RESPONSIBLE PERSONS CONFIRMATION

30.11.2018

Following Article 22 of the Law on Securities of the Republic of Lithuania and the Rules on Preparation and Submission of Periodic and Additional Information of the Bank of Lithuania, management of Vilniaus baldai, AB, hereby confirm that, to the best of our knowledge, the audited Vilniaus baldai, AB Consolidated and Company's Financial Statements for the financial year 2018 ended 31 August 2018, prepared in accordance with the International Financial Reporting Standards as adopted by the European Union, give a true and fair view of the assets, liabilities, financial position, profit and cash flows of Vilniaus baldai, AB and the Group of undertakings. Presented Consolidated Annual Report includes a fair review of the development and performance of the business and position of the company and the consolidated group in relation to the description of the main risks and contingencies faced thereby.

ENCLOSURE:

1. Audited annual information (Consolidated and Company's Financial Statements for 2018, Consolidated Annual Report for 2018).

General Manager — Jonas Krutinis

Chief accountant — Renata Banevičiūtė

VILNIAUS BALDAI AB

CONSOLIDATED AND COMPANY'S FINANCIAL STATEMENTS FOR THE
FY 2018 ENDED 31 AUGUST 2018,
PREPARED ACCORDING TO THE INTERNATIONAL FINANCIAL REPORTING
STANDARDS AS ADOPTED BY THE EUROPEAN UNION,
PRESENTED TOGETHER WITH INDEPENDENT AUDITOR'S REPORT

CONTENTS

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Independent Auditor's Report

To the Shareholders of AB Vilniaus Baldai

Opinion

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

- the separate and the consolidated statement of financial position as at 31 August 2018,
- the separate and the consolidated statement of profit or loss and other comprehensive income for the year then ended,
- the separate and the consolidated statement of changes in equity for the year then ended,
- the separate and the consolidated statement of cash flows for the year then ended, and
- the notes to the separate and the consolidated financial statements, which include a summary of significant accounting policies and other explanatory notes.

In our opinion, the accompanying separate and the consolidated financial statements give a true and fair view of the non-consolidated financial position of the Company and the consolidated financial position of the Group as at 31 August 2018, and of their non-consolidated and consolidated financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards, as adopted by the European Union.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Separate and the Consolidated Financial Statements section of our report. We are independent of the Group and the Company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code), and we have fulfilled our other ethical responsibilities in accordance with the Law on Audit of the Republic of Lithuania and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

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

KPMG

Provisions for employee benefits

See Note 2.14 Employee benefits and Note 14 Provisions for employee benefits

The key audit matter

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.

As at 31 August 2018, the stated amount of provision for employee benefits in consolidated and separate financial statements was EUR 815 thousand.

Management's assessment of provision for employee benefits involves significant estimation, primarily relating to the key assumptions for wage and salary growth rates, expected employee turnover rates by age group and discount rate. The key assumptions applied by management are further described in Note 14 Provisions for employee benefits.

The subjectivity of the principal assumptions required an application of a significant amount of audit judgment and effort. Changes to these assumptions could result in a material change in the Provisions for employee benefits and the associated other comprehensive income effect. Accordingly, we consider this area to be our key audit matter.

How the matter was addressed in our audit

Our audit procedures included among others:

- considering the appropriateness of the Company's and the Group's accounting policies, including those relating to provisions for employee benefits, and assessing compliance with the policies in terms of applicable accounting standards;
- testing employee data (including age, years of service, salary) used in provision calculation for completeness and accuracy;
- involving our internal actuary specialist who assisted us at:
    - assessing the appropriateness of the methodology applied by the Company to Provisions for employee benefits calculation by comparing it to methodologies commonly used in the market and required by applicable financial reporting framework,
    - checking the mathematical accuracy of the model,
    - assessing the reasonableness of key assumptions applied in the model (including those relating to wage and salary growth rate, employee turnover and discount rate) against Company's historical data, publicly available financial market data and macroeconomic projections.
- performing retrospective review by comparing main assumptions (including wage and salary growth rate, employee turnover and discount rate) used in Provision for employee benefits calculation as at 31 August 2017 to actual data available as at audit date;
- considering the adequacy of the Company's disclosures (Note 14) in respect of Provisions for employee benefits.

