval of the general meeting of shareholders. | Yes | The last such significant transaction was the sale of the premises of the old factory, which was approved in the general shareholders meeting. |
| 1.5. Procedures for convening and conducting a general meeting of shareholders should provide shareholders with equal opportunities to participate in the general meeting of shareholders and should not prejudice the rights and interests of shareholders. The chosen venue, date and time of the general meeting of shareholders should not prevent active participation of shareholders at the general meeting. In the notice of the general meeting of shareholders being convened, the company should specify the last day on which the proposed draft decisions should be submitted at the latest. | Yes | All the shareholders of the Company are informed about the date, venue and time of the General Meeting. Prior to the General Meeting of Shareholders all the shareholders have possibility to receive information related to the agenda of the General Meeting. |

| | | |
|--|-----------------------|---|
| <p>1.6. With a view to ensure the right of shareholders living abroad to access the information, it is recommended, where possible, that documents prepared for the general meeting of shareholders in advance should be announced publicly not only in Lithuanian language but also in English and/or other foreign languages in advance. It is recommended that the minutes of the general meeting of shareholders after the signing thereof and/or adopted decisions should be made available publicly not only in Lithuanian language but also in English and/or other foreign languages. It is recommended that this information should be placed on the website of the company. Such documents may be published to the extent that their public disclosure is not detrimental to the company or the company's commercial secrets are not revealed.</p> | <p>Yes</p> | <p>The Company discloses the documents prepared for the General Meeting, including draft resolutions of the meetings via the information disclosure system of AB NASDAQ Vilnius Stock Exchange. The information is e-mailed to each shareholder on request. This information is also publicly accessible on the website of the Company.</p> |
| <p>1.7. Shareholders who are entitled to vote should be furnished with the opportunity to vote at the general meeting of shareholders both in person and in absentia. Shareholders should not be prevented from voting in writing in advance by completing the general voting ballot.</p> | <p>Yes</p> | <p>Shareholders of the Company can implement the right to participate at the General Meeting of Shareholders either in person, or through the representative, if a person has the duly issued Power of Attorney. The Company also provides the possibilities for the shareholders to vote by completing the general voting ballot.</p> |
| <p>1.8. With a view to increasing the shareholders' opportunities to participate effectively at general meetings of shareholders, it is recommended that companies should apply modern technologies on a wider scale and thus provide shareholders with the conditions to participate and vote in general meetings of shareholders via electronic means of communication. In such cases the security of transmitted information must be ensured and it must be possible to identify the participating and voting person.</p> | <p>Not applicable</p> | <p>Until now the Company has not had any need to implement this recommendation. Shareholders of the Company can vote through the authorized person or completing the general voting ballot.</p> |
| <p>1.9. It is recommended that the notice on the draft decisions of the general meeting of shareholders being convened should specify new candidatures of members of the collegial body, their proposed remuneration and the proposed audit company if these issues are included into the agenda of the general meeting of shareholders. Where it is proposed to elect a new member of the collegial body, it is recommended that the information about his/her educational background, work experience and other managerial positions held (or proposed) should be provided.</p> | <p>Yes</p> | <p>The Company follows this recommendation.</p> |
| <p>1.10. Members of the company's collegial management body, heads of the administration¹ or other competent persons related to the company who can provide information related to the agenda of the general meeting of shareholders should take part in the general meeting of shareholders. Proposed candidates to member of the collegial body should also participate in the general meeting of shareholders in case the election of new members is included into the agenda of the general meeting of shareholders.</p> | <p>Yes</p> | <p>The Company follows this recommendation.</p> |

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

| 2. Principle 2: Supervisory board | | |
|---|----------------|---|
| <p>2.1. Functions and liability of the supervisory board The supervisory board of the company should ensure representation of the interests of the company and its shareholders, accountability of this body to the shareholders and objective monitoring of the company's operations and its management bodies as well as constantly provide recommendations to the management bodies of the company. The supervisory board should ensure the integrity and transparency of the company's financial accounting and control system.</p> | | |
| 2.1.1. Members of the supervisory board should act in good faith, with care and responsibility for the benefit and in the interests of the company and its shareholders and represent their interests, having regard to the interests of employees and public welfare. | Not applicable | The Supervisory board is not formed in the Company. The functions of the Supervisory Board are performed by the Board of the Company. |
| 2.1.2. Where decisions of the supervisory board may have a different effect on the interests of the company's shareholders, the supervisory board should treat all shareholders impartially and fairly. It should ensure that shareholders are properly informed about the company's strategy, risk management and control, and resolution of conflicts of interest. | Not applicable | Members of the Supervisory Board are not appointed by the Company. |
| 2.1.3. The supervisory board should be impartial in passing decisions that are significant for the company's operations and strategy. Members of the supervisory board should act and pass decisions without an external influence from the persons who elected them. | Not applicable | Members of the Supervisory Board are not appointed by the Company. |
| 2.1.4. Members of the supervisory board should clearly voice their objections in case they believe that a decision of the supervisory board is against the interests of the company. Independent ² members of the supervisory board should: a) maintain independence of their analysis and decision-making; b) not seek or accept any unjustified privileges that might compromise their independence. | Not applicable | Members of the Supervisory Board are not appointed by the Company. |
| 2.1.5. The supervisory board should oversee that the company's tax planning strategies are designed and implemented in accordance with the legal acts in order to avoid faulty practice that is not related to the long-term interests of the company and its shareholders, which may give rise to reputational, legal or other risks. | Not applicable | Members of the Supervisory Board are not appointed by the Company. |
| 2.1.6. The company should ensure that the supervisory board is provided with sufficient resources (including financial ones) to discharge their duties, including the right to obtain all the necessary information or to seek independent professional advice from external legal, accounting or other experts on matters pertaining to the competence of the supervisory board and its committees. | Not applicable | Members of the Supervisory Board are not appointed by the Company. |

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

| | | |
|---|----|--|
| <p>2.2. Formation of the supervisory board The procedure of the formation of the supervisory board should ensure proper resolution of conflicts of interest and effective and fair corporate governance.</p> | | |
| <p>2.2.1. The members of the supervisory board elected by the general meeting of shareholders should collectively ensure the diversity of qualifications, professional experience and competences and seek for gender equality. With a view to maintain a proper balance between the qualifications of the members of the supervisory board, it should be ensured that members of the supervisory board, as a whole, should have diverse knowledge, opinions and experience to duly perform their tasks.</p> | No | Members of the Supervisory Board are not appointed by the Company. |
| <p>2.2.2. Members of the supervisory board should be appointed for a specific term, subject to individual re-election for a new term in office in order to ensure necessary development of professional experience.</p> | No | Members of the Supervisory Board are not appointed by the Company. |
| <p>2.2.3. Chair of the supervisory board should be a person whose current or past positions constituted no obstacle to carry out impartial activities. A former manager or management board member of the company should not be immediately appointed as chair of the supervisory board either. Where the company decides to depart from these recommendations, it should provide information on the measures taken to ensure impartiality of the supervision.</p> | No | Members of the Supervisory Board are not appointed by the Company. |
| <p>2.2.4. Each member should devote sufficient time and attention to perform his duties as a member of the supervisory board. Each member of the supervisory board should undertake to limit his other professional obligations (particularly the managing positions in other companies) so that they would not interfere with the proper performance of the duties of a member of the supervisory board. Should a member of the supervisory board attend less than a half of the meetings of the supervisory board throughout the financial year of the company, the shareholders of the company should be notified thereof.</p> | No | Members of the Supervisory Board are not appointed by the Company. |
| <p>2.2.5. When it is proposed to appoint a member of the supervisory board, it should be announced which members of the supervisory board are deemed to be independent. The supervisory board may decide that, despite the fact that a particular member meets all the criteria of independence, he/she cannot be considered independent due to special personal or company-related circumstances.</p> | No | Members of the Supervisory Board are not appointed by the Company. |
| <p>2.2.6. The amount of remuneration to members of the supervisory board for their activity and participation in meetings of the supervisory board should be approved by the general meeting of shareholders.</p> | No | Members of the Supervisory Board are not appointed by the Company. |
| <p>2.2.7. Every year the supervisory board should carry out an assessment of its activities. It should include evaluation of the structure of the supervisory board, its work organization and ability to act as a group, evaluation of the competence and work efficiency of each member of the supervisory board, and evaluation whether the supervisory board has achieved its objectives. The supervisory board should, at least once a year, make public respective information about its internal structure and working procedures.</p> | No | Members of the Supervisory Board are not appointed by the Company. |

| | | |
|--|-----|--|
| 3. Principle 3: Management Board | | |
| 3.1. Functions and liability of the management board The management board should ensure the implementation of the company's strategy and good corporate governance with due regard to the interests of its shareholders, employees and other interest groups. | | |
| 3.1.1. The management board should ensure the implementation of the company's strategy approved by the supervisory board if the latter has been formed at the company. In such cases where the supervisory board is not formed, the management board is also responsible for the approval of the company's strategy. | Yes | The Company follows this recommendation. |
| 3.1.2. As a collegial management body of the company, the management board performs the functions assigned to it by the Law and in the articles of association of the company, and in such cases where the supervisory board is not formed in the company, it performs inter alia the supervisory functions established in the Law. By performing the functions assigned to it, the management board should take into account the needs of the company's shareholders, employees and other interest groups by respectively striving to achieve sustainable business development. | Yes | The Company has a collegial management body – the Board. |
| 3.1.3. The management board should ensure compliance with the laws and the internal policy of the company applicable to the company or a group of companies to which this company belongs. It should also establish the respective risk management and control measures aimed at ensuring regular and direct liability of managers. | Yes | The Company follows this recommendation. |
| 3.1.4. Moreover, the management board should ensure that the measures included into the <u>OECD Good Practice Guidance³</u> on Internal Controls, Ethics and Compliance are applied at the company in order to ensure adherence to the applicable laws, rules and standards. | Yes | The Company follows this recommendation. |
| 3.1.5. When appointing the manager of the company, the management board should take into account the appropriate balance between the candidate's qualifications, experience and competence. | Yes | The Company follows this recommendation. |

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

| 3.2. Formation of the management board | | |
|---|-----|--|
| 3.2.1. The members of the management board elected by the supervisory board or, if the supervisory board is not formed, by the general meeting of shareholders should collectively ensure the required diversity of qualifications, professional experience and competences and seek for gender equality. With a view to maintain a proper balance in terms of the current qualifications possessed by the members of the management board, it should be ensured that the members of the management board would have, as a whole, diverse knowledge, opinions and experience to duly perform their tasks. | Yes | The Board formation mechanism allows ensuring proper monitoring of the Company. Only a person, having the proper qualification can become a Board member. |
| 3.2.2. Names and surnames of the candidates to become members of the management board, information on their educational background, qualifications, professional experience, current positions, other important professional obligations and potential conflicts of interest should be disclosed without violating the requirements of the legal acts regulating the handling of personal data at the meeting of the supervisory board in which the management board or individual members of the management board are elected. In the event that the supervisory board is not formed, the information specified in this paragraph should be submitted to the general meeting of shareholders. The management board should, on yearly basis, collect data provided in this paragraph on its members and disclose it in the company's annual report. | Yes | Information about current Board members is presented in the Company's periodic reports. |
| 3.2.3. All new members of the management board should be familiarized with their duties and the structure and operations of the company. | Yes | The Company's Board members are acquainted with the Company's organisation, its activity and management specifics. |
| 3.2.4. Members of the management board should be appointed for a specific term, subject to individual re-election for a new term in office in order to ensure necessary development of professional experience and sufficiently frequent reconfirmation of their status. | Yes | The Company follows this recommendation. The Company's Board are elected till 2024Y |
| 3.2.5. Chair of the management board should be a person whose current or past positions constitute no obstacle to carry out impartial activity. Where the supervisory board is not formed, the former manager of the company should not be immediately appointed as chair of the management board. When a company decides to depart from these recommendations, it should furnish information on the measures it has taken to ensure the impartiality of supervision. | Yes | Chairman of the Board of the Company is not and was not the chief executive officer of the Company. There are no obstacles for independent and fair supervision. |
| 3.2.6. Each member should devote sufficient time and attention to perform his duties as a member of the management board. Should a member of the management board attend less than a half of the meetings of the management board throughout the financial year of the company, the supervisory board of the company or, if the supervisory board | Yes | Board members perform their functions properly: actively participate in the Board meetings and devote sufficient time and attention to perform their duties. Board meetings are attended by all members. |

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

| | | |
|---|----------------|--|
| 4. Principle 4: Rules of procedure of the supervisory board and the management board of the company | | |
| The rules of procedure of the supervisory board, if it is formed at the company, and of the management board should ensure efficient operation and decision-making of these bodies and promote active cooperation between the company's management bodies. | | |
| 4.1. The management board and the supervisory board, if the latter is formed at the company, should act in close cooperation in order to attain benefit for the company and its shareholders. Good corporate governance requires an open discussion between the management board and the supervisory board. The management board should regularly and, where necessary, immediately inform the supervisory board about any matters significant for the company that are | Not applicable | Members of the Supervisory Board are not appointed by the Company. |

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

| | | |
|---|-----------------------|---|
| <p>related to planning, business development, risk management and control, and compliance with the obligations at the company. The management board should inform the supervisory board about any derogations in its business development from the previously formulated plans and objectives by specifying the reasons for this.</p> | | |
| <p>4.2. It is recommended that meetings of the company's collegial bodies should be held at the respective intervals, according to the pre-approved schedule. Each company is free to decide how often meetings of the collegial bodies should be convened but it is recommended that these meetings should be convened at such intervals that uninterrupted resolution of essential corporate governance issues would be ensured. Meetings of the company's collegial bodies should be convened at least once per quarter.</p> | <p>Not applicable</p> | <p>Members of the Supervisory Board are not appointed by the Company.</p> |
| <p>4.3. Members of a collegial body should be notified of the meeting being convened in advance so that they would have sufficient time for proper preparation for the issues to be considered at the meeting and a fruitful discussion could be held and appropriate decisions could be adopted. Along with the notice of the meeting being convened all materials relevant to the issues on the agenda of the meeting should be submitted to the members of the collegial body. The agenda of the meeting should not be changed or supplemented during the meeting, unless all members of the collegial body present at the meeting agree with such change or supplement to the agenda, or certain issues that are important to the company require immediate resolution.</p> | <p>Not applicable</p> | <p>Members of the Supervisory Board are not appointed by the Company.</p> |
| <p>4.4. In order to coordinate the activities of the company's collegial bodies and ensure effective decision-making process, the chairs of the company's collegial supervision and management bodies should mutually agree on the dates and agendas of the meetings and cooperate in resolving other matters related to corporate governance. Meetings of the company's supervisory board should be open to members of the management board, particularly in such cases where issues concerning the removal of the management board members, their responsibility or remuneration are discussed.</p> | <p>Not applicable</p> | <p>Members of the Supervisory Board are not appointed by the Company.</p> |
| <p>5. Principle 5: Nomination, remuneration and audit committees</p> | | |
| <p>5.1. Purpose and formation of committees The committees formed at the company should increase the work efficiency of the supervisory board or, where the supervisory board is not formed, of the management board which performs the supervisory functions by ensuring that decisions are based on due consideration and help organise its work in such a way that the decisions it takes would be free of material conflicts of interest. Committees should exercise independent judgment and integrity when performing their functions and provide the collegial body with recommendations concerning the decisions of the collegial body. However, the final decision should be adopted by the collegial body.</p> | | |

| | | |
|--|-----------|--|
| <p>5.1.1. Taking due account of the company-related circumstances and the chosen corporate governance structure, the supervisory board of the company or, in cases where the supervisory board is not formed, the management board which performs the supervisory functions, establishes committees. It is recommended that the collegial body should form the nomination, remuneration and audit committees⁵.</p> | <p>No</p> | <p>The Committees of Nomination and Remuneration are not established because of the structural simplicity of the Company's management.</p> |
| <p>5.1.2. Companies may decide to set up less than three committees. In such case companies should explain in detail why they have chosen the alternative approach, and how the chosen approach corresponds with the objectives set for the three different committees.</p> | | <p>Question regarding establishment of nomination and remuneration committees will be solved in the future after analysing situation, evaluating financial expenses and other factors, implementing best practices in the market.</p> <p>The compliance with the requirements for the preparation of the set of the consolidated financial statements, internal control and financial risk management systems, legal acts regulating the preparation of the set of the consolidated financial statements is supervised by the Audit Committee established on 16 September 2013.</p> |
| <p>5.1.3. In the cases established by the legal acts the functions assigned to the committees formed at companies may be performed by the collegial body itself. In such case the provisions of this Code pertaining to the committees (particularly those related to their role, operation and transparency) should apply, where relevant, to the collegial body as a whole.</p> | <p>No</p> | <p>The Committees of Nomination and Remuneration are not established because of the structural simplicity of the Company's management.</p> <p>Question regarding establishment of nomination and remuneration committees will be solved in the future after analysing situation, evaluating financial expenses and other factors, implementing best practices in the market.</p> <p>The compliance with the requirements for the preparation of the set of the consolidated financial statements, internal control and financial risk management systems, legal acts regulating the preparation of the set of the consolidated financial statements is supervised by the Audit Committee established on 16 September 2013.</p> |
| <p>5.1.4. Committees established by the collegial body should normally be composed of at least three members. Subject to the requirements of the legal acts, committees could be comprised only of two members as well. Members of each committee should be selected on the basis of their competences by giving priority to independent members of the collegial body. The chair of the management board should not serve as the chair of committees.</p> | <p>No</p> | <p>The Committees of Nomination and Remuneration are not established because of the structural simplicity of the Company's management.</p> <p>The Audit Committee of Vilnius baldai AB consists of 3 members, one of them is independent.</p> |
| <p>5.1.5. The authority of each committee formed should be determined by the collegial body itself. Committees should perform their duties according to the authority delegated to them and regularly inform the collegial body about their activities and performance</p> | <p>No</p> | <p>The Committees of Nomination and Remuneration are not established because of the structural simplicity of the Company's management.</p> |

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

| | | |
|---|----|---|
| <p>on a regular basis. The authority of each committee defining its role and specifying its rights and duties should be made public at least once a year (as part of the information disclosed by the company on its governance structure and practice on an annual basis). In compliance with the legal acts regulating the processing of personal data, companies should also include in their annual reports the statements of the existing committees on their composition, the number of meetings and attendance over the year as well as the main directions of their activities and performance.</p> | | |
| <p>5.1.6. With a view to ensure the independence and impartiality of the committees, the members of the collegial body who are not members of the committees should normally have a right to participate in the meetings of the committee only if invited by the committee. A committee may invite or request that certain employees of the company or experts would participate in the meeting. Chair of each committee should have the possibility to maintain direct communication with the shareholders. Cases where such practice is to be applied should be specified in the rules regulating the activities of the committee.</p> | No | The Committees of Nomination and Remuneration are not established because of the structural simplicity of the Company's management. |
| <p>5.2. Nomination committee</p> | | |
| <p>5.2.1. The key functions of the nomination committee should be the following: 1) to select candidates to fill vacancies in the membership of supervisory and management bodies and the administration and recommend the collegial body to approve them. The nomination committee should evaluate the balance of skills, knowledge and experience in the management body, prepare a description of the functions and capabilities required to assume a particular position and assess the time commitment expected; 2) assess, on a regular basis, the structure, size and composition of the supervisory and management bodies as well as the skills, knowledge and activity of its members, and provide the collegial body with recommendations on how the required changes should be sought; 3) devote the attention necessary to ensure succession planning.</p> | No | The Committees of Nomination and Remuneration are not established because of the structural simplicity of the Company's management. |
| <p>5.2.2. When dealing with issues related to members of the collegial body who have employment relationships with the company and the heads of the administration, the manager of the company should be consulted by granting him/her the right to submit proposals to the Nomination Committee.</p> | No | The Committees of Nomination and Remuneration are not established because of the structural simplicity of the Company's management. |

| | | |
|---|--|--|
| 5.3. Remuneration committee | | |
| <p>The main functions of the remuneration committee should be as follows:</p> <p>a) submit to the collegial body proposals on the remuneration policy applied to members of the supervisory and management bodies and the heads of the administration for approval. Such policy should include all forms of remuneration, including the fixed-rate remuneration, performance-based remuneration, financial incentive schemes, pension arrangements and termination payments as well as conditions which would allow the company to recover the amounts or suspend the payments by specifying the circumstances under which it would be expedient to do so;</p> <p>b) submit to the collegial body proposals regarding individual remuneration for members of the collegial bodies and the heads of the administration in order to ensure that they would be consistent with the company's remuneration policy and the evaluation of the performance of the persons concerned;</p> <p>c) review, on a regular basis, the remuneration policy and its implementation.</p> | No | <p>The Committees of Nomination and Remuneration are not established because of the structural simplicity of the Company's management.</p> |
| 5.4. Audit committee | | |
| <p>5.4.1. The key functions of the audit committee are defined in the legal acts regulating the activities of the audit committee⁶.</p> | <p>The compliance with the requirements for the preparation of the set of the consolidated financial statements, internal control and financial risk management systems, legal acts regulating the preparation of the set of the consolidated financial statements is supervised by the Audit Committee established on 16 September 2013.</p> <p>The main functions of the Audit Committee of Vilniaus baldai AB are:</p> <ol style="list-style-type: none"> 1. to advice for the Board on the selection, assignment, repeated assignment and dismissal of the external audit company and on the conditions of the agreement with external audit company; 2. to observe the process of external audit; 3. to observe if external audit company and its auditors keep the principles of independency and objectivity; 4. to observe the process of preparation of financial statements; 5. to observe the efficiency of internal control and risk management systems and to evaluate the need of internal audit functions once per financial year. | |
| <p>5.4.2. All members of the committee should be provided with detailed information on specific issues of the company's accounting system, finances and operations. The heads of the company's administration should inform the audit committee about the methods of accounting for significant and unusual transactions where the accounting may be subject to different approaches.</p> | | |
| <p>5.4.3. The audit committee should decide whether the participation of the chair of the management board, the manager of the company, the chief finance officer (or senior employees responsible for finance and accounting), the internal and external auditors in its meetings is required (and, if required, when). The committee should be entitled, when needed, to meet the relevant persons without members of the management bodies present.</p> | | |

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

| | | |
|--|---|--|
| <p>5.4.4. The audit committee should be informed about the internal auditor's work program and should be furnished with internal audit reports or periodic summaries. The audit committee should also be informed about the work program of external auditors and should receive from the audit firm a report describing all relationships between the independent audit firm and the company and its group.</p> | <p>6. Currently, there is no separate internal auditor position in Vilnius baldai AB. To reduce the risk of fraud. The company has an effective internal control system, which is implemented through the company's procedures, procedures and orders, and internal audits of compliance with procedures.</p> | |
| <p>5.4.5. The audit committee should examine whether the company complies with the applicable provisions regulating the possibility of lodging a complaint or reporting anonymously his/her suspicions of potential violations committed at the company and should also ensure that there is a procedure in place for proportionate and independent investigation of such issues and appropriate follow-up actions.</p> | | |
| <p>5.4.6. The audit committee should submit to the supervisory board or, where the supervisory board is not formed, to the management board its activity report at least once in every six months, at the time that annual and half-yearly reports are approved.</p> | | |
| <p>6. Principle 6: Prevention and disclosure of conflicts of interest</p> | | |
| <p>The corporate governance framework should encourage members of the company's supervisory and management bodies to avoid conflicts of interest and ensure a transparent and effective mechanism of disclosure of conflicts of interest related to members of the supervisory and management bodies.</p> | | |
| <p>Any member of the company's supervisory and management body should avoid a situation where his/her personal interests are or may be in conflict with the company's interests. In case such a situation did occur, a member of the company's supervisory or management body should, within a reasonable period of time, notify other members of the same body or the body of the company which elected him/her or the company's shareholders of such situation of a conflict of interest, indicate the nature of interests and, where possible, their value.</p> | <p>Yes</p> | <p>The Company follows this recommendation.</p> |
| <p>7. Principle 7: Remuneration policy of the company</p> | | |
| <p>The remuneration policy and the procedure for review and disclosure of such policy established at the company should prevent potential conflicts of interest and abuse in determining remuneration of members of the collegial bodies and heads of the administration, in addition it should ensure the publicity and transparency of the company's remuneration policy and its long-term strategy.</p> | | |
| <p>7.1. The company should approve and post the remuneration policy on the website of the company; such policy should be reviewed on a regular basis and be consistent with the company's long-term strategy.</p> | <p>Yes</p> | <p>The Company follows this recommendation. The Company's remuneration policy is posted on the website of the company www.vilniausbaldai.lt</p> |

| | | |
|---|-----------------------|---|
| <p>7.2. The remuneration policy should include all forms of remuneration, including the fixed-rate remuneration, performance-based remuneration, financial incentive schemes, pension arrangements and termination payments as well as the conditions specifying the cases where the company can recover the disbursed amounts or suspend the payments.</p> | <p>Yes</p> | <p>The Company follows this recommendation.</p> |
| <p>7.3. With a view to avoid potential conflicts of interest, the remuneration policy should provide that members of the collegial bodies which perform the supervisory functions should not receive remuneration based on the company's performance.</p> | <p>Yes</p> | <p>The Company follows this recommendation.</p> |
| <p>7.4. The remuneration policy should provide sufficient information on the policy regarding termination payments. Termination payments should not exceed a fixed amount or a fixed number of annual wages and in general should not be higher than the non-variable component of remuneration for two years or the equivalent thereof. Termination payments should not be paid if the contract is terminated due to inadequate performance.</p> | <p>Yes</p> | <p>By the decision of the Board, agreements on the conditions of termination of the employment contract and payments related to the termination of the employment contract may be concluded with the head of the Company.</p> |
| <p>7.5. In the event that the financial incentive scheme is applied at the company, the remuneration policy should contain sufficient information about the retention of shares after the award thereof. Where remuneration is based on the award of shares, shares should not be vested at least for three years after the award thereof. After vesting, members of the collegial bodies and heads of the administration should retain a certain number of shares until the end of their term in office, subject to the need to compensate for any costs related to the acquisition of shares.</p> | <p>Not applicable</p> | <p>Schemes anticipating remuneration of directors in shares, share options or any other right to purchase shares or be remunerated on the basis of share price movements are not used in the Company.</p> |
| <p>7.6. The company should publish information about the implementation of the remuneration policy on its website, with a key focus on the remuneration policy in respect of the collegial bodies and managers in the next and, where relevant, subsequent financial years. It should also contain a review of how the remuneration policy was implemented during the previous financial year. The information of such nature should not include any details having a commercial value. Particular attention should be paid on the major changes in the company's remuneration policy, compared to the previous financial year.</p> | <p>Yes</p> | <p>The Company follows this recommendation.</p> |

| | | |
|---|-----|---|
| 7.7. It is recommended that the remuneration policy or any major change of the policy should be included on the agenda of the general meeting of shareholders. The schemes under which members and employees of a collegial body receive remuneration in shares or share options should be approved by the general meeting of shareholders. | Yes | The Company follows this recommendation. |
| 8. Principle 8: Role of stakeholders in corporate governance | | |
| The corporate governance framework should recognize the rights of stakeholders entrenched in the laws or mutual agreements and encourage active cooperation between companies and stakeholders in creating the company value, jobs and financial sustainability. In the context of this principle the concept “ <i>stakeholders</i> ” includes investors, employees, creditors, suppliers, clients, local community and other persons having certain interests in the company concerned. | | |
| 8.1. The corporate governance framework should ensure that the rights and lawful interests of stakeholders are protected. | Yes | The information about the Company, indicated in these recommendations, is disclosed in the following sources: in the consolidated annual report of the Company, financial statements, reports on the purchase/loss of blocks of shares, the reports on the essential events, announcing this information in the information disclosure system of Nasdaq Vilnius AB Stock Exchange and on the Company’s website. |
| 8.2. The corporate governance framework should create conditions for stakeholders to participate in corporate governance in the manner prescribed by law. Examples of participation by stakeholders in corporate governance include the participation of employees or their representatives in the adoption of decisions that are important for the company, consultations with employees or their representatives on corporate governance and other important matters, participation of employees in the company’s authorized capital, involvement of creditors in corporate governance in the cases of the company’s insolvency, etc. | | |
| 8.3. Where stakeholders participate in the corporate governance process, they should have access to relevant information. | | |
| 8.4. Stakeholders should be provided with the possibility of reporting confidentially any illegal or unethical practices to the collegial body performing the supervisory function. | | |
| 9. Principle 9: Disclosure of information | | |
| The corporate governance framework should ensure the timely and accurate disclosure of all material corporate issues, including the financial situation, operations and governance of the company. | | |
| 9.1. In accordance with the company’s procedure on confidential information and commercial secrets and the legal acts regulating the processing of personal data, the information publicly disclosed by the company should include but not be limited to the following: | Yes | The information about the Company, indicated in these recommendations, is disclosed in the following sources: in the consolidated annual report of the Company, financial statements, social responsibility report, reports on the purchase/loss of blocks of shares, the reports on the essential events, announcing this information in the information disclosure system of Nasdaq Vilnius AB Stock Exchange and on the Company’s website. |
| 9.1.1. operating and financial results of the company; | | |
| 9.1.2. objectives and non-financial information of the company; | | |

| | | |
|---|-----|---|
| 9.1.3. persons holding a stake in the company or controlling it directly and/or indirectly and/or together with related persons as well as the structure of the group of companies and their relationships by specifying the final beneficiary; | | |
| 9.1.4. members of the company's supervisory and management bodies who are deemed independent, the manager of the company, the shares or votes held by them at the company, participation in corporate governance of other companies, their competence and remuneration; | | |
| 9.1.5. reports of the existing committees on their composition, number of meetings and attendance of members during the last year as well as the main directions and results of their activities; | | |
| 9.1.6. potential key risk factors, the company's risk management and supervision policy; | | |
| 9.1.7. the company's transactions with related parties; | | |
| 9.1.8. main issues related to employees and other stakeholders (for instance, human resource policy, participation of employees in corporate governance, award of the company's shares or share options as incentives, relationships with creditors, suppliers, local community, etc.); | | |
| 9.1.9. structure and strategy of corporate governance; | | |
| 9.1.10. initiatives and measures of social responsibility policy and anti-corruption fight, significant current or planned investment projects. This list is deemed minimum and companies are encouraged not to restrict themselves to the disclosure of information included into this list. This principle of the Code does not exempt companies from their obligation to disclose information as provided for in the applicable legal acts. | | |
| 9.2. When disclosing the information specified in paragraph 9.1.1 of recommendation 9.1, it is recommended that the company which is a parent company in respect of other companies should disclose information about the consolidated results of the whole group of companies. | Yes | The Company follows this recommendation. |
| 9.3. When disclosing the information specified in paragraph 9.1.4 of recommendation 9.1, it is recommended that the information on the professional experience and qualifications of members of the company's supervisory and management bodies and the manager of the company as well as potential conflicts of interest which could affect their decisions should be provided. It is further recommended that the | Yes | The information about the Company, indicated in these recommendations, is disclosed in the following sources: in the consolidated annual report of the Company, financial statements, and on the Company's website. |

| | | |
|--|-----|---|
| remuneration or other income of members of the company's supervisory and management bodies and the manager of the company should be disclosed, as provided for in greater detail in Principle 7. | | |
| 9.4. Information should be disclosed in such manner that no shareholders or investors are discriminated in terms of the method of receipt and scope of information. Information should be disclosed to all parties concerned at the same time. | Yes | The information on the information disclosure of NASDAQ Vilnius AB Stock Exchange is presented in the Lithuanian and English languages simultaneously. The Stock Exchange announces the received information on its website and in the trading system, in this way ensuring the simultaneous presentation of the information to everybody. The Company strives to announce the information before or after a trading session of Stock Exchange. The Company does not disclose the information, which might have impact on the value of its shares, in any comments, interviews or other ways until such information is announced officially through the information system of the Stock Exchange. |

10. Principle 10: Selection of the company's audit firm

The company's audit firm selection mechanism should ensure the independence of the report and opinion of the audit firm.

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

Information on the extent of risk and risk management - describes the risk management related to the financial statements, risk mitigation measures and the Company's internal control system

The Group and the Company are exposed to the following financial risks: liquidity risk, credit risk, foreign exchange risk and interest rate risk. Note 23 provides information on the impact of these risks on the Group and the Company, the objectives, policies, and processes for assessing and managing these risks.

CONSOLIDATED AND COMPANY'S FINANCIAL STATEMENTS

CONSOLIDATED AND COMPANY'S STATEMENT OF FINANCIAL POSITION

| | Notes | Group | | Company | |
|--|-------|----------------------|----------------------|----------------------|----------------------|
| | | As of 31 August 2023 | As of 31 August 2022 | As of 31 August 2023 | As of 31 August 2022 |
| ASSETS | | | | | |
| Non-current assets | | | | | |
| Intangible assets | 4 | 109 | 194 | 109 | 194 |
| Property, plant and equipment | 5 | | | | |
| Land and buildings | | 29,865 | 30,424 | 29,865 | 30,424 |
| Machinery and equipment | | 27,100 | 28,749 | 27,100 | 28,749 |
| Other property, plant and equipment | | 4,287 | 4,596 | 4,281 | 4,589 |
| Total property, plant and equipment | | 61,252 | 63,769 | 61,246 | 63,762 |
| Investments in subsidiaries | 6 | - | - | 5 | 5 |
| Other non-current receivables | 8 | - | 1,521 | - | 1,521 |
| Deferred income tax asset | 21 | 877 | 1,066 | 877 | 1,066 |
| Long term rent (adaptation of IFRS 16) | 12.1 | 990 | 847 | 990 | 846 |
| Total non-current assets | | 63,228 | 67,397 | 63,227 | 67,394 |
| Current assets | | | | | |
| Inventories | 7 | 6,351 | 11,598 | 6,351 | 11,598 |
| Trade receivables | 8 | 7,264 | 3,144 | 7,264 | 3,144 |
| Prepayments | | 17 | 59 | 16 | 59 |
| Current income tax prepayment | | 4 | 7 | - | - |
| Other receivables and current assets | 9 | 1,106 | 1,574 | 1,063 | 1,545 |
| Cash and cash equivalents | 10 | 3,481 | 1,048 | 3,480 | 1,003 |
| Total current assets | | 18,223 | 17,430 | 18,174 | 17,349 |
| Total assets | | 81,451 | 84,827 | 81,401 | 84,743 |

(Cont'd on the next page)

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

| | Notes | Group | | Company | |
|---|-------|----------------------|----------------------|----------------------|----------------------|
| | | As of 31 August 2023 | As of 31 August 2022 | As of 31 August 2023 | As of 31 August 2022 |
| EQUITY AND LIABILITIES | | | | | |
| Equity | | | | | |
| Share capital | 1 | 4,508 | 4,508 | 4,508 | 4,508 |
| Legal reserve | 11 | 451 | 451 | 451 | 451 |
| Retained earnings | | 23,163 | 21,553 | 23,024 | 21,487 |
| Total equity | | 28,122 | 26,512 | 27,983 | 26,446 |
| Liabilities | | | | | |
| Non-current liabilities | | | | | |
| Non-current borrowings | 12 | 33,458 | 35,256 | 33,458 | 35,256 |
| Provisions for employee benefits | 13 | 605 | 583 | 571 | 550 |
| Long term rent (adaptation of IFRS 16) | 12.1 | 618 | 587 | 618 | 588 |
| Total non-current liabilities | | 34,681 | 36,426 | 34,647 | 36,394 |
| Current liabilities | | | | | |
| Current portion of non-current borrowings | 12 | 6,275 | 5,173 | 6,275 | 5,173 |
| Trade payables | 14 | 8,795 | 12,417 | 9,065 | 12,563 |
| Payables for property, plant and equipment | | 49 | 394 | 49 | 394 |
| Other current liabilities and accrued liabilities | 15 | 3,126 | 3,627 | 2,979 | 3,495 |
| Long term rent (adaptation of IFRS 16) | 12.1 | 403 | 278 | 403 | 278 |
| Total current liabilities | | 18,648 | 21,889 | 18,771 | 21,903 |
| Total liabilities | | 53,329 | 58,315 | 53,418 | 58,297 |
| Total equity and liabilities | | 81,451 | 84,827 | 81,401 | 84,743 |

The accompanying notes set out in pages 56 – 94 is an integral part of these financial statements.

| | | |
|-------------------------|-----------------------------|-------------------------|
| <u>General Manager</u> | <u>Jonas Krutinis</u> | <u>24 November 2023</u> |
| <u>Finance Director</u> | <u>Egidijus Žvaliauskas</u> | <u>24 November 2023</u> |

CONSOLIDATED AND COMPANY'S FINANCIAL STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

| | Notes | Group | | Company | |
|--|-------|--------------|--------------|--------------|--------------|
| | | 2023 | 2022 | 2023 | 2022 |
| Revenue | 16 | 97,868 | 100,738 | 97,868 | 100,738 |
| Cost of sales | 17 | (90,122) | (100,914) | (90,281) | (100,913) |
| Gross profit (loss) | | 7,746 | (176) | 7,587 | (175) |
| Selling and distribution expenses | 18 | (1,146) | (919) | (1,146) | (919) |
| Administrative expenses | 18 | (2,612) | (5,562) | (2,536) | (5,483) |
| Other income | 19 | 2,375 | 10,920 | 2,379 | 10,924 |
| Other expenses | 19 | (2,087) | (645) | (2,087) | (645) |
| Operating profit | | 4,276 | 3,618 | 4,197 | 3,702 |
| Financial costs | 20 | (2,492) | (1,778) | (2,492) | (1,778) |
| Result from financial activities | | (2,492) | (1,778) | (2,492) | (1,778) |
| Profit before income tax | | 1,784 | 1,840 | 1,705 | 1,924 |
| Income tax expense | 21 | (195) | (378) | (189) | (378) |
| Net profit for the reporting period | | 1,589 | 1,462 | 1,516 | 1,546 |
| Other comprehensive income not to be re-grouped to profit or loss | | | | | |
| Actuarial change of employee-related accruals | 13 | 25 | 87 | 25 | 87 |
| Income tax effect | 13 | (4) | (13) | (4) | (13) |
| Total comprehensive income for the reporting period | | 1,610 | 1,536 | 1,537 | 1,620 |
| Attributable to owners of the Company: | | | | | |
| Net profit | | 1,589 | 1,462 | 1,516 | 1,546 |
| Other comprehensive income | | 21 | 74 | 21 | 74 |
| Total comprehensive income | | 1,610 | 1,536 | 1,537 | 1,620 |
| Basic and diluted earnings per share (in EUR) | 22 | 0,41 | 0.38 | 0,39 | 0.40 |

The accompanying notes set out in pages 56 – 94 is an integral part of these financial statements.

| | | |
|------------------|----------------------|------------------|
| General Manager | Jonas Krutinis | 24 November 2023 |
| Finance Director | Egidijus Žvaliauskas | 24 November 2023 |

CONSOLIDATED AND COMPANY'S FINANCIAL STATEMENT OF CHANGES IN EQUITY

| GROUP | Notes | Share | Legal | Retained | Total |
|---------------------------------------|-------|--------------|------------|---------------|---------------|
| | | capital | reserve | earnings | |
| Balance as of 31 August 2021 | | 4,508 | 451 | 20,017 | 24,976 |
| Net profit for the reporting period | | - | - | 1,462 | 1,462 |
| Other comprehensive income | | - | - | 74 | 74 |
| Total comprehensive income | | - | - | 1,536 | 1,536 |
| Transactions with owners | | - | - | - | - |
| Dividends declared | | - | - | - | - |
| Total transactions with owners | | - | - | - | - |
| Balance as of 31 August 2022 | | 4,508 | 451 | 21,553 | 26,512 |
| Net profit for the reporting period | | - | - | 1,589 | 1,589 |
| Other comprehensive income | | - | - | 21 | 21 |
| Total comprehensive income | | - | - | 1,610 | 1,610 |
| Transactions with owners | | - | - | - | - |
| Dividends declared | | - | - | - | - |
| Total transactions with owners | | - | - | - | - |
| Balance as of 31 August 2023 | | 4,508 | 451 | 23,163 | 28,122 |