Property, plant and equipment	
See Note 2.6 Property, plant and equipment and Note 5 Property, plant and equipment	
The key audit matter	**How the matter was addressed in our audit**
As at 31 August 2018, the stated amount of Property, plant and equipment in separate financial statements was EUR 18,609 thousand and consolidated financial statements EUR 20,629 thousand. Management's assessment of Property, plant and equipment involves significant estimation, primarily relating to their useful life. The key assumptions applied by management are further described in Note 2.6 Property plant and equipment. The subjectivity of the principal assumptions required an application of a significant amount of audit judgment and effort. Changes to these assumptions could result in a material change in the depreciation charge and result for the year. Accordingly, we consider this area to be our key audit matter.	Our audit procedures included among others: • considering the appropriateness of the Company's and the Group's accounting policies relating to determination of useful life of property, plant and equipment and assessing compliance of the policies with the applicable accounting standards; • assessing the appropriateness of the controls implemented by the Company and the Group with respect to determination and subsequent revision of useful life of items of property, plant and equipment; • performing retrospective review of accuracy of management's estimate with respect to useful life of significant items of property, plant and equipment by comparing actual useful life of fully depreciated assets that were still in use to the initial estimate of useful life including subsequent revisions thereof. • comparing useful life of significant items of property, plant and equipment applied by the Company and the Group to useful life applied by other companies in the manufacturing companies; • selecting a sample of acquisitions of items of property plant and equipment and testing whether useful life determined for these items was in accordance with management's estimate thereof; • inquiring the management as to their plans to dispose and write-off or replace significant items of property, plant and equipment whose useful life is scheduled to end in the following financial year and assessing consistency of these plans with the management's estimate of useful life of such assets; • considering the adequacy of the Company's and the Group's disclosures (Note 2.6 and Note 5) in respect of Property, plant and equipment.

Other Information

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

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

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

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

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

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

Responsibilities of Management and Those Charged with Governance for the Separate and the Consolidated Financial Statements

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

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

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

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

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

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

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

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

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

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

Report on Other Legal and Regulatory Requirements

Under decision of the general shareholders' meeting we were appointed on 8 October 2014 for the first time to audit the Company's separate financial statements and the Group's consolidated financial statements. Our appointment to audit the Company's separate financial statements and the Group's consolidated financial statements is renewed every 2 years under decision of the general shareholders' meeting, and the total uninterrupted period of engagement is 5 years.

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

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

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

On behalf of KPMG Baltics, UAB

Domantas Dabulis
Partner pp
Certified Auditor

Vilnius, the Republic of Lithuania
29 November 2018

(all amounts are in EUR thousand unless otherwise stated)

Approved __ __ 2018
at the Board Meeting

COMPANIES COMPOSING THE GROUP

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

GENERAL INFORMATION ABOUT THE COMPANY:

Name	Joint stock company Vilniaus Baldai AB
Legal form	Joint stock company
Code	121922783
VAT payer's code	LT219227811
LEI code	529900MJDB8L13ZF6G26
Authorised capital	EUR 4,508,069.72, divided into 3,886,267 ordinary registered shares with the par value of EUR 1.16 each
Office address	Savanorių Ave. 178B, LT-03154 Vilnius
Telephone	(8~5) 252 57 00
Fax	(8~5) 231 11 30
E-mail	info@vilniausbaldai.lt
Internet website	www.vilniausbaldai.lt
Registration date and place	9 February 1993, Vilnius City Board
Register, where all the information about the Company is collected and stored	Register of Legal Entities
Main type of activity	Design, production and selling of furniture

GENERAL INFORMATION ABOUT THE SUBSIDIARIES:

Name	Limited liability company ARI-LUX UAB	Limited liability company Trenduva UAB
Legal form	Limited liability company	Limited liability company
Code	120989619	304438643
VAT payer's code	LT209896113	LT209896113
Authorised capital	EUR 2,896	EUR 2,500
Office address	Savanorių Ave. 178B, LT-03154 Vilnius	T. Narbuto str. 5, LT-08101 Vilnius
Telephone	(8~5) 252 57 44	(8~5) 252 57 00
Fax	(8~5) 252 57 44	(8~5) 231 11 30
E-mail	aleksas.rimkus@ari-lux.lt	info@vilniausbaldai.lt
Internet website		
Registration date and place	28 October 1991, Vilnius City Board	23 December 2016, Vilnius City Board
Register, where all the information about the Company is collected and stored	Register of Legal Entities	Register of Legal Entities
Main type of the activity	Packaging	Real estate operations

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

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

Vilniaus Baldai AB sales revenue reached EUR 69 million in 2018. In 2018 the Company increased its production capacity further, successfully increased production of its priority products.