(cont'd on the next page)

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

| COMPANY | Notes | Share | Legal | Retained | Total |
|---------------------------------------|-------|--------------|------------|---------------|---------------|
| | | capital | reserve | earnings | |
| Balance as of 31 August 2021 | | 4,508 | 451 | 19,867 | 24,826 |
| Net profit for the reporting period | | - | - | 1,546 | 1,546 |
| Other comprehensive income | | - | - | 74 | 74 |
| Total comprehensive income | | - | - | 1,620 | 1,620 |
| Transactions with owners | | | | | |
| Dividends declared | | - | - | - | - |
| Total transactions with owners | | - | - | - | - |
| Balance as of 31 August 2022 | | 4,508 | 451 | 21,487 | 26,446 |
| Net profit for the reporting period | | - | - | 1,516 | 1,516 |
| Other comprehensive income | | - | - | 21 | 21 |
| Total comprehensive income | | - | - | 1,537 | 1,537 |
| Transactions with owners | | | | | |
| Dividends declared | | - | - | - | - |
| Total transactions with owners | | - | - | - | - |
| Balance as of 31 August 2023 | | 4,508 | 451 | 23,024 | 27,983 |

The accompanying notes set out in pages 56 – 94 is an integral part of these financial statements.

| | | |
|---------------------------|-------------------------------|---------------------------|
| _____ General Manager | _____ Jonas Krutinis | _____ 24 November 2023 |
| _____ Finance Director | _____ Egidijus Žvaliauskas | _____ 24 November 2023 |

CONSOLIDATED AND COMPANY'S FINANCIAL STATEMENT OF CASH FLOWS

| | Group | | Company | |
|--|----------------|-----------------|----------------|-----------------|
| | 2023 | 2022 | 2023 | 2022 |
| Cash flows from operating activities | | | | |
| Profit (loss) for the period | 1,589 | 1,462 | 1,516 | 1,546 |
| Adjustments for: | | | | |
| Depreciation and amortization | 4,548 | 4,927 | 4,546 | 4,925 |
| Change in provisions for employee benefits | 22 | (82) | 21 | (115) |
| Result from the disposal of property, plant and equipment | (17) | (9,769) | (17) | (9,769) |
| Interest expenses (income) | 1,919 | 1,686 | 1,919 | 1,686 |
| Other | 277 | 448 | 273 | 445 |
| | 8,338 | (1,328) | 8,258 | (1,282) |
| Changes in working capital: | | | | |
| Decrease (increase) in inventories | 5,247 | 408 | 5,247 | 408 |
| Decrease (increase) in prepayments | 42 | (48) | 43 | (49) |
| Decrease (increase) in trade receivables | (2,599) | (8,409) | (2,599) | (8,407) |
| Decrease (increase) in other receivables | 469 | (416) | 480 | (417) |
| Decrease in other current payables and liabilities | (3,994) | (778) | (3,885) | (841) |
| Cash flows from operating activities | 7,503 | (10,571) | 7,544 | (10,588) |
| Income tax (paid) | (2) | (8) | 0 | 0 |
| Net cash flows from operating activities | 7,501 | (10,579) | 7,544 | (10,588) |
| Cash flows from investing activities | | | | |
| Loans granted to related party | - | - | - | - |
| Loan repayments received from related party | - | - | - | - |
| Received interest | - | - | - | - |
| Purchases of property, plant and equipment and intangible assets | (1,213) | (3,642) | (1,212) | (3,639) |
| Proceeds on sale of property, plant and equipment | 47 | 10,455 | 47 | 10,455 |
| Other investing activities | - | - | - | - |
| Net cash flows from (used in) investing activities | (1,166) | 6,813 | (1,165) | 6,816 |

(cont'd on the next page)

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

| Consolidated and Company's financial statement of cash flows (cont'd) | Group | | Company | |
|--|----------------|--------------|----------------|--------------|
| | 2023 | 2022 | 2023 | 2022 |
| Cash flows from (used in) financing activities | | | | |
| Proceed from Factoring | - | 8,952 | - | 8,952 |
| Proceeds from borrowings | - | 9,400 | - | 9,400 |
| Repayments of borrowings | (1,912) | (12,068) | (1,912) | (12,068) |
| Dividends paid | (1) | (9) | (1) | (9) |
| Other financial income and expenses | (70) | (66) | (70) | (66) |
| Interest paid | (1,919) | (1,530) | (1,919) | (1,530) |
| Net cash flows (used in) financing activities | (3,902) | 4,679 | (3,902) | 4,679 |
| Net (decrease) increase in cash and cash equivalents | 2,433 | 913 | 2,477 | 907 |
| Cash and cash equivalents at the beginning of the period | 1,048 | 135 | 1,003 | 96 |
| Cash and cash equivalents at the end of the period | 3,481 | 1,048 | 3,480 | 1,003 |

The accompanying notes set out in pages 56 – 94 is an integral part of these financial statements.

| | | | |
|------------------|----------------------|--|------------------|
| General Manager | Jonas Krutinis | | 24 November 2023 |
| Finance Director | Egidijus Žvaliauskas | | 24 November 2023 |

NOTES TO THE FINANCIAL STATEMENTS

1. General information

Vilniaus baldai AB (hereinafter “the Company”) is a public limited liability company registered in the Republic of Lithuania. The address of its registered office is Pramonės str. 23, Guopstos village, Trakai region, Lithuania.

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

As of 31 August, 2023 and 2022 the shareholders of the Group and the Company were:

| | 2023 | | 2022 | |
|-------------------------------|----------------------|---------------|----------------------|---------------|
| | Number of votes held | Percentage | Number of votes held | Percentage |
| Invalda Privatus Kapitalas AB | 3,407,135 | 87.67 | 3,407,135 | 87.67 |
| Other shareholders | 479,132 | 12.33 | 479,132 | 12.33 |
| Total | 3,886,267 | 100.00 | 3,886,267 | 100.00 |

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

As of 31 August, 2023, the Company’s share capital amounted to EUR 4,508,069.72 and it was divided into 3,886,267 ordinary registered shares. As of 31 August, 2023 and 31 August 2022 all the shares of the Company are ordinary shares with the par value of EUR 1.16 each and were fully paid. The share capital did not change in 2023 and 2022. The Company did not hold its own shares.

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

The Group consists of Vilniaus baldai AB and its subsidiaries ARI-LUX UAB (hereinafter “the Group”). ARI-LUX UAB information as of 31 August 2023:

| Company | Registration address | Share of ownership held by the Company, % | Share capital | Profit (loss) for the reporting period | Equity | Main activities |
|-------------|---|---|---------------|--|--------|--------------------------|
| ARI-LUX UAB | Pramonės str. 23, Guopstos village, Trakai region | 100 | 3 | 73 | 141 | Packaging of accessories |

As of 31 August, 2023 the number of employees of the Group and the Company was 522 and 459, respectively (as of 31 August 2022 – 700 and 628, respectively).

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

The Company’s management approved these financial statements on 24 November 2023. The shareholders of the Company have a statutory right to approve these financial statements or not to approve them and to require preparation of another set of financial statements.

CONSOLIDATED ANNUAL REPORT FOR THE FY2023 ENDED 31 AUGUST 2023

(all amounts are in EUR thousand unless otherwise stated)

2. Accounting principles

The principal accounting policies adopted in preparing the Group's and the Company's financial statements for the year 2023 are as follows:

2.1. Basis of preparation

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

The preparation of financial statements in conformity with IFRSs, as adopted by the European Union, requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Company's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 2.26. Although these estimates are based on management's best knowledge of current events and actions, actual results ultimately may differ from those estimates.

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

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

These financial statements for the year ended 31 August 2023 have been prepared under the assumption that the Group and the Company will continue as a going concern.

ADOPTION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS

In the current year, the Company and the Group has adopted all of the new and revised Standards and Interpretations that are relevant to its operations and effective for accounting periods beginning on 1 January 2022

The following standards, amendments and interpretations are mandatory for accounting periods beginning on or after 1 January 2022

IFRS 3 Business Combinations; IAS 16 Property, Plant and Equipment; IAS 37 Provisions, Contingent Liabilities and Contingent Assets as well as Annual Improvements 2018-2020 (Amendments) (All issued 14 May 2020, effective from 1 January 2022)

The IASB has issued narrow-scope amendments to the IFRS Standards as follows:

- IFRS 3 Business Combinations (Amendments) update a reference in IFRS 3 to the Conceptual Framework for Financial Reporting without changing the accounting requirements for business combinations.
- IAS 16 Property, Plant and Equipment (Amendments) prohibit a company from deducting from the cost of property, plant and equipment amounts received from selling items produced while the company is preparing the asset for its intended use. Instead, a company will recognise such sales proceeds and related cost in profit or loss of SPLOCI.
- IAS 37 Provisions, Contingent Liabilities and Contingent Assets (Amendments) specify which costs a company includes in determining the cost of fulfilling a contract for the purpose of assessing whether a contract is onerous.
- Annual Improvements 2018-2020 make minor amendments to IFRS 1 First-time Adoption of International Financial Reporting Standards, IFRS 9 Financial Instruments, IAS 41 Agriculture and the Illustrative Examples accompanying IFRS 16 Leases.

The amendments are effective in European Union for annual reporting periods beginning on or after 1 January 2022 with earlier application permitted.

Management has assessed that these amendments do not have a material impact on these financial statements.

Standards and amendments that have been approved but are not yet effective and have not been applied in advance

Amendments to IFRS 17 and IFRS 4: The deferral of effective dates for IFRS 17 and IFRS 9 for insurers (published 25 June 2020, effective from 1 January 2023)

The amendments to IFRS 17 are effective, retrospectively, for annual periods beginning on or after 1 January 2023, with earlier application permitted. The amendments aim at helping companies implement the Standard. In particular, the amendments are designed to reduce costs by simplifying some requirements in the Standard, make financial

VILNIAUS BALDAI AB, company code 121922783, Pramonės str. 23, Guopstos village, Trakai region, Lithuania

CONSOLIDATED ANNUAL REPORT FOR THE FY2023 ENDED 31 AUGUST 2023

(all amounts are in EUR thousand unless otherwise stated)

performance easier to explain and ease transition by deferring the effective date of the Standard to 2023 and by providing additional relief to reduce the effort required when applying IFRS 17 for the first time. The amendments to IFRS 4 change the fixed expiry date for the temporary exemption in IFRS 4 Insurance Contracts from applying IFRS 9 Financial Instruments, so that entities would be required to apply IFRS 9 for annual periods beginning on or after 1 January 2023.

The management has assessed that these amendments will not have any impact on the Company's financial statements.

IFRS 17: Insurance Contracts (published 18 May 2017, effective from 1 January 2023)

The standard is effective for annual periods beginning on or after 1 January 2021 with earlier application permitted if both IFRS 15 Revenue from Contracts with Customers and IFRS 9 Financial Instruments have also been applied. In its March 2020 meeting the Board decided to defer the effective date to 2023. IFRS 17 Insurance Contracts establishes principles for the recognition, measurement, presentation and disclosure of insurance contracts issued. It also requires similar principles to be applied to reinsurance contracts held and investment contracts with discretionary participation features issued. The objective is to ensure that entities provide relevant information in a way that faithfully represents those contracts. This information gives a basis for users of financial statements to assess the effect that contracts within the scope of IFRS 17 have on the financial position, financial performance and cash flows of an entity.

This IFRS will not have any impact on the financial position or performance of the Company as insurance services are not provided.

Amendments to IAS 12 Income Taxes: Deferred Tax related to Assets and Liabilities arising from a Single Transaction (issued on 7 May 2021, effective from 1 January 2023)

The amendments require companies to recognise deferred tax on transactions that, on initial recognition, give rise to equal amounts of taxable and deductible temporary differences. The amendments are effective for annual reporting periods beginning on or after 1 January 2023. Earlier application is permitted. The Amendments have not yet been endorsed by the EU. The Company has not yet evaluated the impact of the implementation of these amendments.

Amendments to IAS 1 Presentation of Financial Statements and IFRS Practice Statement 2: Disclosure of Accounting policies (issued on 12 February 2021, effective from 1 January 2023)

The Amendments are effective for annual periods beginning on or after January 1, 2023 with earlier application permitted. The amendments provide guidance on the application of materiality judgements to accounting policy disclosures. In particular, the amendments to IAS 1 replace the requirement to disclose 'significant' accounting policies with a requirement to disclose 'material' accounting policies. Also, guidance and illustrative examples are added in the Practice Statement to assist in the application of the materiality concept when making judgements about accounting policy disclosures. The Company has not yet evaluated the impact of the implementation of these amendments.

Amendments to IAS 8 Accounting policies, Changes in Accounting Estimates and Errors: Definition of Accounting Estimates (issued on 12 February 2021, effective from 1 January 2023)

The amendments introduce a new definition of accounting estimates, defined as monetary amounts in financial statements that are subject to measurement uncertainty. Also, the amendments clarify what changes in accounting estimates are and how these differ from changes in accounting policies and corrections of errors. The amendments become effective for annual reporting periods beginning on or after January 1, 2023 with earlier application permitted and apply to changes in accounting policies and changes in accounting estimates that occur on or after the start of that period. The Company has not yet evaluated the impact of the implementation of these amendments.

Amendments to IAS 1: Classification of Liabilities as Current or Non-current and Classification of Liabilities as Current or Non-current (issued on 23 January 2020, effective from 1 January 2024, but not before approval by the EU)

The amendments aim to promote consistency in applying the requirements by helping companies determine whether, in the statement of financial position debt and other liabilities with an uncertain settlement date should be classified as current or non-current. The amendments affect the presentation of liabilities in the statement of financial position and do not change existing requirements around measurement or timing of recognition of any asset, liability, income or expenses, nor the information that entities disclose about those items. Also, the amendments clarify the classification requirements for debt which may be settled by the company issuing own equity instruments. Management has not yet assessed the impact of applying these amendments.

VILNIAUS BALDAI AB, company code 121922783, Pramonės str. 23, Guopstos village, Trakai region, Lithuania

CONSOLIDATED ANNUAL REPORT FOR THE FY2023 ENDED 31 AUGUST 2023

(all amounts are in EUR thousand unless otherwise stated)

The amendments in Non-current Liabilities with Covenants (Amendments to IAS 1) (issued on 31 October 2022, effective from 1 January 2024, but not before approval by the EU):

Modify the requirements introduced by Classification of Liabilities as Current or Non-current on how an entity classifies debt and other financial liabilities as current or non-current in particular circumstances: only covenants with which an entity is required to comply on or before the reporting date affect the classification of a liability as current or non-current. In addition, an entity has to disclose information in the notes that enables users of financial statements to understand the risk that non-current liabilities with covenants could become repayable within twelve months. The amendments are effective for reporting periods beginning on or after 1 January 2024. The amendments are applied retrospectively in accordance with IAS 8 and earlier application is permitted.

Management has not yet assessed the impact of applying these amendments.

Amendments to IFRS 16 Lease Liability in a Sale and Leaseback with amendments that clarify how a seller-lessee subsequently measures sale and leaseback transactions that satisfy the requirements in IFRS 15 to be accounted for as a sale (issued on 22 September 2022, effective from 1 January 2024, but not before approval by the EU):

Lease Liability in a Sale and Leaseback (Amendments to IFRS 16) requires a seller-lessee to subsequently measure lease liabilities arising from a leaseback in a way that it does not recognise any amount of the gain or loss that relates to the right of use it retains. The new requirements do not prevent a seller-lessee from recognising in profit or loss any gain or loss relating to the partial or full termination of a lease. The amendments are effective for annual reporting periods beginning on or after 1 January 2024. Earlier application is permitted. A seller-lessee applies the amendments retrospectively in accordance with IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors to sale and leaseback transactions entered into after the date of initial application.

Management has not yet assessed the impact of applying these amendments.

There are no other new standards, amendments to the existing standards or their interpretations that are not yet effective but may have a material impact on the Company or the Group.

2.2. Functional and financial statements currency

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

2.3. Financial year

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

2.4. Consolidation principles

The consolidated financial statements of the Group include Vilniaus baldai AB and its parent (subsidiary) companies. The financial statements of the subsidiaries are prepared for the same reporting year and using the same accounting principles. Subsidiaries are consolidated from the date their control passes to the Group and are no longer consolidated from the date control is transferred outside the Group. All intra-Group transactions, balances and unrealized profits or losses from transactions between Group companies are eliminated. Equity and net result attributable to minority shareholders (non-controlling interests) are presented separately in the statement of financial position and the statement of comprehensive income. Revenues and expenses of subsidiaries acquired or sold during the year are included in the consolidated statement of comprehensive income from the date of acquisition of the subsidiary to the date of sale of the subsidiary, respectively. The gross income of subsidiaries is attributed to the owners of the Company and the non-controlling interest (even if the result of the non-controlling interest would become negative). Financial statements of subsidiaries are adjusted so that their accounting policies are consistent with the accounting policies applied by other Group companies, if necessary. For consolidation purposes, financial statements of subsidiaries are prepared according to the financial year of the parent company. All intra-Group transactions, balances, income and expenses are eliminated during consolidation. Acquisitions and disposals of the minority share of the Group are accounted for as an equity transaction: the difference between the value of the net assets acquired from the minority share/transferred to the minority in the Group's financial statements and the purchase/sale price of the shares is accounted for directly in equity.

2.5. Business combinations

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

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

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

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

Non-controlling interest are measured initially at their proportionate share of the acquirer's identifiable net assets at the date of acquisition. Changes in the Group's interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions.

When the Group loses control over a subsidiary, it derecognizes the assets and liabilities of the subsidiary, and any related NCI and other components of equity. Any resulting gain or loss is recognized in profit or loss. Any interest retained in the former subsidiary is measured at fair value when control is lost.

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

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

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

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

2.7. Intangible assets

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

Software

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

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

2.8. Property, plant and equipment

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

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

The initial cost of property, plant and equipment comprises its purchase price, including non-refundable purchase taxes and any directly attributable costs of bringing the asset to its working condition and location for its intended use.

Expenditures incurred after the property, plant and equipment have been put into operation, such as repair and maintenance costs, are normally charged to profit or loss in the period the costs are incurred.

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

| | |
|---|-------------|
| Buildings | 10–66 years |
| Machinery and equipment | 6–20 years |
| Vehicles | 5–10 years |
| Other property, plant and equipment, critical spare parts | 2–6 years |

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

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

Borrowing costs directly attributable to the acquisition, construction or production of assets that are not stated at fair value and necessarily take a substantial time to get ready for intended use or sale (qualifying assets) are capitalised as part of the costs of those assets.

Capitalisation of borrowing costs continues up to the date when the assets are substantially ready for their use or sale. The Group and the Company capitalise borrowing costs that could have been avoided if they had not made capital expenditure on qualifying assets. Borrowing costs capitalised are calculated at the Group's and the Company's average funding cost (the weighted average interest cost is applied to the expenditures on the qualifying assets), except to the extent that funds are borrowed specifically for the purpose of obtaining a qualifying asset. Where this occurs, actual borrowing costs incurred less any investment income on the temporary investment of those borrowings are capitalised.

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

2.9. Inventories

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

2.10. 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

CONSOLIDATED ANNUAL REPORT FOR THE FY2023 ENDED 31 AUGUST 2023

(all amounts are in EUR thousand unless otherwise stated)

- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interests on the principal amount outstanding.