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

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

Main risks faced by the Group:

Economic risk factors. The sales to the main customer Swedish IKEA constituted approximately 97% of total sales of Vilniaus Baldai AB during 2018 (in 2017 – 99%). Furniture accounted for 97% of the Company's sales during 2018 (in 2017 – 99%), while the rest came from sales of raw materials and waste of raw materials.

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

The Company competes with the world furniture producers.

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

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

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

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

Ecological risk factors. An environment protection and FSC production management system is introduced in the Company in compliance with the requirements of ISO 9001, ISO 14001 and FCS-STD-40-004 standards. The purpose of this system is to ensure production of high quality products consistent with customer needs, to use FSC certified raw materials, to protect environment, to decrease pollution, usage of resources and to sort waste. The annual audit of FSC was performed in *February 2018* and quality and environmental management system was performed in *July 2018*. No non-conformity issues or findings were identified during the audit. In 2018 Vilniaus Baldai AB paid EUR 2 thousand of the environment pollution taxes, as well as EUR 46 thousand for the waste utilisation services. There were no manufacturing restrictions because of the environment pollution.

Repayment of loans. The repayment of loans is made according to the contractual schedules. All the payments to the bank are made on time. Information on the terms and conditions of repayment of financial liabilities, credit and interest rate risks of the Group and the Company is provided in the notes to the consolidated and Company's financial statements (Notes 13 and 24).

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

(all amounts are in EUR thousand unless otherwise stated)

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

The Audit Committee:

Tomas Bubinas	
Position Independent Member of the Audit Committee, elected to the Audit Committee on 16.09.2013, end of the term – 2020	
Work experience Since 2013 Chief Operating Officer at Biotechpharma UAB 2010–2012 Senior Director at TEVA Biopharmaceuticals USA 2001–2010 Chief Financial Officer at SICOR Biotech / TEVA Baltic 1999–2001 Senior Manager at PricewaterhouseCoopers 1994–1999 Senior Auditor, Manager at Coopers & Lybrand	
Education Master 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 Certified Auditor	
Participation in Vilniaus Baldai AB authorised capital	**Number of shares and of voting rights**
-	-

Vaidas Savukynas	
Position Board member, elected to the Board on 08.10.2014, re-elected on 05.07.2016 end of the term – 2020 Member of the Audit Committee, elected to the Audit Committee on 16.09.2013, end of the term – 2020	
Work experience Since 2013 Chief Financial Officer at Invalda Privatus Kapitalas AB 2011–2013 Chief Financial Officer at food retail chain Narodnyi in Kyrgyz Republic 2010–2010 Director of Administration at Zemaitijos Pienas AB 1998–2009 Chief Financial Officer and Financial Analyst at concern MG Baltic and its companies (MG Baltic Trade, Apranga, Minvista) 1993–1995 Chief Executive Officer at brokerage company Bankoras 1990–1993 Marketing Manager at Lietuvos Birža AB	
Education Vilnius University diploma in economics, Master degree in Social Sciences at Stockholm University (Sweden), Financial sector schemes introductory courses in Leeds University (Great Britain)	
Participation in Vilniaus Baldai AB authorised capital	**Number of shares and of voting rights**
-	-

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

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

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

Indicators characterising the operation of the Group in the period of 2014–2018:

	2018	2017	2016	January – August 2015	2014
Net profitability = net profit / sales * 100	3.25%	7.02%	5.50%	4.92%	7.73%
Average return on assets ROA = net profit / (assets at the beginning of the period + assets at the end of the period) / 2 *100	7.10%	17.10%	12.43%	8.32%	19.88%
Return on equity ROE = net profit / equity*100	14.21%	30.38%	28.79%	18.17%	49.01%
Net earnings per share EPS = net profit / number of shares	0.58	1.15	0.83	0.56	1.23
Debt ratio = liabilities / assets	0.57	0.45	0.55	0.56	0.61
Debt to equity coefficient = liabilities / share capital	1.32	0.84	1.22	1.28	1.55
Current ratio = current assets / current liabilities	1.48	1.16	1.07	1.03	0.99
Asset's turnover = sales / assets	1.89	2.35	2.35	1.62	2.49
Book value of share = equity / number of shares	4.08	3.77	2.90	3.06	2.51
Turnover (thousand EUR)	69,322	63,423	58,953	43,900	61,708
Gross profit (thousand EUR)	6,447	8,838	7,657	4,717	7,949
Net profit (thousand EUR)	2,252	4,450	3,243	2,160	4,772
EBITDA (million EUR)	4.23	6.39	5.22	3.84	7.15
EBIT (million EUR)	2.65	5.02	3.92	2.60	5.31
Dividends per share (for the prior accounting period)	EUR 0.26	EUR 0.27	EUR 1.00	-	EUR 2.55
Earnings per share P/E	18.81	11.6	16.8	27.3	12.5
The lowest share price	EUR 10.70	EUR 12.80	EUR 13.50	EUR 15.20	EUR 13.10
The highest share price	EUR 13.60	EUR 14.50	EUR 15.60	EUR 17.30	EUR 16.90
Closing price	EUR 10.90	EUR 13.30	EUR 14.00	EUR 15.30	EUR 15.30
Capitalisation (thousand EUR)	42,360	51,687	54,408	59,459	59,462

PRODUCTION AND SALES

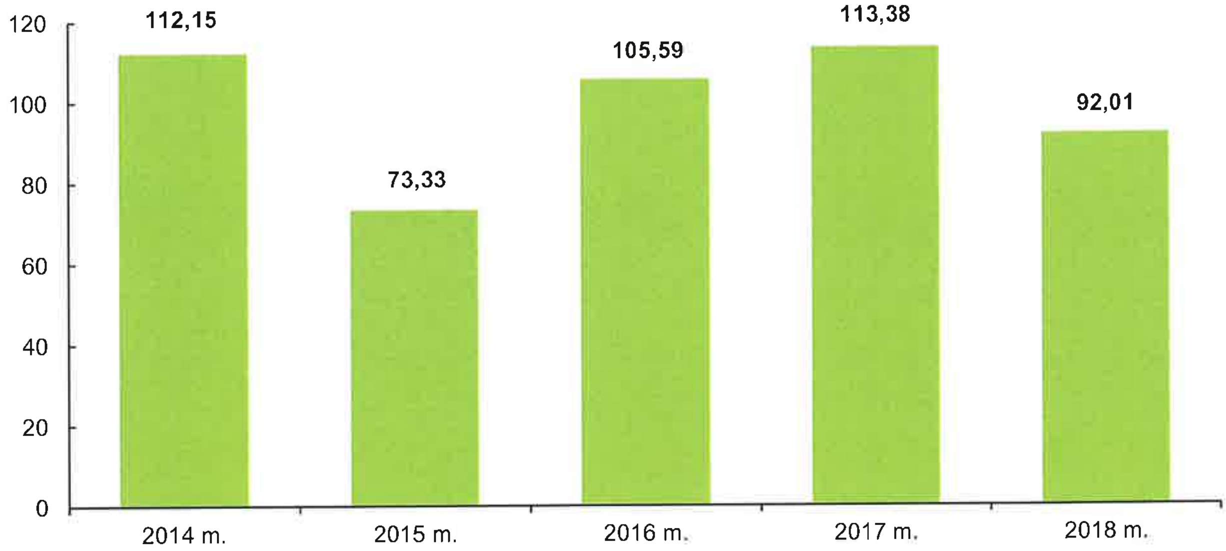
Vilniaus Baldai AB designs, produces flat-pack furniture. The production of the Company is produced from wood particle boards, using board on frame technology, which allows to produce lightweight, yet massively looking furniture. When employing this technology less raw materials can be used, and stable 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 Homag, Holzma, Burkle, Weeke, Wikoma, Biesse, Wemhoner 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 2014–2018:

Production	2018	2017	2016	January – August 2015	2014
	thousand EUR	thousand EUR	thousand EUR	thousand EUR	thousand EUR
Furniture	65,969	61,341	58,181	46,199	60,224
Other production	-	-	-	-	-
Total	**65,969**	**61,341**	**58,181**	**46,199**	**60,224**

Production per employee, working on employment contract basis, 2014–2018 (thousand EUR / year):



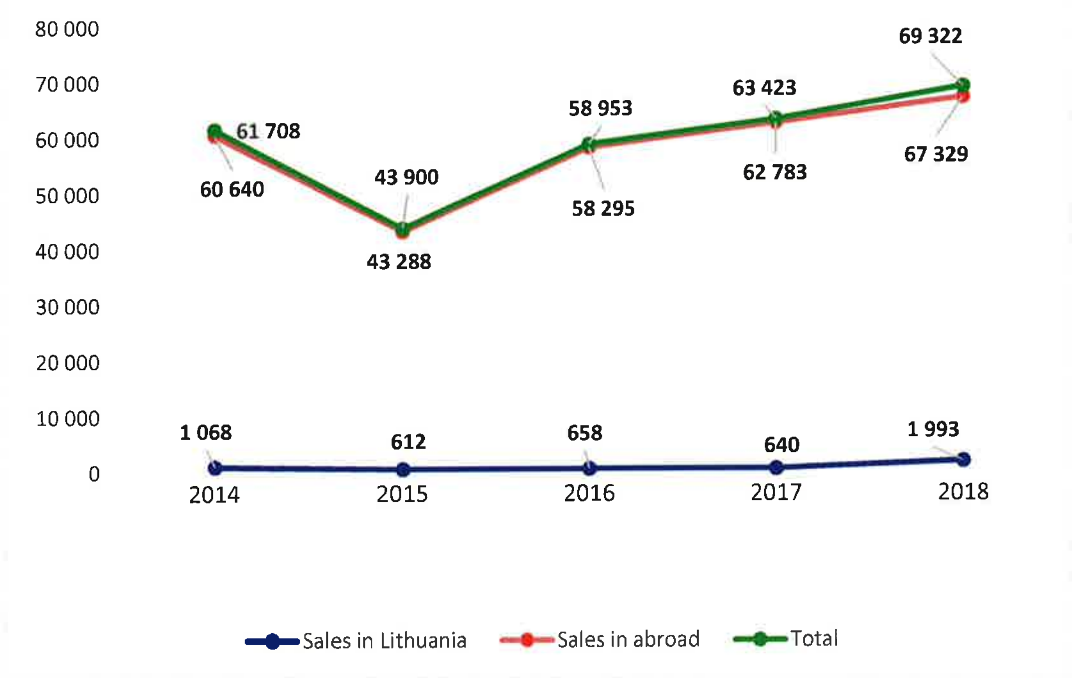
Sales according to the markets in the period of 2014–2018:

Sales	2018		2017		2016		January – August 2015		2014	
	Thousand EUR	%	Thousand EUR	%	Thousand EUR	%	Thousand EUR	%	Thousand EUR	%
Lithuania	1,993	2.90	640	1.01	658	1.12	612	1.39	1,068	1.73
Abroad	67,329	97.10	62,783	98.99	58,295	98.88	43,288	98.61	60,640	98.27
Total	**69,322**	**100**	**63,423**	**100**	**58,953**	**100**	**43,900**	**100**	**61,708**	**100**

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

PRODUCTION AND SALES (cont'd)

Sales of the Company in the period of January–August 2014–2018, in EUR thousand:



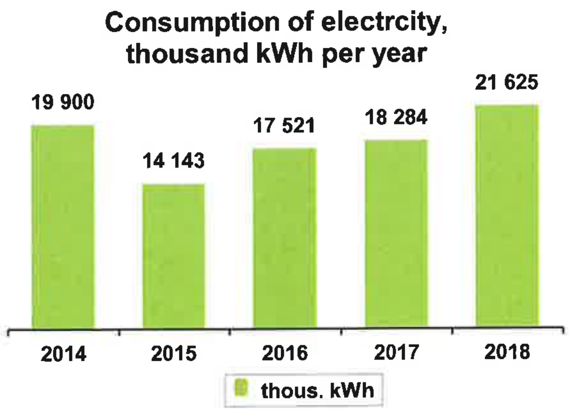
SUPPLY

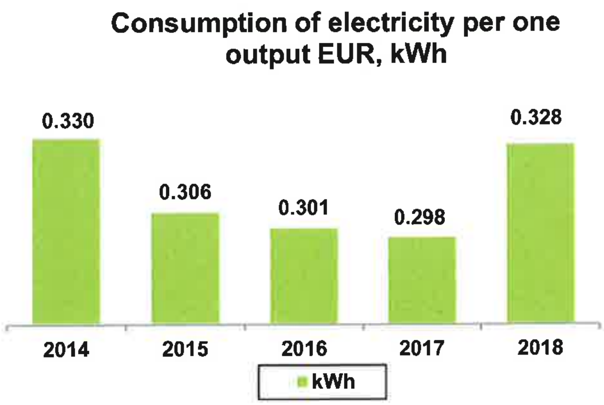
Vilniaus Baldai AB has introduced an effective system of the purchase of raw materials and services. The Company maintains strategic relations with suppliers and constantly searches for new opportunities in the markets of raw materials and services. The purchase process is distinguished into strategic 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.z.o.o, Homanit Krosno Odrzanskie SP, Sherwin – Williams Baltics UAB. The local supply of the raw materials is pre-conditioned by the cheap transportation costs and good relations with the major suppliers.

ENERGY

Vilniaus Baldai AB during 2018 the Company consumed 21,625 thousand kWh of electricity (2017 – 18,287 thousand kWh). The electricity consumption for production of EUR 1 amounted to 0.328 kWh (2017 – 0.298 kWh).





(all amounts are in EUR thousand unless otherwise stated)

EMPLOYEES

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

As of at 31 August 2018 the number of work places at the Group and the Company increased due to growing capacity and higher sales. There were 776 employees working in the Group and 717 employees at the Company as of the end of FY 2018 (636 at the Group and 586 at the Company as of the end FY 2017). The average age of the employees is 40 years.

The average number of the Company's recorded employees, working on an employment contract basis, in the period of 2014–2018:

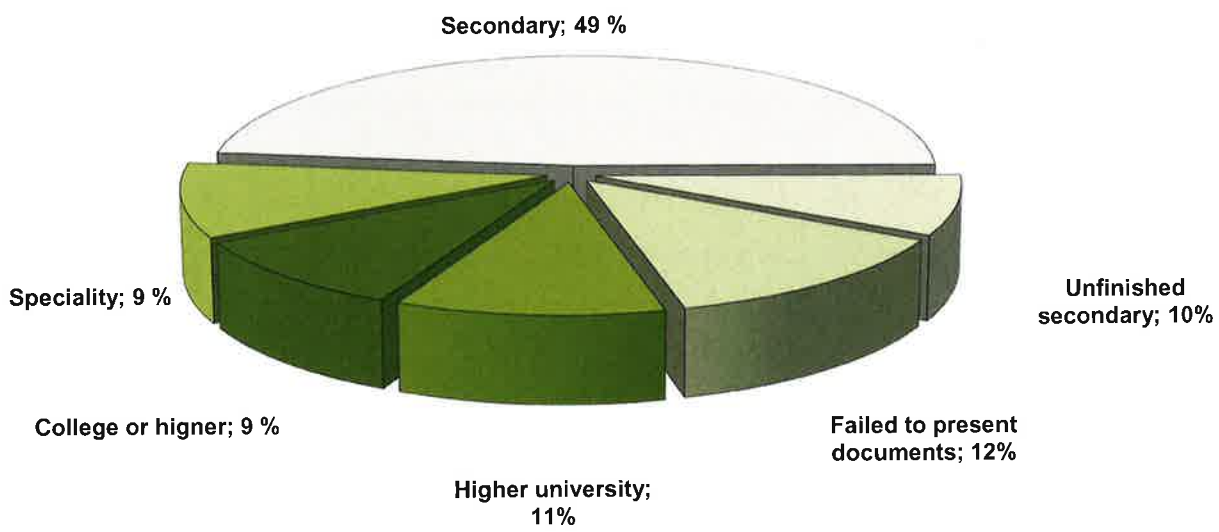
	2018	2017	2016	January–August 2015	2014
Executive personnel	5	6	8	4	4
Specialists	47	36	36	36	36
Workers	544	499	507	590	497
Total	**596**	**541**	**551**	**630**	**537**