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

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

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

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

Financial assets at fair value through profit or loss are initially recognized at fair value through profit or loss. Subsequently, the fair value gain and loss, including any interest and dividends, is recognized in profit or loss and other comprehensive income.

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

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

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

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

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

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

Financial liabilities

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

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

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

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

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

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

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

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

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

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

Borrowed funds. Borrowings are initially recognized at fair value less transaction costs and subsequently measured at amortized cost using the effective interest method.

Financial guarantees. A financial guarantee contract is a contract that obliges the Company to make specific payments to compensate the contract holder for the holder's default on timely payment of the original or modified terms of a debt instrument. Financial guarantees are initially recognized at fair value, which is usually the amount receivable.

Offsetting financial assets and financial liabilities

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

2.11. Share capital

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

2.12. Dividends

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

2.13. Leases

The Group and the Company are lessees

(a) Finance lease

Leases of property, plant and equipment where the Group and the Company have substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalised at the lease's commencement at the lower of the fair value of the leased property and the estimated present value of the minimum lease payments. Each lease payment is allocated between the liability and finance charges so as to achieve a constant interest rate on the finance lease balance outstanding. The corresponding rental obligations, net of finance charges, are included in long-term payables except for instalments due within 12 months which are included in current liabilities.

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

(b) Operating lease

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.

The Group and the Company are lessors

(c) Operating lease

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

2.14. Employee benefits

(a) Social security contributions

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

(b) Termination benefits

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

(c) Bonus plans

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

(d) Provisions for pensions and jubilee payments

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

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

2.15. Provisions

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

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

2.16. Income tax

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

The standard income tax rate in the Republic of Lithuania was 15% in 2023 (15% in 2022).

Tax losses can be carried forward for indefinite period, except for the losses incurred as a result of disposal of securities and/or derivative financial instruments. Such carrying forward is disrupted if the Company change its activities due to which these losses were incurred except when the Company do not continue its activities due to reasons which do not depend on the Company itself. Starting from 2014 the amount of utilised tax losses cannot exceed 70% of taxable profit for the tax period calculated by deducting non-taxable income, allowed tax deductions and allowed limited amount deductions from income, except for tax losses of the previous periods. Starting from 2010, tax losses can be transferred at no consideration or in exchange for certain consideration between the Group companies if certain conditions are met.

The losses from disposal of securities and/or derivative financial instruments can be carried forward for 5 consecutive years and only be used to reduce the taxable income earned from the transactions of the same nature. The limitation (up to 70% on profit from transfer of securities) is not applied to losses on transfer of securities from previous tax periods deductible from profit on transfer of securities from the taxable period.

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

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

CONSOLIDATED ANNUAL REPORT FOR THE FY2023 ENDED 31 AUGUST 2023

(all amounts are in EUR thousand unless otherwise stated)

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

Income tax and deferred tax for the accounting period

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

2.17. Revenue recognition

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:

- 1 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,
- 2 it is possible to identify the rights of each party with regard to the goods and / or services to be transferred,
- 3 it is possible to identify the payment terms for the goods and / or services to be transferred,
- 4 the contract has commercial substance,
- 5 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:

1. a good and / or service is distinct, or
2. 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.

CONSOLIDATED ANNUAL REPORT FOR THE FY2023 ENDED 31 AUGUST 2023

(all amounts are in EUR thousand unless otherwise stated)

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

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

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

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

2.18. Expense recognition

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

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

2.19. Foreign currency transactions

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

2.20. Impairment of assets

Non-financial assets

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

The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. Whenever the carrying amount of an asset exceeds its recoverable amount, an impairment loss is recognized in profit or loss.

Reversal of impairment losses recognized in prior years is recorded when there is an indication that the impairment losses recognized for the asset no longer exist or have decreased. Reversal is accounted for in the same caption in profit or loss as impairment losses. For evaluation of impairment of assets, the entire Group is considered as one cash generating unit.

Impairment of financial assets

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

For financial assets carried at amortized cost, whenever it is probable that the Group and the Company will not collect all amounts due according to the contractual terms of loans or receivables, an impairment or bad debt loss is recognized in profit or loss. Impairment of trade and other receivables is established when there is objective evidence (such as probability of default or significant financial difficulties of the client) that the Group and the Company will not be able to collect all amounts due according to the original terms of the receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganization, and default or delinquency in payments (more than 30 days overdue) are considered indicators that the trade receivable is impaired.

The recoverable amount of receivables carried at amortised cost is measured as the present value of future cash flows discounted at the original interest rate (i.e. the effective interest rate calculated at the initial recognition of these receivables).

CONSOLIDATED ANNUAL REPORT FOR THE FY2023 ENDED 31 AUGUST 2023

(all amounts are in EUR thousand unless otherwise stated)

The reversal of impairment losses previously recognized is recorded when the decrease in impairment loss can be justified by an event occurring after the write-down. Such reversal is recorded in profit or loss under the same caption as impairment losses. However, the increased carrying amount is only recognized to the extent it does not exceed the amortized cost that would have been had the impairment not been recognized.

Impairment of financial assets

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

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

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

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

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

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

2.21. Segment information

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

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

2.22. Related parties

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

2.23. Contingencies

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

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

2.24. Subsequent events

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

2.25. Offsetting and comparative figures

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

2.26. Use of estimates in the preparation of financial statements

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

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

Estimates and assumptions

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

Property, plant and equipment – useful life

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

Tax liabilities

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

Related-party transactions

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

Pension and jubilee benefits

Key assumptions used in determining the provision for pension and jubilee benefits are as follows: employee turnover rate by age group, discount rate, and wage and salary growth. The Group's and the Company's management makes judgements in relation to these assumptions. See Note 13 for more details.

Revenue recognition

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

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

CONSOLIDATED ANNUAL REPORT FOR THE FY2023 ENDED 31 AUGUST 2023

(all amounts are in EUR thousand unless otherwise stated)

controls the process and has full responsibility for the final customer. Raw materials were sold at purchase price to the production service provider.

Expected credit losses estimation

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

Classification of spare part

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

Recognition of deferred tax assets from unused investment relief

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

Factoring

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

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

2.27. Fair value measurement

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

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

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

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

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

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

Fair values have been determined for measurement and / or disclosure purposes based on the described methods. Where applicable, further information about the assumptions made in determining fair values is disclosed in the notes specific to that asset or liability (Note 13 – Provisions for employee benefits).

2.28. Reportable segments

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

CONSOLIDATED ANNUAL REPORT FOR THE FY2023 ENDED 31 AUGUST 2023

(all amounts are in EUR thousand unless otherwise stated)

3. Changes in significant accounting policies

There were no significant changes in accounting policies during the reporting period.

4. Intangible assets

| | Software | |
|--|-----------------|----------------|
| | <u>Group</u> | <u>Company</u> |
| Cost: | | |
| Balance as of 31 August 2021 | 412 | 412 |
| Additions | 116 | 116 |
| Sold and written off asset | (5) | (5) |
| Balance as of 31 August 2022 | 523 | 523 |
| Additions | - | - |
| Sold and written off asset | (7) | (7) |
| Balance as of 31 August 2023 | 516 | 516 |
| Amortisation: | | |
| Balance as of 31 August 2021 | 286 | 286 |
| Charge for the year | 48 | 48 |
| Sold and written off asset | (5) | (5) |
| Balance as of 31 August 2022 | 329 | 329 |
| Charge for the year | 78 | 78 |
| Sold and written off asset | - | - |
| Balance as of 31 August 2023 | 407 | 407 |
| Net book value as of 31 August 2022 | 194 | 194 |
| Net book value as of 31 August 2023 | 109 | 109 |

Amortization expenses of intangible assets are included within operating expenses in profit or loss. Intangible assets of the Group and the Company with an acquisition cost of EUR 286 thousand as of 31 August 2023 (as of 31 August 2022 – EUR 275 thousand) are fully amortized and were still in use.

CONSOLIDATED ANNUAL REPORT FOR THE FY2023 ENDED 31 AUGUST 2023

(all amounts are in EUR thousand unless otherwise stated)

5. Property, plant and equipment

| Group | Land and buildings | Machinery and equipment | Vehicles | Other property, plant and equipment | Total |
|--|-----------------------|-------------------------------|----------|--|---------------|
| Cost: | | | | | |
| Balance as of 31 August 2021 | 34,091 | 54,422 | 14 | 6,510 | 95,037 |
| Additions | 21 | 3,679 | - | 123 | 3,823 |
| Sold and written off asset | (2,391) | (6,469) | (3) | (1,127) | (9,990) |
| Overwriting from one article to another | - | (274) | - | 274 | - |
| Balance as of 31 August 2022 | 31,721 | 51,358 | 11 | 5,780 | 88,870 |
| Additions | 39 | 1,844 | - | 105 | 1,988 |
| Sold and written off asset | - | (2,216) | (11) | (67) | (2,294) |
| Overwriting from one article to another | - | (80) | - | 80 | - |
| Balance as of 31 August 2023 | 31,760 | 50,906 | - | 5,898 | 88,564 |
| Accumulated depreciation: | | | | | |
| Balance as of 31 August 2021 | 2,515 | 25,120 | 14 | 1,518 | 29,167 |
| Charge for the year | 632 | 3,702 | - | 469 | 4,803 |
| Sold and written off asset | (1,850) | (6,213) | (3) | (803) | (8,869) |
| Balance as of 31 August 2022 | 1,297 | 22,609 | 11 | 1,184 | 25,101 |
| Charge for the year | 598 | 3,298 | - | 480 | 4,376 |
| Sold and written off asset | - | (2,101) | (11) | (53) | (2,165) |
| Balance as of 31 August 2023 | 1,895 | 23,806 | - | 1,611 | 27,312 |
| Net book value as of 31 August 2022 | 30,424 | 28,749 | - | 4,596 | 63,769 |
| Net book value as of 31 August 2023 | 29,865 | 27,100 | - | 4,287 | 61,252 |

CONSOLIDATED ANNUAL REPORT FOR THE FY2023 ENDED 31 AUGUST 2023

(all amounts are in EUR thousand unless otherwise stated)

Property, plant and equipment (cont'd)

| Company | Other property, plant and equipment | | | | Total |
|--|-------------------------------------|-------------------------|----------|-------------------------------------|---------------|
| | Land and buildings | Machinery and equipment | Vehicles | Other property, plant and equipment | |
| Cost: | | | | | |
| Balance as of 31 August 2021 | 34,091 | 54,422 | 14 | 6,498 | 95,025 |
| Additions | 21 | 3,679 | - | 120 | 3,820 |
| Sold and written off asset | (2,391) | (6,469) | (3) | (1,125) | (9,988) |
| Overwriting from one article to another | - | (274) | - | 274 | - |
| Balance as of 31 August 2022 | 31,721 | 51,358 | 11 | 5,767 | 88,857 |
| Additions | 39 | 1,844 | - | 104 | 1,987 |
| Sold and written off asset | - | (2,216) | (11) | (67) | (2,294) |
| Overwriting from one article to another | - | (80) | - | 80 | - |
| Balance as of 31 August 2023 | 31,760 | 50,906 | - | 5,884 | 88,550 |
| Accumulated depreciation: | | | | | |
| Balance as of 31 August 2021 | 2,515 | 25,120 | 14 | 1,513 | 29,162 |
| Charge for the year | 632 | 3,702 | - | 467 | 4,801 |
| Sold and written off asset | (1,850) | (6,213) | (3) | (802) | (8,868) |
| Balance as of 31 August 2022 | 1,297 | 22,609 | 11 | 1,178 | 25,095 |
| Charge for the year | 598 | 3,298 | - | 478 | 4,374 |
| Sold and written off asset | - | (2,101) | (11) | (53) | (2,165) |
| Balance as of 31 August 2023 | 1,895 | 23,806 | - | 1,603 | 27,304 |
| Net book value as of 31 August 2022 | 30,424 | 28,749 | - | 4,589 | 63,762 |
| Net book value as of 31 August 2023 | 29,865 | 27,100 | - | 4,281 | 61,246 |

Depreciation charge for the year was recognised as follows:

| | Group | | Company | |
|---|--------------|--------------|--------------|--------------|
| | 2023 | 2022 | 2023 | 2022 |
| Cost of production | 4,325 | 4,737 | 4,324 | 4,736 |
| Operating expenses and inventories cost of production | 51 | 66 | 50 | 65 |
| | 4,376 | 4,803 | 4,374 | 4,801 |

Property, plant and equipment of the Group and the Company with an acquisition cost of EUR 1,410 thousand was fully depreciated as of 31 August 2023 (EUR 2,978 thousand as of 31 August 2022), and was still in active use. The major part of the fully depreciated property, plant and equipment consists of machinery and equipment.

As at 31 August 2023 the Company had property, plant and equipment acquired under finance leases in the amount of 767 thousand EUR. (As at 31 August 2022 the Company did not have any property, plant and equipment acquired under finance leases).

The Company's prepayments for non-current assets amounted to EUR 2 thousand as of 31 August 2023 (EUR 82 thousand as of 31 August 2022). Prepayments are classified as other property, plant and equipment.

CONSOLIDATED ANNUAL REPORT FOR THE FY2023 ENDED 31 AUGUST 2023

(all amounts are in EUR thousand unless otherwise stated)

Property, plant and equipment (cont'd)

As at 31 August 2023, the Group and the Company have reclassified spare parts amounting to EUR 1,056 thousand (EUR 994 thousand as of 31 August 2022) that meet the Property, plant and equipment criteria from Inventories to Property, plant and equipment. These spare parts are booked under Other property, plant and equipment.

As of 31 August, 2023, the Company's property, plant and equipment with the net book value of EUR 45,845 thousand and inventories which classified as non-current assets amounting to EUR 1,056 thousand was pledged to the bank as collateral for loans granted (respectively EUR 50,347 thousand and EUR 994 thousand as of 31 August 2022) (Note 12).

During 2023 and 2022, there were no capitalized borrowing costs in non-current assets.

6. Investments into subsidiaries

Acquisition cost of investment of the Company in subsidiaries as of 31 August 2023 and 2022 are presented below:

| | 2023 | | 2022 | |
|-------------|----------------------|-------------------------|----------------------|-------------------------|
| | Share capital | Acquisition cost | Share capital | Acquisition cost |
| ARI-LUX UAB | 100% | <u>5</u> | 100% | <u>5</u> |
| | | <u>5</u> | | <u>5</u> |

Performance results of the subsidiary ARI-LUX UAB before elimination of related transactions in 2023 and 2022.

Statement of financial position

| | As of 31 August 2023 | As of 31 August 2022 |
|--|-----------------------------|-----------------------------|
| Other non-current assets | 6 | 8 |
| Trade receivables | 272 | 146 |
| Other receivables and current assets | 47 | 38 |
| Cash and cash equivalents | 1 | 44 |
| Total assets | <u>326</u> | <u>236</u> |
| Share capital | 3 | 3 |
| Retained earnings | 138 | 65 |
| Trade liabilities | 1 | - |
| Other current payables and accrued liabilities | 184 | 168 |
| Total equity and liabilities | <u>326</u> | <u>236</u> |

Statement of profit or loss and other comprehensive income

| | 2023 | 2022 |
|---|------------------|--------------------|
| Revenue | 752 | 750 |
| Cost of sales | (593) | (752) |
| Gross profit | 159 | (2) |
| Operating expenses | (80) | (81) |
| Profit (loss) before income tax | 79 | (83) |
| Income tax expense | 6 | - |
| Net profit (loss) for the reporting period | <u>73</u> | <u>(83)</u> |

CONSOLIDATED ANNUAL REPORT FOR THE FY2023 ENDED 31 AUGUST 2023

(all amounts are in EUR thousand unless otherwise stated)

7. Inventories

| | Group | | Company | |
|--|--------------|---------------|--------------|---------------|
| | 2023 | 2022 | 2023 | 2022 |
| Raw materials | 1,480 | 4,091 | 1,480 | 4,091 |
| Work in progress | 2,293 | 4,618 | 2,293 | 4,618 |
| Finished goods | 2,078 | 2,339 | 2,078 | 2,339 |
| Spare parts for the repair of equipment used in activities | 450 | 547 | 450 | 547 |
| Goods for resale | 50 | 3 | 50 | 3 |
| Less: adjustment to net realizable value | - | - | - | - |
| | 6,351 | 11,598 | 6,351 | 11,598 |

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

Inventories in value of EUR 6,351 thousand are pledged to the bank according to loan agreements (Note 12) as of 31 August 2023. Inventories in value of EUR 11,598 thousand were pledged to the bank as of 31 August 2022.

8. Trade receivables

| | Group | | Company | |
|---|--------------|--------------|--------------|--------------|
| | 2023 | 2022 | 2023 | 2022 |
| Other receivables after one year, gross | - | 1,651 | - | 1,651 |
| Less: impairment for doubtful receivables | - | (130) | - | (130) |
| | - | 1,521 | - | 1,521 |
| Trade receivables, gross | 7,264 | 3,190 | 7,264 | 3,190 |
| Less: impairment for doubtful receivables | - | (46) | - | (46) |
| | 7,264 | 3,144 | 7,264 | 3,144 |

Factoring contract without recourse between Vilniaus baldai AB and bank was signed on 20-05-2019. Factoring term 31-08-2023. Maximum payment term: 90 days to be calculated from the issue date of the invoice. As of 31 August, 2022 Factoring limit and currency was EUR 9,340 thousand; EUR 8,952 thousand of factoring limit was used at 31 August 2022. On 1 June 2023 the factoring contract with the bank was terminated. All the obligations related to this contract were fully fulfilled on 12 June 2023.

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

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

During FY2023 no impairment was recorded in relation to any doubtful trade receivables by the Group and the Company. (In FY2022, an impairment of 130 thousand EUR was recorded in relation to doubtful receivables after one year and an impairment of 46 thousand EUR was recorded in relation to doubtful receivables within one year.

CONSOLIDATED ANNUAL REPORT FOR THE FY2023 ENDED 31 AUGUST 2023

(all amounts are in EUR thousand unless otherwise stated)

The ageing analysis of the Group's and the Company's trade receivables as of 31 August 2023 and 31 August 2022 is as follows:

| | Trade receivables neither past due nor impaired | Trade receivables past due, but not impaired | | | | | Total |
|----------------|---|--|------------|------------|-------------|--------------------|-------|
| | | Less than 30 days | 30–60 days | 60–90 days | 90–120 days | More than 120 days | |
| COMPANY | | | | | | | |
| 2022 | 1,632 | 1,485 | 891 | 657 | - | - | 4,665 |
| 2023 | 6,162 | 1,079 | 23 | - | - | - | 7,264 |
| GROUP | | | | | | | |
| 2022 | 1,632 | 1,485 | 891 | 657 | - | - | 4,665 |
| 2023 | 6,162 | 1,079 | 23 | - | - | - | 7,264 |

The company was not granted any new loans during the reporting period.

9. Other receivables

| | Group | | Company | |
|---|--------------|--------------|--------------|--------------|
| | 2023 | 2022 | 2023 | 2022 |
| Refundable VAT | 841 | 1,144 | 841 | 1,144 |
| Receivables of Employment Services Under the Ministry of Social Security and Labour | 42 | 30 | - | - |
| Other receivables | 223 | 400 | 222 | 401 |
| | 1,106 | 1,574 | 1,063 | 1,545 |

Other receivables of the Group and the Company were neither past due nor impaired as of 31 August 2023 and 31 August 2022.

10. Cash and cash equivalents

| | Group | | Company | |
|--------------|--------------|--------------|--------------|--------------|
| | 2023 | 2022 | 2023 | 2022 |
| Cash at bank | 3,481 | 1,048 | 3,480 | 1,003 |
| | 3,481 | 1,048 | 3,480 | 1,003 |

The Company's cash balances in bank accounts denominated in foreign currency and euro, and future inflows to the accounts at JSC Citadele bank were pledged to the bank as collateral for loans granted (Note 12).

11. Reserves

Legal reserve

A legal reserve is a compulsory reserve under Lithuanian legislation. Annual transfers of not less than 5% of net profit are compulsory until the reserve reaches 10% of the share capital. As of 31 August 2023 the Company's legal reserve was fully formed at amount 451 thousand. EUR (31 August 2022 – EUR 451 thousand).

CONSOLIDATED ANNUAL REPORT FOR THE FY2023 ENDED 31 AUGUST 2023

(all amounts are in EUR thousand unless otherwise stated)

12. Financial liabilities

| | Group | | Company | |
|---------------------------------------|-----------------------------|-----------------------------|-----------------------------|-----------------------------|
| | As of 31 August 2023 | As of 31 August 2022 | As of 31 August 2023 | As of 31 August 2022 |
| Non-current borrowings | | | | |
| Syndicated loan from commercial banks | 21,547 | 22,460 | 21,547 | 22,460 |
| Issue price of VIVA bonds | 6,000 | 6,000 | 6,000 | 6,000 |
| Loans from related party | 3,000 | 3,000 | 3,000 | 3,000 |
| Interest on loans from related party | 467 | 362 | 467 | 362 |
| Loans from Ikea Supply AG | 2,115 | 3,434 | 2,115 | 3,434 |
| Other loans | 329 | - | 329 | - |
| | 33,458 | 35,256 | 33,458 | 35,256 |

| | Group | | Company | |
|---|-----------------------------|-----------------------------|-----------------------------|-----------------------------|
| | As of 31 August 2023 | As of 31 August 2022 | As of 31 August 2023 | As of 31 August 2022 |
| Current borrowings | | | | |
| Syndicated loan from commercial banks | 3,582 | 3,375 | 3,582 | 3,375 |
| Interest on syndicated loan from commercial banks | 265 | 50 | 265 | 50 |
| Interest on issue price of VIVA bonds | 29 | - | 29 | - |
| Loans from Ikea Supply AG | 1,759 | 1,646 | 1,759 | 1,646 |
| Interest on loans from Ikea Supply AG | 202 | 102 | 202 | 102 |
| Other loans | 438 | - | 438 | - |
| | 6,275 | 5,173 | 6,275 | 5,173 |

The Company's property, plant and equipment with the total net book value of EUR 45,845 thousand as of 31 August 2023 (EUR 50,347 thousand as of 31 August 2022), all the current cash balances and future inflows to the Company's accounts at the bank and inventories in value of EUR 6,351 thousand and other non-current assets EUR 1,056 thousand as at 31 August 2023 (inventories in value of EUR 11,598 thousand and other non-current assets EUR 994 thousand as at 31 August 2022) were pledged as collateral for the loans granted.

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

Loan from Ikea Supply AG EUR 1,680 thousand with interest rate 1.7%, repayment term 2027 April 25.

Loan from Ikea Supply AG EUR 3,400 thousand with interest rate 2.4%, repayment term 2025 March 25.

Loans from the bank:

- EUR 12,891 thousand, interest rate 7.6%, maturity 30 April 2027
- EUR 12,944 thousand, interest rate 7.6%, maturity 30 April 2027

Accordinging loan agreement total loan commitment from the bank is EUR 25,835 thousand.

On November 19, 2021, 6,000 thousand EUR value bond signing agreement with the State Investment Management Agency, which manages the Business Support Fund. The interest rate is 7.7%, the maturity date of the bonds is September 15, 2027

Actual interest rates are close to the effective interest rates.

CONSOLIDATED ANNUAL REPORT FOR THE FY2023 ENDED 31 AUGUST 2023

(all amounts are in EUR thousand unless otherwise stated)

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

| | Group | | Company | |
|-------|--------|-------|---------|-------|
| | 2023 | 2022 | 2023 | 2022 |
| Loans | 6.73 % | 4.04% | 6.73 % | 4.04% |

Borrowings at the end of the year in different currencies:

| | Group | | Company | |
|-----------------------------------|---------------|---------------|---------------|---------------|
| | 2023 | 2022 | 2023 | 2022 |
| Borrowings denominated in: | | | | |
| EUR | 38,966 | 40,429 | 38,966 | 40,429 |
| SEK | 767 | - | 767 | - |
| | 39,733 | 40,429 | 39,733 | 40,429 |

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

| | Group | Company |
|------------------------------------|---------------|---------------|
| Borrowings as at 31/08/2022 | 39,915 | 39,915 |
| Proceeds from borrowings | - | - |
| Repayments of borrowings | (1,912) | (1,912) |
| Borrowings as at 31/08/2023 | 38,003 | 38,003 |

12.1. IFRS 16 “Leases”

The Group and the Company apply the new standard using a modified retrospective method, which means that the comparative figures will not be restated. The overall effect of applying IFRS 16 was recognized on 1 January 2019. From 1 January 2019 lease liabilities classified as leases that were previously classified in accordance with IAS 17 for buses are measured at the present value of the remaining discounted lease payments using an additional borrowing rate. The Group and the Company recognize the assets under their ownership in an amount equal to the lease liabilities, adjusted for the amount of lease payments prepaid or accrued until 31 August 2019.

| | Group | | Company | |
|---------------------------------------|--------------|------------|--------------|------------|
| | 2023 | 2022 | 2023 | 2022 |
| Assets under management: | 990 | 847 | 990 | 847 |
| Premises | 266 | - | 266 | - |
| Vehicles | 724 | 847 | 724 | 847 |
| Increase in total liabilities: | 1,021 | 865 | 1,021 | 865 |
| Long - term lease obligations | 618 | 587 | 618 | 587 |
| Short - term lease obligations | 403 | 278 | 403 | 278 |

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

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

From 2019 September 1 The Group and the Company includes payments due in the lease as a lease liability.

| | Group | | Company | |
|--|--------------|------------|--------------|------------|
| | 2023 | 2022 | 2023 | 2022 |
| Long time rent according IFRS 16 of which: | 618 | 587 | 618 | 587 |
| Premises lease obligation | 134 | - | 134 | - |
| Vehicle rental obligation | 484 | 587 | 484 | 587 |
| Long time rent according IFRS 16 current liabilities of which: | 403 | 278 | 403 | 278 |
| Premises lease obligation | 133 | - | 133 | - |
| Vehicle rental obligation | 270 | 278 | 270 | 278 |
| | 1,021 | 865 | 1,021 | 865 |

CONSOLIDATED ANNUAL REPORT FOR THE FY2023 ENDED 31 AUGUST 2023

(all amounts are in EUR thousand unless otherwise stated)

13. Provisions for employee benefits

| | Group | | Company | |
|---|------------|------------|------------|------------|
| | 2023 | 2022 | 2023 | 2022 |
| Provisions for pension benefits | 195 | 206 | 161 | 173 |
| Provisions for jubilee and other benefits | 410 | 377 | 410 | 377 |
| | 605 | 583 | 571 | 550 |

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

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

| | 2023 | 2022 |
|---|------|------|
| Discount rate based on inflation forecast | 1.5% | 1.5% |
| Salary growth rate | 6% | 6% |
| Rate of employee turnover by age group: | | |
| younger than 25 years | 80% | 80% |
| from 25 to 45 years | 30% | 30% |
| from 45 to 59 years | 25% | 25% |
| from 59 to 75 years | 20% | 20% |

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

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

Group

| | Increase / decrease, % | Impact on other comprehensive income |
|--------------------|------------------------|--------------------------------------|
| 2023 | | |
| Discount rate | +0.5% | 10 |
| Salary growth rate | +0.5% | (10) |
| Discount rate | -0.5% | (11) |
| Salary growth rate | -0.5% | 10 |

Company

| | Increase / decrease, % | Impact on other comprehensive income |
|--------------------|------------------------|--------------------------------------|
| 2023 | | |
| Discount rate | +0.5% | 9 |
| Salary growth rate | +0.5% | (9) |
| Discount rate | -0.5% | (10) |
| Salary growth rate | -0.5% | 9 |

CONSOLIDATED ANNUAL REPORT FOR THE FY2023 ENDED 31 AUGUST 2023

(all amounts are in EUR thousand unless otherwise stated)

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

| Group | 2023 | 2022 |
|-------------------------------------|-------------|-------------|
| At 1 September | 206 | 254 |
| Growth in the current year | 20 | 55 |
| Payments | (6) | (18) |
| Re-measurements of pension benefits | (25) | (85) |
| At 31 August | 195 | 206 |

| Company | 2023 | 2022 |
|-------------------------------------|-------------|-------------|
| At 1 September | 173 | 254 |
| Growth in the current year | 16 | 21 |
| Payments | (3) | (15) |
| Re-measurements of pension benefits | (25) | (87) |
| At 31 August | 161 | 173 |

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

| Group | 2023 | 2022 |
|----------------------------|-------------|-------------|
| At 1 September | 377 | 411 |
| Growth in the current year | 153 | 75 |
| Payments | (120) | (109) |
| At 31 August | 410 | 377 |

| Company | 2023 | 2022 |
|----------------------------|-------------|-------------|
| At 1 September | 377 | 411 |
| Growth in the current year | 153 | 75 |
| Payments | (120) | (109) |
| At 31 August | 410 | 377 |

14. Trade payables

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

15. Other current and accrued liabilities

| | Group | | Company | |
|--|--------------|--------------|----------------|--------------|
| | 2023 | 2022 | 2023 | 2022 |
| Payroll liabilities and related taxes | 1,276 | 1,187 | 1,179 | 1,108 |
| Accrued vacation | 664 | 1,061 | 629 | 1,015 |
| Dividends payable | 986 | 986 | 986 | 986 |
| Other payables and accrued liabilities | 200 | 393 | 185 | 386 |
| | 3,126 | 3,627 | 2,979 | 3,495 |

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

CONSOLIDATED ANNUAL REPORT FOR THE FY2023 ENDED 31 AUGUST 2023

(all amounts are in EUR thousand unless otherwise stated)

16. Revenue

In 2023 sales of goods comprised sales of furniture, which accounted for approx. 99,6 per cent (in 2022 – 99,5 per cent) of total sales, while the rest were sales of raw materials and waste. The main customer of the Company is IKEA Supply AG. Sales to this customer in 2023 amounted to EUR 97,498 thousand, i.e. 99.6 per cent of total sales (in 2022 sales amounted to EUR 100,215 thousand, i.e. 99.5 per cent of total sales). The Company was working with this customer on the basis of short-term agreements since 1998, from 1 February 2018 long term agreement was signed about purchases until 2025 year.

| | Group | | Company | |
|---|---------------|----------------|----------------|----------------|
| | 2023 | 2022 | 2023 | 2022 |
| Primary geographical markets: | | | | |
| European Union countries, excluding Lithuania | 63,572 | 57,298 | 63,572 | 57,298 |
| Non-European Union countries | 33,613 | 42,642 | 33,613 | 42,642 |
| Lithuania | 683 | 798 | 683 | 798 |
| | 97,868 | 100,738 | 97,868 | 100,738 |
| Major products lines: | | | | |
| Furniture | 97,494 | 100,188 | 97,494 | 100,188 |
| Raw materials | 374 | 550 | 374 | 550 |
| | 97,868 | 100,738 | 97,868 | 100,738 |

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

17. Cost of sales

| | Group | | Company | |
|-----------------------------------|---------------|----------------|----------------|----------------|
| | 2023 | 2022 | 2023 | 2022 |
| Materials | 64,351 | 69,914 | 64,351 | 69,914 |
| Wages, salaries | 12,916 | 15,866 | 12,350 | 15,140 |
| Social security | 217 | 279 | 206 | 265 |
| Depreciation | 4,419 | 4,813 | 4,417 | 4,812 |
| Depreciation according to IFRS 16 | 318 | 316 | 318 | 316 |
| Other production expenses | 7,901 | 9,726 | 8,639 | 10,466 |
| | 90,122 | 100,914 | 90,281 | 100,913 |

CONSOLIDATED ANNUAL REPORT FOR THE FY2023 ENDED 31 AUGUST 2023

(all amounts are in EUR thousand unless otherwise stated)

18. Selling and distribution expenses and administrative expenses

| | Group | | Company | |
|---|--------------|--------------|----------------|--------------|
| | 2023 | 2022 | 2023 | 2022 |
| <i>Selling and distribution expenses:</i> | | | | |
| Transportation and logistics expenses | 750 | 551 | 750 | 551 |
| Wages, salaries | 285 | 261 | 285 | 261 |
| Social security | 5 | 5 | 5 | 5 |
| Depreciation and amortisation | 1 | 4 | 1 | 4 |
| Utilities, maintenance and communications | 12 | 18 | 12 | 18 |
| Other | 93 | 80 | 93 | 80 |
| | 1,146 | 919 | 1,146 | 919 |
| | | | | |
| | Group | | Company | |
| | 2023 | 2022 | 2023 | 2022 |
| <i>Administrative expenses:</i> | | | | |
| Wages, salaries | 2,345 | 2,317 | 2,280 | 2,258 |
| Social security | 40 | 41 | 39 | 40 |
| Transportation and logistics expenses | 37 | 42 | 37 | 42 |
| Audit and consultation expenses | 265 | 292 | 265 | 292 |
| Depreciation and amortisation | 129 | 110 | 128 | 109 |
| Depreciation according to IFRS 16 | 37 | 83 | 37 | 83 |
| Utilities, maintenance and communications | 241 | 264 | 239 | 262 |
| Waste utilisation expenses | 101 | 303 | 101 | 303 |
| Business trips expenses | 29 | 22 | 29 | 22 |
| Charity and support expenses | 10 | 18 | 10 | 18 |
| Other | (622) | 2,070 | (629) | 2,054 |
| | 2,612 | 5,562 | 2,536 | 5,483 |

The item „Other“ of Administrative expenses includes 1,925 thousand EUR fixed costs compensation from IKEA AG, which was received in accordance with the provisions of the long-term contract signed in 2018, which provides for the minimum production and sales volumes required for business continuity.

19. Other operating income and expenses

| | Group | | Company | |
|---|----------------|---------------|----------------|---------------|
| | 2023 | 2022 | 2023 | 2022 |
| Other operating income | | | | |
| Rent and utilities income | 1,328 | 384 | 1,328 | 384 |
| Gain on disposal of property, plant and equipment | 36 | 9,770 | 36 | 9,770 |
| Heating revenue | 958 | 569 | 958 | 569 |
| Other income | 53 | 197 | 57 | 201 |
| | 2,375 | 10,920 | 2,379 | 10,924 |
| | | | | |
| Other operating expenses | | | | |
| Direct costs of rent income | (1,435) | (156) | (1,435) | (156) |
| Heat generation costs | (582) | (321) | (582) | (321) |
| Losses on disposal of property, plant and equipment | (8) | - | (8) | - |
| Other expenses | (62) | (168) | (62) | (168) |
| | (2,087) | (645) | (2,087) | (645) |

CONSOLIDATED ANNUAL REPORT FOR THE FY2023 ENDED 31 AUGUST 2023

(all amounts are in EUR thousand unless otherwise stated)

20. Finance income and finance costs

| | Group | | Company | |
|-----------------------------------|----------------|----------------|----------------|----------------|
| | 2023 | 2022 | 2023 | 2022 |
| Finance costs | | | | |
| Interest expenses | (2,410) | (1,709) | (2,410) | (1,709) |
| Expenses due to currency exchange | (11) | (3) | (11) | (3) |
| Other financial expenses | (71) | (66) | (71) | (66) |
| | (2,492) | (1,778) | (2,492) | (1,778) |

During 2022 and 2023, there were no capitalized borrowing costs in non-current assets.

21. Income tax

| | Group | | Company | |
|--|------------|------------|------------|------------|
| | 2023 | 2022 | 2023 | 2022 |
| Components of the income tax expense | | | | |
| Income tax expenses for the reporting year | 6 | - | - | - |
| Income tax expenses from dividends paid to natural persons | - | - | - | - |
| Total current income tax expense | 6 | - | - | - |
| Recognition and reversal of temporary differences | 189 | 378 | 189 | 378 |
| Change in deferred tax | 189 | 378 | 189 | 378 |
| Income tax expense carried in profit or loss | 195 | 378 | 189 | 378 |

Deferred income tax asset and liability as of 31 August 2022 and 31 August 2023 was accounted using tax rate of 15%.

In 2023, the Group and the Company implemented the investment project by allocating new property, plant and equipment intended for the increase of output and labour productivity, expansion of the range of goods produced with new products and major change of the manufacturing process. The investment project covered investments of EUR 1.1 million (EUR 0.5 million at 2022), related to the acquisition and 2.4 million (EUR 3.5 million at 2022) investment project advantage.

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

| | Group | | | |
|---|-------------|----------|-------------|----------|
| | 2023 | | 2022 | |
| Profit (loss) before tax | | 1,784 | | 1,840 |
| Tax calculated at a statutory 15% tax rate | 15 % | 268 | 15 % | 276 |
| Tax effects of: | | | | |
| - Expenses not deductible for tax purposes | 0 % | 197 | 0 % | 261 |
| - Income not subject to tax | 0 % | (97) | 0 % | (16) |
| - Income tax relief due to investment projects | (15 %) | (362) | (15 %) | (521) |
| Income tax expense carried in profit or loss | 15 % | 6 | 15 % | - |

CONSOLIDATED ANNUAL REPORT FOR THE FY2023 ENDED 31 AUGUST 2023

(all amounts are in EUR thousand unless otherwise stated)

| | Company | | | |
|---|----------------|----------|-------------|----------|
| | 2023 | | 2022 | |
| Profit (loss) before tax | | 1,705 | | 1,924 |
| Tax calculated at a statutory 15% tax rate | 15 % | 256 | 15 % | 289 |
| Tax effects of: | | | | |
| - Expenses not deductible for tax purposes | 0 % | 196 | 0 % | 255 |
| - Income not subject to tax | 0 % | (90) | 0 % | (16) |
| - Income tax relief due to investment projects | (15 %) | (362) | (15 %) | (528) |
| Income tax expense carried in profit or loss | 15 % | - | 15 % | - |

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

| | Group | | Company | |
|------------------------|--------------|--------------|----------------|--------------|
| | 2023 | 2022 | 2023 | 2022 |
| Deferred tax assets | 877 | 1,059 | 877 | 1,059 |
| Deferred tax liability | - | 7 | - | 7 |
| | 877 | 1,066 | 877 | 1,066 |

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

| Group | Credited (debited) to income tax expenses | | Credited (debited) to income tax expenses | |
|---------------------------------|--|--------------|--|--------------|
| | 2021 | 2022 | 2022 | 2023 |
| Deferred tax assets | | | | |
| - Accrued charges | 96 | (18) | 78 | 22 |
| - Unused Investment relief | 1,375 | (394) | 981 | (204) |
| | 1,471 | (412) | 1,059 | (182) |
| Deferred tax liabilities | | | | |
| - Investment relief | (27) | 34 | 7 | (7) |
| | (27) | 34 | 7 | (7) |
| Deferred tax assets, net | 1,444 | (378) | 1,066 | (189) |
| | | | | |
| Company | | | | |
| Deferred tax assets | | | | |
| - Accrued charges | 96 | (18) | 78 | 22 |
| - Unused Investment relief | 1,375 | (394) | 981 | (204) |
| | 1,471 | (412) | 1,059 | (182) |
| Deferred tax liabilities | | | | |
| - Investment relief | (27) | 34 | 7 | (7) |
| | (27) | 34 | 7 | (7) |
| Deferred tax assets, net | 1,444 | (378) | 1,066 | (189) |

CONSOLIDATED ANNUAL REPORT FOR THE FY2023 ENDED 31 AUGUST 2023

(all amounts are in EUR thousand unless otherwise stated)

22. Earnings per share

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

| | Group | | Company | |
|--|-------------|-------------|-------------|-------------|
| | 2023 | 2022 | 2023 | 2022 |
| Net profit attributable to shareholders | 1,589 | 1,462 | 1,516 | 1,546 |
| Weighted average number of shares (thousand) | 3,886 | 3,886 | 3,886 | 3,886 |
| Basic earnings per share (in EUR) | 0.41 | 0.38 | 0.39 | 0.40 |

There were no changes in the share capital of the Company during 2023 and 2022; therefore, the weighted average number of shares equals the total number of shares.