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 2014–2018, EUR:

	2018	2017	2016	January–August 2015	2014
Executive personnel	6,355	5,599	4,189	5,339	4,953
Specialists	1,569	1,482	1,369	1,700	1,445
Workers	1,091	1,077	922	962	829
Total	**1,172**	**1,151**	**999**	**1,030**	**904**

Grouping of the personnel by the level of education:



EMPLOYEES (cont'd)

The collective agreement is concluded in the Company. The collective agreement was renewed on 31 August 2018. The agreement is mandatory for all the employees of the Company. The purpose of this agreement is to ensure the harmonious work of the staff, high level of working conditions of different categories of employees, salary and other working conditions to ensure additional social guarantees, which are not stated according to the regulations of Lithuanian legislation for the employees of the Company. The collective agreement includes the working contract formation, change, termination, work and rest time, payment for the work done, improvement of the qualification of the employees, safety at work and medical assistance, social care, trade union activity and guarantees of the elected employees. If the terms and conditions of the collective agreement are more favourable compared to the working contract, then the collective agreement is followed.

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

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

4. INFORMATION ABOUT OWN SHARES

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

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

The Company does not have any branches or representative offices.

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

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

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

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

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

In FY 2018 Vilniaus Baldai AB and IKEA AG have signed a long-term contract, according to which the company plans to increase its turnover and production capacity. To fulfil the contractual obligations and prepare for further sustainable growth, Vilniaus Baldai AB plans to invest into land plots of 18.5 ha in Trakai region, Guopstai, new production and warehousing facilities, equipment, technologies and development of the production base. Planned investments should comprise EUR 50 million and would be completed within the next 3 years. These investments will allow the company to significantly reduce direct and indirect costs, while ensuring sustainable cost of the products. Part of the existing production lines is also planned to be transferred to a new factory.

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

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

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

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

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

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

(all amounts are in EUR thousand unless otherwise stated)

11. STRUCTURE OF THE ISSUER'S AUTHORISED CAPITAL

Structure of the authorised capital of Vilniaus Baldai AB:

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

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

Rights and obligations carried by the shares

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

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

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

Rights and obligations carried by the shares

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

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

(all amounts are in EUR thousand unless otherwise stated)

12. SHAREHOLDERS

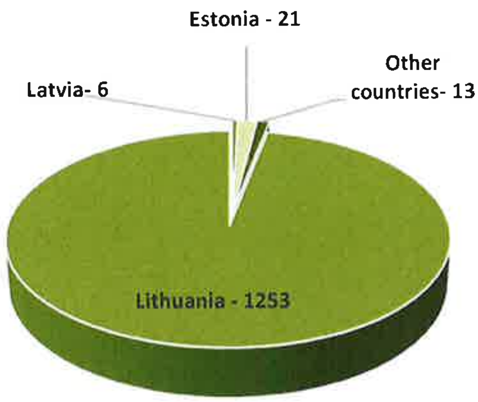
Total number of the shareholders as of 31 of August 2018 is 1,293.

The shareholders who had upon the property rights or possessed more than 5% of the issuer's authorised capital as of 31 August 2018:

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, Šeimyniškių str. 1 A, Vilnius	3,342,160	86.00	86.00

Authorised capital structure, %.

Distribution of the shareholders of Vilniaus Baldai AB by country, 31/08/2018



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

There are no voting rights restrictions.