23. Financial risk management

General part

The Group and the Company are exposed to the following financial risks: liquidity risk, credit risk, foreign exchange risk and interest rate risk. This note provides information on the impact of these risks on the Group and the Company, the objectives, policies, and processes for assessing and managing these risks.

The Group's and the Company's risk management is performed by the Group's management - it identifies and analyzes the risks faced by the Group and the Company, implements and maintains appropriate limits and controls. The Group and the Company strive to create a disciplined and constructive risk management environment in which all employees are aware of their roles and responsibilities.

CONSOLIDATED ANNUAL REPORT FOR THE FY2023 ENDED 31 AUGUST 2023

(all amounts are in EUR thousand unless otherwise stated)

Financial instruments by category

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

| | Group | | Company | |
|--|----------------------------------|--------------|----------------------------------|--------------|
| | Category – Loans and receivables | | Category – Loans and receivables | |
| | 2023 | 2022 | 2023 | 2022 |
| Financial assets | | | | |
| Loans granted | - | - | - | - |
| Trade and other receivables, of which: | 8,147 | 5,846 | 8,105 | 5,810 |
| Other receivables after one year | - | 1,521 | - | 1,521 |
| Receivables from customers | 7,264 | 3,144 | 7,264 | 3,145 |
| VAT refundable | 841 | 1,144 | 841 | 1,144 |
| Receivables from the Employment Service to the Ministry of Social Security and Labor | 42 | 30 | - | - |
| Other receivables | - | 7 | - | - |
| Cash and cash equivalents | 3,481 | 1,048 | 3,480 | 1,004 |
| | 11,628 | 6,894 | 11,585 | 6,814 |

| | Group | | Company | |
|-------------------------------------|---|---------------|---|---------------|
| | Category – Financial liabilities measured at amortised cost | | Category – Financial liabilities measured at amortised cost | |
| | 2023 | 2022 | 2023 | 2022 |
| Financial liabilities | | | | |
| Borrowings | 39,733 | 40,429 | 39,733 | 40,429 |
| Other financial liabilities | - | - | - | - |
| Trade and other payables, of which: | 11,143 | 15,329 | 11,300 | 15,387 |
| Trade debt | 8,795 | 12,417 | 9,065 | 12,564 |
| Amounts payable on fixed assets | 49 | 394 | 49 | 394 |
| Wages and related taxes | 1,276 | 1,187 | 1,179 | 1,108 |
| Dividends payable | 986 | 986 | 986 | 986 |
| Other amounts payable | 37 | 345 | 21 | 335 |
| | 50,876 | 55,758 | 51,033 | 55,816 |

CONSOLIDATED ANNUAL REPORT FOR THE FY2023 ENDED 31 AUGUST 2023

(all amounts are in EUR thousand unless otherwise stated)

Liquidity risk

The Group's and the Company's policy is to maintain sufficient cash and cash equivalents or have available funding through an adequate amount of committed credit facilities to meet their commitments at a given date in accordance with their strategic plans. The Group's and the Company's liquidity (total current assets / total current liabilities) and quick ratios ((total current assets – inventories) / total current liabilities) as of 31 August 2023 were 0.95 and 0.62 (Group's), 0.95 and 0.62 (Company's) respectively (the Group's liquidity and quick ratio as of 31 August 2022 – 0.75 and 0.25, and the Company's 0.75 and 0.25 respectively).

The tables below summarize the maturity profile of the Group's and the Company's financial liabilities as of 31 August 2023 based on contractual undiscounted cash flows (planned payments and interest):

| Group | On demand | Less than 3 months | 3 to 12 months | 1 to 5 years | More than 5 years | Total |
|---------------------------------------|--------------|--------------------|----------------|---------------|-------------------|---------------|
| Interest bearing loans and borrowings | - | 1,334 | 6,033 | 27,084 | 10,197 | 44,648 |
| Trade and other payables | 3,458 | 12,234 | - | - | - | 15,692 |
| Balance as of 31 August 2022 | 3,458 | 12,604 | 6,033 | 27,084 | 10,197 | 60,340 |

| | | | | | | |
|---------------------------------------|--------------|---------------|--------------|---------------|----------|---------------|
| Interest bearing loans and borrowings | - | 1,368 | 6,971 | 35,003 | - | 43,342 |
| Trade and other payables | 2,859 | 8,846 | 100 | - | - | 11,805 |
| Balance as of 31 August 2023 | 2,859 | 10,214 | 7,071 | 35,003 | - | 55,147 |

| Company | On demand | Less than 3 months | 3 to 12 months | 1 to 5 years | More than 5 years | Total |
|---------------------------------------|--------------|--------------------|----------------|---------------|-------------------|---------------|
| Interest bearing loans and borrowings | - | 1,334 | 6,033 | 27,084 | 10,197 | 44,648 |
| Trade and other payables | 3,379 | 12,371 | - | - | - | 15,750 |
| Balance as of 31 August 2022 | 3,379 | 13,705 | 6,033 | 27,084 | 10,197 | 60,398 |

| | | | | | | |
|---------------------------------------|--------------|---------------|--------------|---------------|----------|---------------|
| Interest bearing loans and borrowings | - | 1,368 | 6,971 | 35,003 | - | 43,342 |
| Trade and other payables | 2,762 | 9,100 | 100 | - | - | 11,962 |
| Balance as of 31 August 2023 | 2,762 | 10,468 | 7,071 | 35,003 | - | 55,304 |

Credit risk

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

The Group and the Company have significant concentration of trading counterparties. The main customer of the Group and the Company – IKEA Supply AG – as of 31 August 2023 accounted for approximately 67% of the total Group's and Company's trade receivables (as of 31 August 2022 over 70%). Also, the major part of the Company's sales is with this customer (Note 16).

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

VILNIAUS BALDAI AB, company code 121922783, Pramonės str. 23, Guopstos village, Trakai region, Lithuania

CONSOLIDATED ANNUAL REPORT FOR THE FY2023 ENDED 31 AUGUST 2023

(all amounts are in EUR thousand unless otherwise stated)

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

On the date of the financial report there are no indications that the counterparts of trade receivables and other receivables, which are not due and not impaired, will not be able to fulfil any of their payment obligations, because the outstanding balances of receivables are regularly monitored and controlled.

As of 1 September 2019, the Group and the Company assess the probability of default upon initial recognition of financial assets and at each reporting date considering whether the credit risk has significantly increased since initial recognition. To assess whether there has been a significant increase in credit risk, the Group and the Company compare the risk of default related to assets as at the reporting date to the risk of default on initial recognition.

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

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

| Customers: | Sales | Trade receivables |
|---|---------------|-------------------|
| Four or more years "trading history with the Group" | 97,844 | 7,258 |
| Less than four years "trading history with the Group" | 24 | 6 |
| Higher risk | - | - |
| Total gross carrying amount | 97,868 | 7,264 |

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

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

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

The following table provides information about the Group's and the Company's exposure to credit risk and ECLs for trade receivables as at 31 August 2023:

| | Expected credit losses, % | Initial value | Impairment | Carrying amount |
|-----------------------------|---------------------------|---------------|------------|-----------------|
| Not past due | | 6,162 | - | 6,162 |
| Past due for 1 to 30 days | 0% | 1,079 | - | 1,079 |
| Past due for 31 to 60 days | 1% | 23 | - | 23 |
| Past due for 61 to 120 days | 2% | - | - | - |
| Past due for over 120 days | 3% | - | - | - |
| Total | | 7,264 | - | 7,264 |

The Management had analyzed trade receivables. As of 2023 August 31 no impairments have been made to the Group's and the Company's trade receivables. (2022 August 31 the impairment loss amounted to EUR 176 thousand).

CONSOLIDATED ANNUAL REPORT FOR THE FY2023 ENDED 31 AUGUST 2023

(all amounts are in EUR thousand unless otherwise stated)

Foreign exchange risk

Major currency risks of the Group and the Company occur due to the fact that the Group and the Company borrow foreign currency denominated funds and are involved in imports and exports. The Group's and the Company's policy is to match cash flows arising from highly probable future sales and purchases in each foreign currency. The Group and the Company do not use any financial instruments to manage their exposure to foreign exchange risk other than aiming to borrow in EUR.

Financial assets and liabilities stated in various currencies as of 31 August 2023 were as follows (stated in EUR):

| | Group | | Company | |
|-----|---------------|--------------------|----------------|--------------------|
| | Assets | Liabilities | Assets | Liabilities |
| EUR | 11,628 | 49,723 | 11,585 | 49,880 |
| SEK | - | 767 | - | 767 |
| PLN | - | 85 | - | 85 |
| | 11,628 | 50,575 | 11,585 | 50,732 |

Financial assets and liabilities stated in various currencies as of 31 August 2022 were as follows (stated in EUR):

| | Group | | Company | |
|-----|---------------|--------------------|----------------|--------------------|
| | Assets | Liabilities | Assets | Liabilities |
| EUR | 6,894 | 55,541 | 6,814 | 55,599 |
| PLN | - | 66 | - | 66 |
| | 6,894 | 55,607 | 6,814 | 55,665 |

Interest rate risk

The Group's and the Company's borrowings comprise borrowings with variable interest rates, related to EURIBOR, which creates an interest rate risk. There were no financial instruments designated to manage the exposure to fluctuation in interest rates outstanding as of 31 August 2023 and 31 August 2022.

| | Group | | Company | |
|-------------|----------------------------------|--|----------------------------------|--|
| | Increase/ decrease, % | Effect on profit before tax | Increase/ decrease, % | Effect on profit before tax |
| 2022 | | | | |
| EUR | +1 % | (399) | +1 % | (399) |
| EUR | -1 % | 399 | -1 % | 399 |
| 2023 | | | | |
| EUR | +1 % | (380) | +1 % | (380) |
| EUR | -1 % | 380 | -1 % | 380 |

Fair value of financial assets and liabilities

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

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

CONSOLIDATED ANNUAL REPORT FOR THE FY2023 ENDED 31 AUGUST 2023

(all amounts are in EUR thousand unless otherwise stated)

24. Capital management

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

The Group and the Company manage their capital structure and make adjustments to it in the light of changes in economic conditions and the risk characteristics of their activities. To maintain or adjust the capital structure, the Company may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies or processes of capital management during the year ended 31 August 2023.

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

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

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

Financial Ratios:

- a) Debt Service Coverage Ratio. The Borrower shall, at all times commencing on 31 August 2020 onwards, maintain a ratio of:
 - i. Cash Available for Debt Service for the 12 months preceding the date of calculation; to
 - ii. the sum of the principal repayments (excluding any amounts falling due under any overdraft or revolving facility that were available for simultaneous redrawing according to the terms of such facility) and interest payments on all Financial Indebtedness due or accrued during such period, on a 12-month rolling stock basis, of not less than 1:20:1.
- b) Net Financial Debt to EBITDA Ratio. The Borrower, shall at all times commencing on 31 August 2021 onwards, maintain a ratio of (x) Net Financial Debt to (y) EBITDA for the 12 months preceding the date of calculation of not more than:
 - i. as at 31 August 2021, 5.00:1;
 - ii. for the period from 1 September 2021 to 31 August 2022, 4.50:1;
 - iii. for the period from 1 September 2022 to 31 August 2023, 3.50:1; and
 - iv. for the period from 1 September 2023 onwards, 3.00:1.
- c) Equity Ratio. The Borrower shall, at all times commencing on 31 August 2020 onwards, maintain a ratio of Equity to [Total Assets] of not less than:
 - i. as at 31 August 2020, 0.3:1;
 - ii. for the period from 1 September 2020 to 31 August 2021, 0.35:1; and
 - iii. for the periods from 1 September 2021 onwards, 0.40:1.
- d) Minimum EBITDA. The Borrower shall, at all times commencing on the date of this Agreement onwards, maintain EBITDA of not less than:
 - i. for the period from the date of this Agreement to 31 August 2019, EUR 5,500,000;
 - ii. for the period from 1 September 2019 to 31 August 2020, EUR 6,800,000; and
 - iii. for the periods from 1 September 2020 onwards, EUR 7,200,000, to be calculated on a 12-month rolling stock basis.
- e) Minimum EBITDA ratio. The Borrower shall, at all times commencing on the date of this Agreement onwards, maintain a percentage of (x) EBITDA divided by (y) sales revenue of not less than:
 - i. for the period from the date of this Agreement to 31 August 2019, 7%; and
 - ii. for the period from 1 September 2019 to 28 February 2021, 8%, to be calculated on a 12-month rolling stock basis.

VILNIAUS BALDAI AB, company code 121922783, Pramonės str. 23, Guopstos village, Trakai region, Lithuania

CONSOLIDATED ANNUAL REPORT FOR THE FY2023 ENDED 31 AUGUST 2023

(all amounts are in EUR thousand unless otherwise stated)

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

2023FY banks' covenants requirements and actual results are presented below:

- Debt coverage ratio is required to be not less than 1.2. As of 31 August 2023 Company's debt coverage ratio is 1.8.
- Equity ratio is required to be not less than 0.40. As of 31 August 2023 Company's equity ratio is 0,383.
- Net financial debt to EBITDA ratio is required to be not less than 3.5. For the financial year 2023 Company's net financial debt to EBITDA ratio is 3.59.
- A percentage of (x) EBITDA divided by (y) sales revenue is required to be not less than 8 per cent. For the financial year 2023 Company's percentage of (x) EBITDA divided by (y) sales revenue is 8.4 per cent.
- Minimum EBITDA is required to be not less than 7,200 thousand EUR. For the financial year 2023 Company's EBITDA is 8,510 thousand EUR.

As of 31 August 2023, the Group and the Company did not comply two of the external requirements established to secure the repayment of bank borrowings.

On November 19, 2021, 6,000 thousand EUR value bond signing agreement with the State Investment Management Agency (hereinafter "VIVA"), which manages the Business Support Fund. According to this contract, the following requirements are imposed:

1. Net financial Debt and EBITDA ratio:

- not applicable until 30/11/2021
- < 14.5x until 28/02/2022
- < 10.5x until 31/05/2022
- < 6.0x until 31/08/2022
- < 5.5x until 30/11/2022
- < 5.0x until 28/02/2023
- < 4.5x until 31/05/2023
- < 4.0x from 01/06/2023

2. Debt Service Coverage Ratio (DSCR)

- not applicable until 31/05/2022
- > 1.2x until 01/06/2022

3. Equity to assets ratio:

- > 25% until 31/08/2022
- > 35% from 01/09/2022

2023FY VIVA's covenants requirements and actual results are presented below:

- Net financial debt and EBITDA ratio is required to be not more than 4. For the financial year 2023 Company's Net financial debt and EBITDA ratio 3.7.
- Equity to assets ratio is required to be not less than 0.35. As of 31 August 2023 Company's equity to assets ratio is 0.383.
- DSCR is required to be not less than 1.2. For the financial year 2023 Company's DSCR 2.37.

As of 31 August 2023, the Group and the Company complied with all VIVA covenants requirements.

CONSOLIDATED ANNUAL REPORT FOR THE FY2023 ENDED 31 AUGUST 2023

(all amounts are in EUR thousand unless otherwise stated)

25. Related-party transactions

The parties are considered related when one party has the possibility to control the other one or have significant influence over the other party in making financial and operating decisions. The related parties of the Company as of 31 August 2023 were: ARI-LUX UAB (the subsidiary), Invalda Privatus Kapitalas AB (ultimate shareholder) and all companies controlled by Invalda Privatus Kapitalas AB (Bordena UAB, Švytėjimas UAB, Inreal UAB, Inreal Geo UAB, Geruvis UAB, Panerių konversija UAB). (31 August 2022 were: ARI-LUX UAB (the subsidiary), Invalda Privatus Kapitalas AB (ultimate shareholder) and all companies controlled by Invalda Privatus Kapitalas AB (other related parties).)

Transactions of the Group and the Company with related parties during 2023 and 2022 and the balances as of 31 August 2023 and 31 August 2022 were as follows:

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

2022

| Group | Purchases | Sales | Receivables | Payables |
|--------------------------|------------------|---------------|--------------------|-----------------|
| UAB "Panerių konversija" | 426 | 10,201 | 1 | - |
| UAB „Bordena“ | 13,668 | 8,132 | 3,912 | - |
| UAB „Inreal valdymas“ | 4 | - | - | - |
| UAB „Švytėjimas“ | 82 | 4 | 1 | 26 |
| UAB "Inreal Geo" | 10 | - | - | - |
| | 14,190 | 18,337 | 3,914 | 26 |

2022

| Company | Purchases | Sales | Receivables | Payables |
|--------------------------|------------------|---------------|--------------------|-----------------|
| UAB „ARI-LUX“ | 750 | 8 | - | 146 |
| UAB "Panerių konversija" | 426 | 10,201 | 1 | - |
| UAB „Bordena“ | 13,668 | 8,132 | 3,912 | - |
| UAB „Inreal valdymas“ | 4 | - | - | - |
| UAB „Švytėjimas“ | 82 | 4 | 1 | 26 |
| UAB "Inreal Geo" | 10 | - | - | - |
| | 14,940 | 18,345 | 3,914 | 172 |

2023

| Group | Purchases | Sales | Receivables | Payables |
|--------------------------|------------------|---------------|--------------------|-----------------|
| UAB "Panerių konversija" | 935 | 224 | 22 | 377 |
| UAB „Bordena“ | 18,934 | 10,883 | 2,263 | - |
| UAB „Inreal“ | 41 | - | - | - |
| UAB „Švytėjimas“ | 87 | 3 | - | 11 |
| UAB "Inreal Geo" | 1 | - | - | - |
| | 19,998 | 11,110 | 2,285 | 388 |

2023

| Company | Purchases | Sales | Receivables | Payables |
|--------------------------|------------------|---------------|--------------------|-----------------|
| UAB „ARI-LUX“ | 752 | 3 | - | 272 |
| UAB "Panerių konversija" | 935 | 224 | 22 | 377 |
| UAB „Bordena“ | 18,934 | 10,883 | 2,263 | - |
| UAB „Inreal“ | 41 | - | - | - |
| UAB „Švytėjimas“ | 87 | 3 | - | 11 |
| UAB "Inreal Geo" | 1 | - | - | - |
| | 20,750 | 11,113 | 2,285 | 660 |

VILNIAUS BALDAI AB, company code 121922783, Pramonės str. 23, Guopstos village, Trakai region, Lithuania

CONSOLIDATED ANNUAL REPORT FOR THE FY2023 ENDED 31 AUGUST 2023

(all amounts are in EUR thousand unless otherwise stated)

In 2023 sales to related parties comprised sale of raw materials (EUR 10,883 thousand) that in financial statements reduces cost of sales, other minor sales.

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

| | <u>2023</u> | <u>2022</u> |
|--------------------------|---------------------|---------------------|
| At 1 September | - | - |
| Non-current loans | 3,000 | 3,000 |
| Loan repayments received | - | - |
| Interest charged | 105 | 105 |
| Interest payable | 467 | 362 |
| At 31 August | <u>3,467</u> | <u>3,362</u> |

The interest payable is shown in the balance sheet under “Trade payables”.

Remuneration of the management and other payments

The Company’s General Manager, Chief Financial Officer, Head of Technical Services, Chief Operating Officer, Head of HR, Head of Purchasing, Strategic Projects Manager and Head of Business Development are considered to be the key management of the Group.

| | <u>Group</u> | | <u>Company</u> | |
|-----------------|-------------------|-------------------|-------------------|-------------------|
| | <u>2023</u> | <u>2022</u> | <u>2023</u> | <u>2022</u> |
| Wages, salaries | 587 | 540 | 586 | 539 |
| Social security | 12 | 10 | 12 | 10 |
| | <u>599</u> | <u>550</u> | <u>598</u> | <u>549</u> |

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

26. Contingent liabilities

As of 31 August 2023 the Group and the Company had no significant contingent liabilities.

The tax authorities have a right to examine the Groups and the Company’s books and accounting records at any time during the 3 years’ period after the current tax year and account for additional taxes and fines. In the opinion of the Company’s management currently there are no circumstances which would raise substantial liability in this respect.



CORPORATE SOCIAL RESPONSIBILITY REPORT
2023

Contents

| | |
|--|---------|
| 2023 for Vilniaus Baldai | page 3 |
| Key performance indicators | page 4 |
| The first year of operation in the new factory | page 5 |
| Responsible use of resources | page 6 |
| Environmental protection and quality | page 8 |
| Heat generation from renewable energy sources | page 10 |
| Employees and work environment | page 11 |
| Fair and transparent business practices | page 17 |
| Social enterprise | page 18 |
| Data of CSRR | page 19 |

1

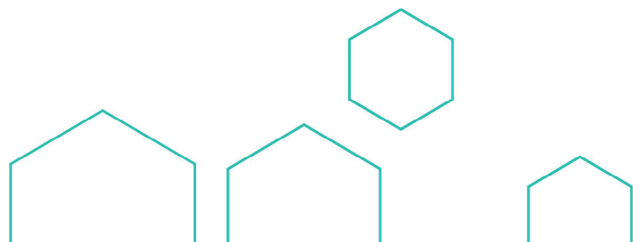
2023 for “Vilniaus baldai”

In the financial year 2023, “Vilniaus baldai”, celebrating 140 years of operation, successfully continued its operations in the new factory. This is the first full financial year that production has been concentrated and carried out on one site. This change in the company’s operations has already yielded its first results and revealed further potential.

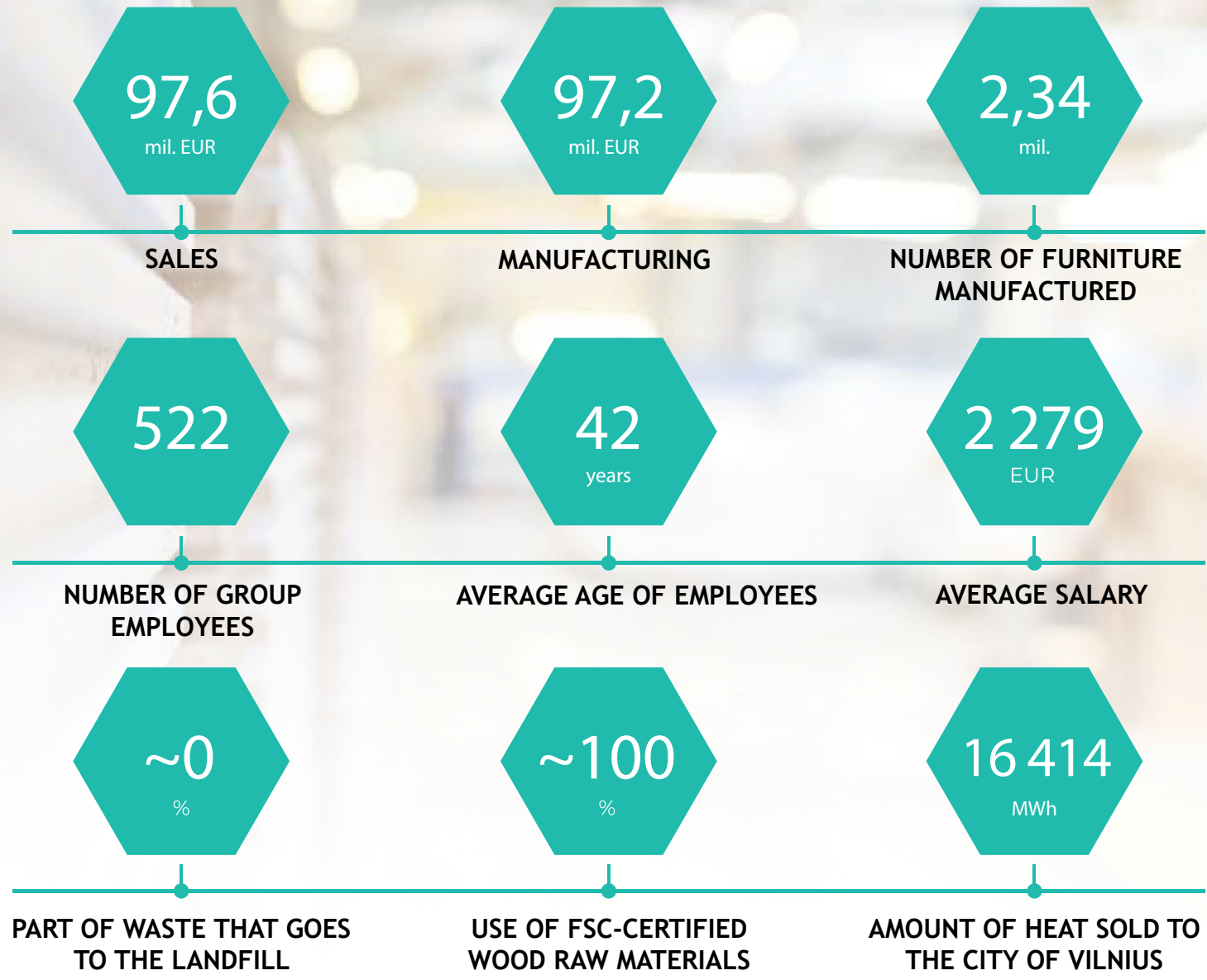
During this financial period, the company was operating in a difficult to predict global demand environment. The entire industrial sector in Lithuania and Europe faced challenges, the market situation was often uncertain, and consumer sentiment and purchasing habits in this segment were affected by rising interest rates, general household expenses, the effects of the energy price shock and continued economic uncertainty.

Despite demand-driven fluctuations in production volumes, increased seasonality and other factors, “Vilniaus baldai” managed to adapt to the uncertainty, ensure continuity of operations and significantly improve profitability. The company has increased production efficiency by about 40-50 % and reduced the use of energy resources by a similar degree.

Adapting to the uncertainty, the company has made every effort to maintain jobs, minimise the economic impact on employees, and maintain the stability of team members. Facing the challenges posed by external factors, “Vilniaus baldai” continued its long-term commitment to the team – to care for and improve the employees’ experience and working conditions, to foster a favourable environment for professional and personal development and to strengthen mutual cooperation.



KEY PERFORMANCE INDICATORS



The first year of operation in the new factory

The financial year 2023 is the first financial year that the company has been fully operational in the new factory. By consolidating production on one site, the company has devoted additional resources to reviewing, updating and improving its processes. The synergy of such investments and modern technology has ensured a significant increase in efficiency for “Vilniaus baldai” and continues to grow.

This year, the company is continuing to make investments that increase progress and make it easier for team members to work.

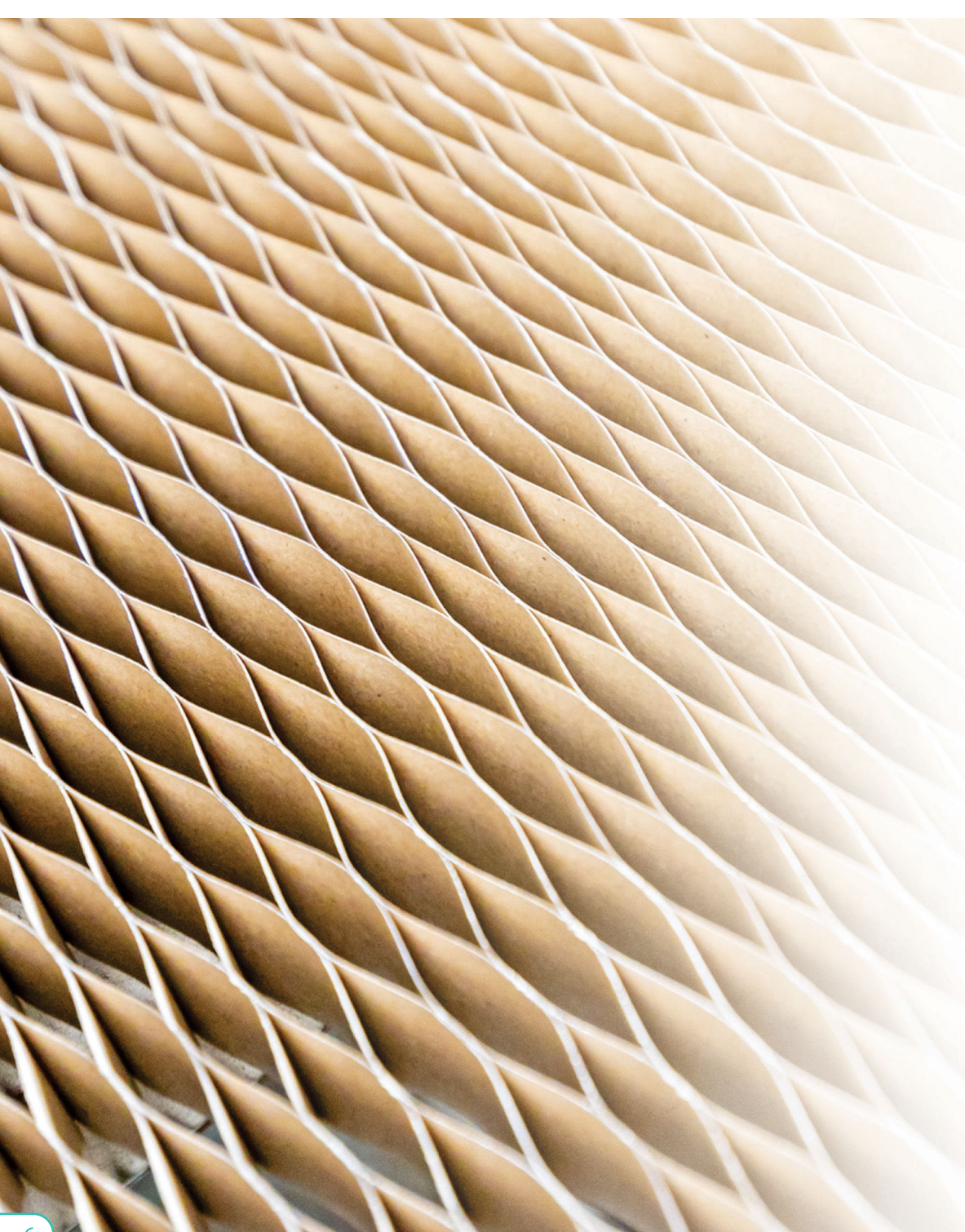
A new cold press has been installed at “Vilniaus baldai”

It is the first of its kind in Lithuania, with five robots working synchronously to perform the most complex and challenging tasks. The company has also upgraded its assembly line. The changes to the software, system control cabinet and reprogramming have increased the flexibility of the in-house team and increased the line speed by 20%.

“Vilniaus baldai” is also actively modernising its personnel administration processes. A project to reduce paper documentation has been launched. Optimising paper-based documentation will lead to the use of a digital system, where all paper documentation will be executed, employees will be able to fill in various applications, receive information related to employment relations, etc.

“Vilniaus baldai” team works in the new factory with the latest technologies, uses comfortable changing rooms and rest areas, is reimbursed for most of their lunches, and arrives at the workplace by chartered buses. The company closely monitors and adapts transport schedules and stop locations. The transport system is convenient for people living in different locations, so that “Vilniaus baldai” remains an attractive and convenient place to work for people living in the capital and surrounding regions.





Responsible use of resources

4

In order to use resources responsibly, “Vilniaus baldai” continuously invests in energy-saving equipment, introduces energy-saving technological innovations and trains its employees.

Manufacturing technology

More than half of the company’s furniture is made using hollow cellular panel technology, replacing solid wood with cellular filler made from recycled paper. This reduces the use of wood raw material by up to five times.

Only 100% FSC® (FSC-C104209) (Forest Stewardship Council®) certified raw material from responsibly managed forests is used. FSC® chain of custody certification confirms that only certified raw materials are used in production. This eliminates the risk that the raw materials produced could be mixed with non-certified ones.

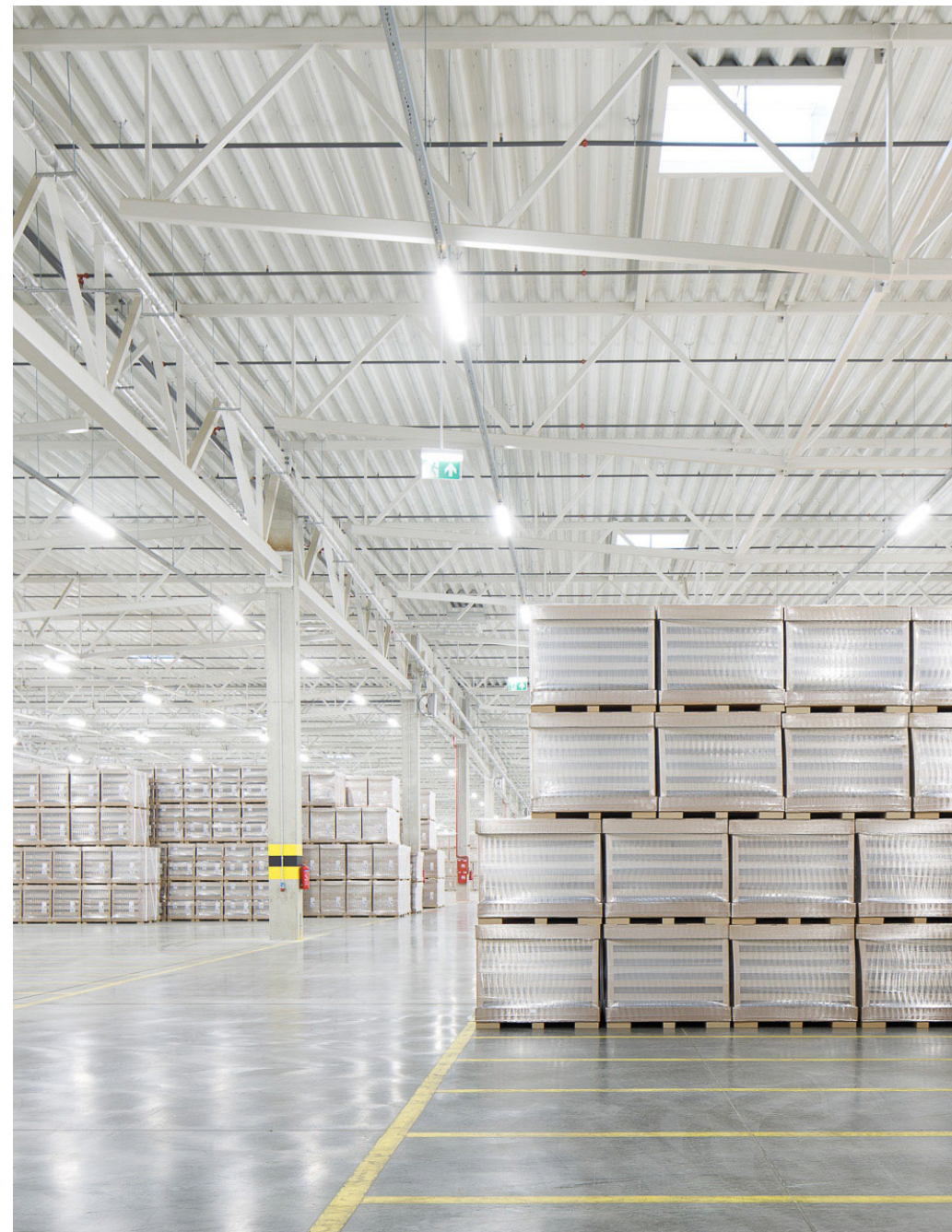
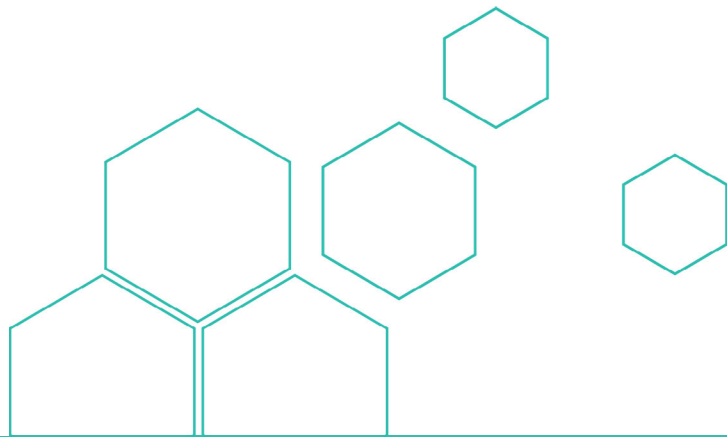
Investments in equipment

The constant search for technological innovation and investment in energy-saving equipment (such as robotic cold presses) allows us to produce the parts we need for our products more efficiently and effectively, thus consuming much less electricity. Investments in energy-saving equipment allow detailed accounting of the electricity consumption of equipment and efficient planning of its operation. As an example, in the financial year 2023, we started to deploy autonomous programmable transporters to transport parts between production operations. We have already launched 1 unit and plan to launch 4 more units during financial year 2024.

When adding new furniture to the company's collection, the choice is made for products that are as light and dense as possible, but also strong enough to withstand the mechanical demands. In addition, we are looking for the most economical and yet safest packaging solutions to ensure that the product reaches the end consumer intact and of the best quality. All of these steps allow us to work together with our main customer to achieve the common goal of producing sustainable and quality products that are accessible to as many people as possible.

Management of energy resources

The implementation of the Energy Savings Plan saved 104 500 kWh of electricity in the last financial year 2023. From January 2024, we will buy the electricity generated by a wind farm, which should fully meet our internal needs. We are developing projects that we expect to save a further 5% of our annual electricity consumption, as well as finding the best ways to use the waste heat generated by the compressors, water heating or indoor heating. To encourage the use of environmentally friendly cars, we will set up charging stations for electric cars for employees.



5 Environmental protection and quality

Every piece of furniture produced by “Vilniaus baldai” must be of high quality, functional, have its own distinctive form and be created in a sustainable environment - this is the goal set by the company’s main customer. That is why we pay particular attention to both the quality of the furniture we produce and to environmentally friendly solutions. This ensures that the end consumer receives quality furniture that is environmentally friendly.

Quality assurance

The company has implemented a quality and environmental management system that meets the requirements of ISO 9001 and ISO 14001 standards. The aim of this system is to produce quality products that meet the needs of the customer, to protect the environment: to reduce pollution, resource use, and waste sorting. The environmental, social and working conditions requirements of the main customer are also taken into account, both in the purchase of products, raw materials and services and in the operation of the company.

The Chain of Custody (CoC) system (FSC® (FSC-C104209) is the product’s journey from the forest or, in the case of secondary raw materials, from the point of processing to the point where it is sold with the FSC® label and/or finished and labelled with the FSC® label. An annual FSC® surveillance audit was carried out in February 2023. The audit did not reveal any non-conformities or observations.

The “LEAN” system, implemented and maintained by the company, allows the company’s team to develop and improve internal processes. “Kaizen” is one of the components of “LEAN”. Continuous process improvement is carried out through “KAIZEN”, to which both specially formed teams and other company employees contribute. Around 30 process improvements are implemented per year, thus consistently improving work efficiency, product quality and saving resources.

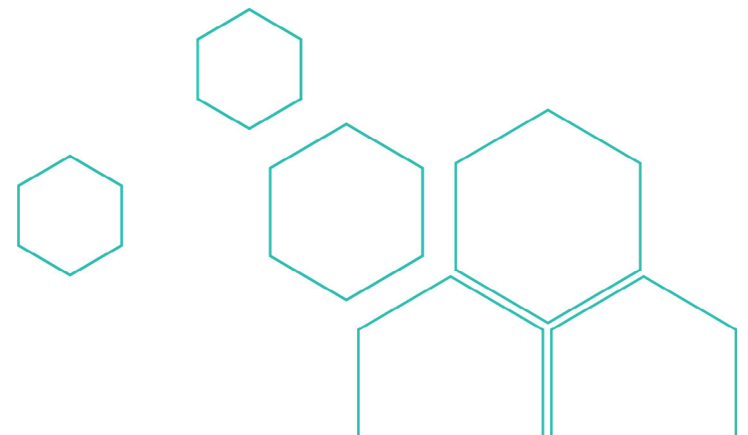
Environmentally friendly solutions

The company sets annual environmental goals: to use energy resources and raw materials responsibly, to sort and recycle waste, and to continuously improve the working environment.

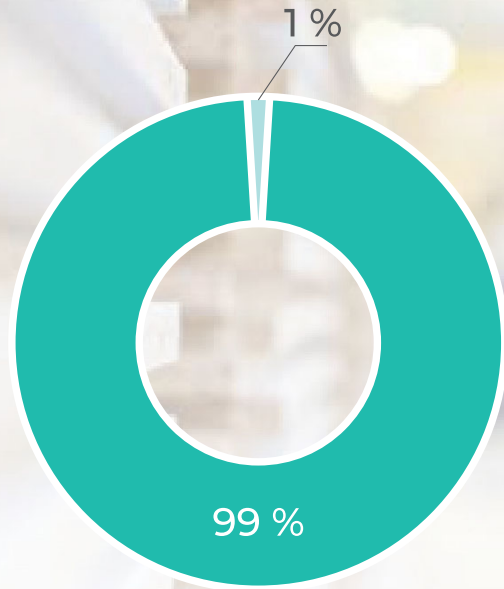
Waste sorting containers are provided in the manufacturing and administrative areas. There is on-going cooperation with waste managers to find more sustainable ways of managing waste.

As part of our commitment to reducing CO2 emissions, we have met our target of moving away from gas-powered forklifts in 2023 and are now using only lithium-ion battery-powered electric forklifts. By 2028, we plan to replace all refrigerants with environmentally friendly ones. The company has been buying electricity produced from renewable sources for many years.

We are contributing to IKEA’s 2030 target of using recyclable and renewable materials. Currently, around 89% of the company’s waste is recycled and 11% is incinerated for energy recovery.

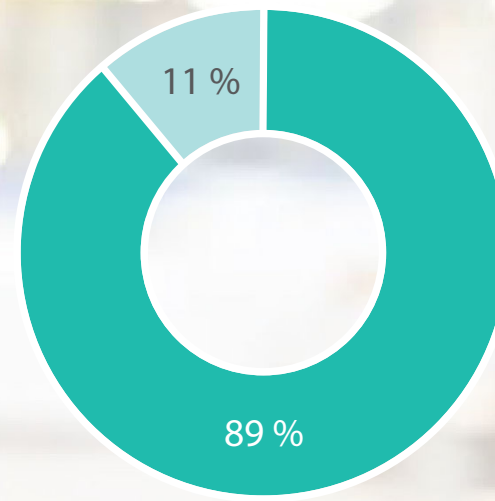


Sources of CO2 emissions in the company



- Burning fuel
- Gas forklifts

Waste management in the company



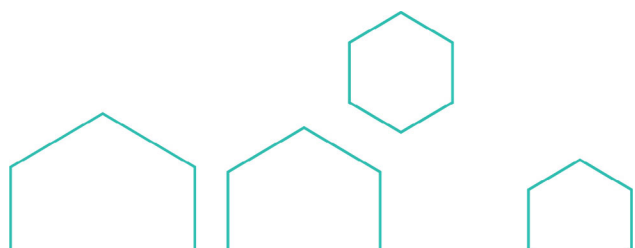
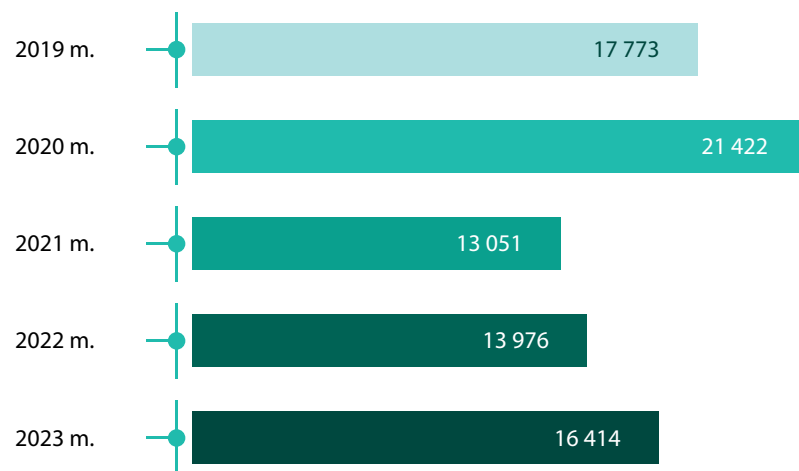
- Recycling
- Used for energy recovery

Heat generation from renewable energy sources

Having become an independent heat producer in 2018, “Vilniaus baldai” produces heat energy from a by-product (sawdust) and supplies it to the central heating networks of Vilnius City.

The company’s boiler room has a new UNICONFORT 4.5 MW biofuel boiler with an economizer and an efficient smoke cleaning system. The main fuel is sawdust, a by-product of production. In total, “Vilniaus baldai” has invested more than EUR 1.5 million in this heat production and supply project.

Quantity of heat sold, MWh



Employees and work environment

Improving the working environment and incentive schemes

We are attentive to employees' expectations, regularly assess the suitability of the working environment and implement changes. This year, the snack, coffee and water machines in the factory were upgraded. We also renewed our work-wear.

We continuously review and add to the incentive schemes we have in place to ensure that they are better suited to the needs and situation of our employees. In 2023, in line with production trends, we introduced an incentive system for gluing frames, with additional bonuses based on the number of frames glued. As part of our internal campaign "Quality of life and work!" we gave incentives to team members for engagement and quality results.

A supportive and motivating working environment includes continuously strengthening bonds between team members, and deeper professional and interpersonal relationships. For this reason, the company encourages and fosters educational and leisure initiatives for the team. This financial year, a tree planting day was organised during which the team planted saplings in the forest and raised beds were set up on the factory premises, where the harvest is used to produce dishes for the "Food gallery". The company encourages and supports the professional development initiatives of its employees - team members participated in a forklift championship, one of them became the best forklift driver in Lithuania, and one of the forklift records was achieved.

Team development and qualifications

"Vilniaus baldai" consistently invests in employee training and qualification development. In financial year 2023, we organised a number of category upgrades, which allowed employees to increase their competences and strengthen their professional positions. During the year, a total of 83 employees acquired new qualifications.

We are continuing our internal academies. These are opportunities for employees to improve their existing skills, learn new ones and then advance their careers internally - whether it's to try out a new position or to change career paths. This year, 22 employees were trained as operators, production team leaders and quality specialists at the academies. In addition, 63 plant workers have been trained in the facility worker programme.

Cooperation

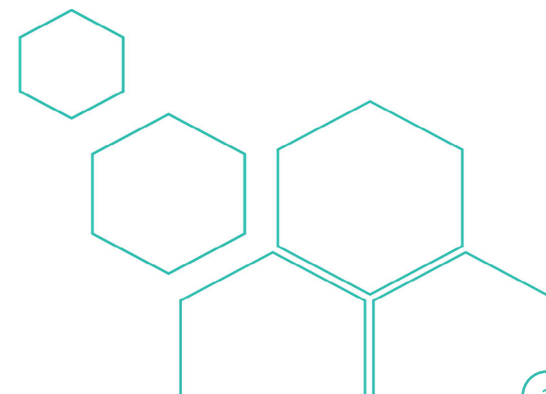
In the current financial year, the company continued existing cooperation projects and launched new ones.

Close cooperation with the main customer has contributed to the success of the IKEA IPS project. It has significantly contributed to employee engagement, internal collaboration and improved operational efficiency.

"Vilniaus baldai" also implements joint initiatives with educational institutions. Excursions are organised for schoolchildren of different ages to learn about the production process, technologies, professions, etc. In this way, we contribute to vocational education for young people and to the dissemination and awareness of production technologies and processes.

The company cooperates with the municipality of Trakai district by supporting and participating in various local social initiatives, public and business events.

The company also carries out joint initiatives with the Ministry of National Defence of the Republic of Lithuania and contributes to the reintegration of soldiers into the labour market.



Energy efficiency

In the current financial year, the company has expanded its activities aimed at reducing its environmental impact and improving energy efficiency. “Vilniaus baldai” created an energy efficiency team, which not only developed and implemented an action plan, but also trained other company employees in energy efficiency and reducing consumption. Targeted actions, education, and growing awareness soon reflected in the results - the company saved electricity and reduced its consumption.

In order to better respond to needs, employee engagement workshops were organised in 2023 to analyse internal communication channels, content, etc. The results of the workshops have led to an update of the internal communication plan, the use of channels and content. This financial year also saw the launch of the company’s intranet, where all relevant information will reach employees digitally faster.

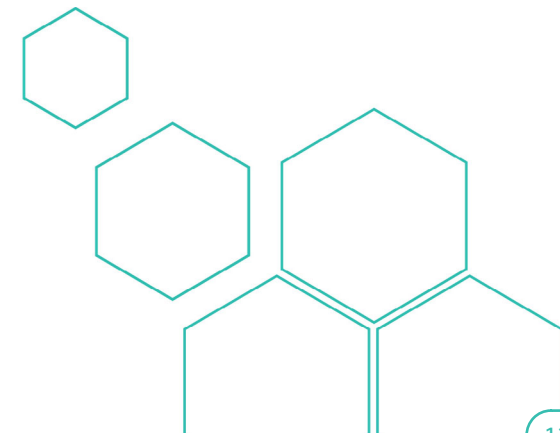
In keeping with the tradition of listening and hearing, as well as cooperation, “Vilniaus baldai” also implemented an annual employee survey to assess team members’ needs, attitudes, strengths and areas for improvement.

Inclusive communication

The company focuses on communication as part of its commitment to values, a good working environment and employee well-being. Employees are regularly provided with the information they need for their direct work, their development and their leisure time through different channels. The company’s managers keep in touch with team members, organise meetings and discussions, and communicate in writing and in person.

Average monthly salary (EUR)

| | 2021 | 2022 | 2023 |
|-------------|-------|-------|-------|
| Management | 6 480 | 5 592 | 6 209 |
| Specialists | 2 399 | 2 647 | 2 983 |
| Workers | 1 782 | 1 893 | 2 135 |
| Total: | 1 881 | 2 001 | 2 279 |



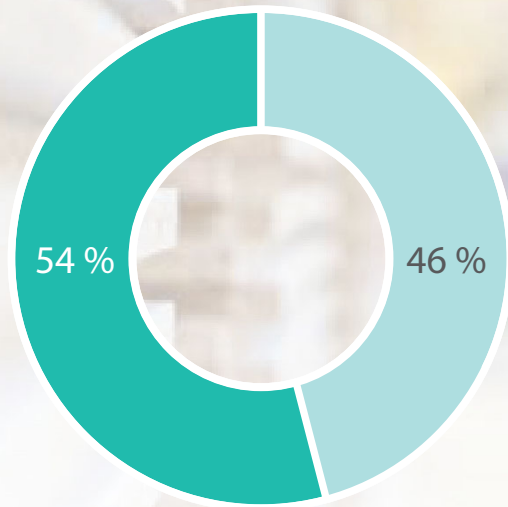
522

42
years

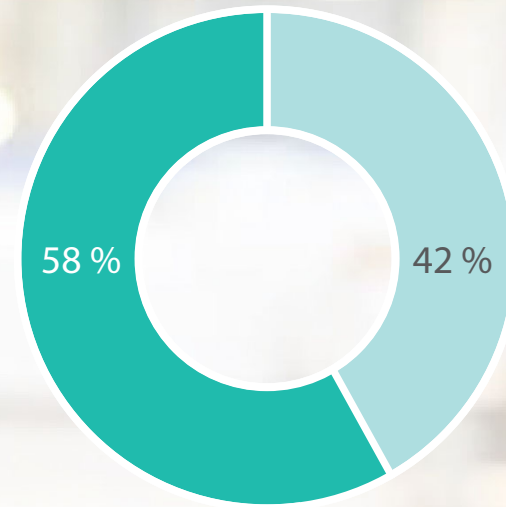
The number of employees in
the "Vilniaus baldai" Group

The average age of
employees

Administration



Manufacturing



 **Men**  **Women**

We strictly follow legal requirements and best practices in both the recruitment and selection processes. This way, we create a comfortable, safe and stimulating working environment. The team at "Vilnius Baldai" successfully employs both Lithuanian and foreign nationals.

Ensuring equal opportunities

We ensure equal opportunities for existing and potential employees in all our processes - vacancy announcements, selection, recruitment, training, creation of work environment and all other company processes. The Company prohibits discrimination of any kind on the basis of race, religion, gender identity, ethnicity, marital or family status, age, political affiliation, physical ability, sexual orientation, nationality or any other aspect of identity.

Respect for human rights

For our employees, we ensure all human rights, respectful treatment, and protection of their honour and dignity. They can participate in public and political life and express their opinions, ensuring that their public statements are understood and treated as personal opinions and not as company positions.

Harassment-free work environment

We do not tolerate harassment in any form.

We organise annual training sessions on violence and harassment, where issues are presented, discussions are held with employees, and they are trained to recognise and deal with such situations, etc. To strengthen the prevention of violence and harassment, an additional communication channel has been set up at "Vilnius baldai" to report cases or situations of concern.

Protecting the interests of children

We do not support child labour - we only employ people of the age allowed by law. Any form of forced labour is strictly prohibited.

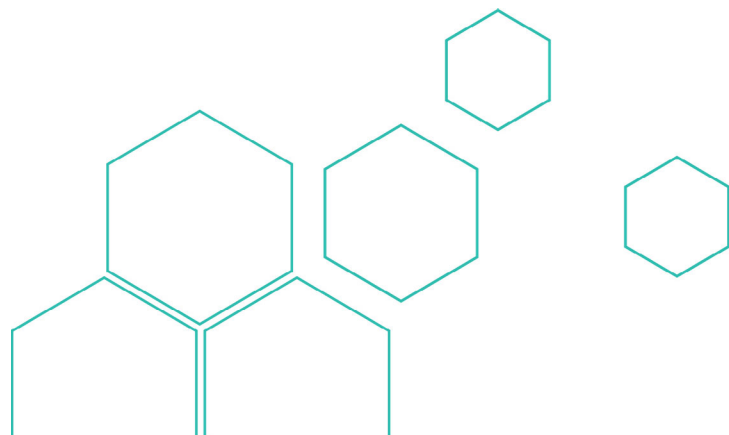
Occupational safety and health

We ensure a safe working environment and are constantly improving it: the company has set up an electronic module for recording incidents. Anyone can register the places where they see an injury risk or other accidents. The module also allows you to see when it will be eliminated and who is responsible for it. In addition, we provide all employees with occupational accident insurance, personal protective equipment, special clothing and boots. To strengthen the team's health, we provide medicines, vaccinations and tests for tick-borne encephalitis vaccinations are 50% reimbursed, flu vaccinations are free of charge, and basic health checks are carried out by an occupational health specialist. We provide employees with essential information on safety and health issues, including fire safety, proper handling of chemicals and equipment, emergency preparedness, first aid, etc.

We conduct internal training and delegate specialists to external training courses to continuously help our employees develop their skills and awareness, so that they can personally protect themselves and other team members, and know how to take the necessary measures in case of a hazard.

Alcohol abuse is prohibited

Working for a company requires clear thinking and quick reactions, which can affect both the quality of the work and the safety of the employee and other team members. Alcohol, drugs and other psychotropic substances are strictly forbidden in the company, as is the use of, or coming to work under the influence of, such substances.



- I see a problem, I solve it.
- I have the courage to make a timely decision.
- I work as if I were working for myself, trying to get it right the first time.
- I honour agreements.
- I turn goals into results.
- I promote and celebrate good examples of behaviour.



- I am constantly learning and improving.
- I am interested in the best practices of other companies and seek to apply them in my own work.
- I share my knowledge and experience with colleagues.
- My work is guided by reasoning and analysis of available information, not emotion.
- I ensure that any work I do meets the company's requirements.
- When I am finished, I check it again.



- I listen and hear. I respectfully listen to different opinions.
- I participate and show initiative.
- I look for solutions, not blame.
- I am committed to being a leader when needed.
- I share information with my colleagues.
- I give feedback in the right form and at the right time.
- I affirm, not deny.

Fair and transparent business practices

“Vilniaus baldai” has a Code of Ethics based on the values of the team, trust, honour and integrity. The Code defines and ensures adherence to certain principles of conduct - how we should work, establish and maintain relationships with colleagues, customers, business partners and other members of society. All team members abide by its provisions.

Prevention of bribery and corruption

Employees are prohibited from accepting monetary gifts or cash equivalents (such as gift vouchers that are transferable or redeemable for cash), bank cheques, money orders, investment securities, negotiable securities, loans, shares, giving or accepting gifts, accepting benefits in exchange for favourable terms and conditions, with the intent of influencing a business transaction, or to obtain a business or personal advantage.

The company’s suppliers, sub-suppliers and their business environment

We take care to ensure that the Company’s business partners, suppliers of services, goods or raw materials, and the suppliers of these suppliers, as well as the companies operating or performing work on the Company’s premises, also comply with the provisions of the Code of Ethics. These provisions include equal opportunities at work, respect for human rights, care for the safety and health of employees, prevention of harassment, child or forced labour, use of drugs, alcohol, unprescribed dangerous drugs or other psychotropic substances. We also make sure that they are aware of and share our approach to preventing corruption and bribery.



Social enterprise

“Ari-Lux”, a subsidiary of “Vilniaus baldai”, employs people who have lost their professional and general working capacity, are economically inactive and cannot compete on equal terms in the labour market. In this way, we help these people to reintegrate into the labour market, develop the skills they need, promote integration and thus aim to contribute to reducing social exclusion.

We have informally granted non-profit status to our subsidiary “Ari-Lux” – our aim is to best meet the needs of the people who work there by adapting workplaces and creating the conditions for them to work to the best of their ability.

In the financial year 2023, “Ari-Lux” had 63 employees.



10 Data of CSRR

| | FY2021 | FY2022 | FY2023 |
|--|-----------------|-----------------|-----------------|
| Sales | 99 mil. EUR | 101 mil. EUR | 98 mil. EUR |
| Manufacturing | 101 mil. EUR | 96 mil. EUR | 97 mln. EUR |
| Number of furniture manufactured | 3,25 mil. Units | 3,25 mil. Units | 2,34 mil. Units |
| Number of employees | 923 | 700 | 522 |
| Number of employees increased per year | 18% | -24% | -25% |
| "Ari-Lux" employees | 76 | 72 | 63 |
| Average age of employees | 41 years | 41 years | 42 years |
| Distribution of employees by gender | | | |
| Administration - men: women | 53:47% | 56:44% | 54:46% |
| Manufacturing - men: women | 63:37% | 60:40% | 58:42% |
| Part of waste going to landfill | ~0% | ~0% | ~0% |
| Recycled part of waste | 59% | 82% | 89% |

| | FY2021 | FY2022 | FY2023 |
|--|-----------|-----------|-----------|
| Incinerated part of waste | 41% | 18% | 11% |
| Use of FSC-certified wood materials | ~100% | ~100% | ~100% |
| Heat sold to Vilnius City | 13 051 | 13 976 | 16 414 |
| Average monthly salary (EUR) | | | |
| Management | 6 480 | 5 592 | 6 209 |
| Specialists | 2 399 | 2 647 | 2 983 |
| Workers | 1 782 | 1 893 | 2 135 |
| Average salary | 1 881 EUR | 2 001 EUR | 2 279 EUR |
| Average salary in the company was higher than the average salary in Lithuania in the 2 quarter | 16% | 12% | 14% |