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

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

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

The main characteristics of shares:

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

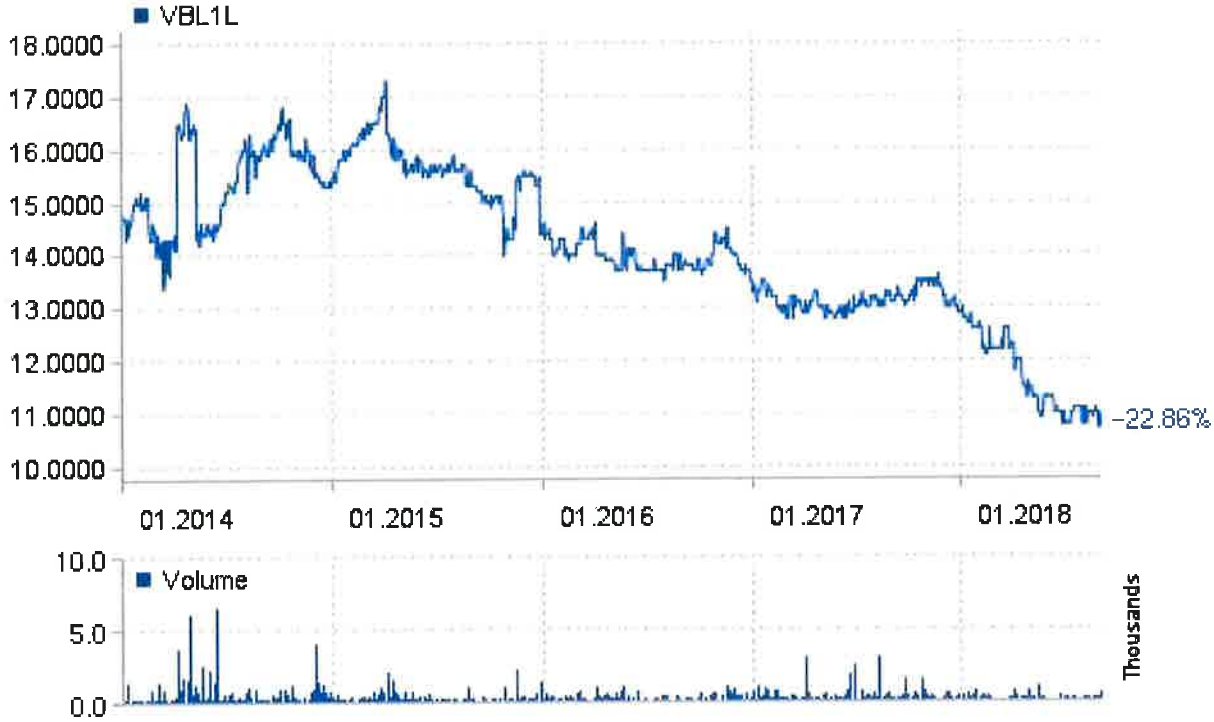
(all amounts are in EUR thousand unless otherwise stated)

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

The trade of the shares of the Company:

	2018	2017	2016	January–August 2015	2014
Price of the shares, EUR:					
- opening	13.10	13.70	15.60	15.40	14.00
- highest	13.60	14.50	15.60	17.30	16.90
- lowest	10.70	12.80	13.50	15.20	13.10
- closing	10.90	13.30	14.00	15.30	15.30
Turnover of shares, units	23,834	46,829	29,414	28,982	88,124
Turnover of shares, EUR	294,980	622,789	424,861	466,216	1,360,026
Total number of transactions, units	344	637	535	610	1,488
Capitalization, million EUR	42.36	51.69	54.41	59.46	59.46

Shares turnover and price of Vilniaus Baldai AB in the period of 2014–31/08/2018:



(all amounts are in EUR thousand unless otherwise stated)

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

Comparison of the price of shares of Vilniaus Baldai AB with the OMXBB and OMXV index in the period of 2014–31/08/2018:

Indexes/Shares	01/01/2014	31/08/2018	+/-%
OMX Baltic Benchmark GI	613.5	956.99	55.99
OMX Vilnius	421.6	700.3	66.11
VBL1L	1.57 EUR	3.14 EUR	100

14. DIVIDENDS

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

Vilniaus Baldai AB dividend payments during the past 5 years:

Dividend	2018 (for 2017)	2017 (for 2016)	2016 (for 2015)	2015 (for 2014)	2014 (for 2013)
Dividends (EUR)	1.049.292	1,049,292	3,886,267	-	9,904,758
Dividends per share (EUR)	0.27	0.27	1.00	-	2.55
Number of shares	3,886,267	3,886,267	3,886,267	3,886,267	3,886,267

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

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

16. ISSUER'S BODIES

The Company has the General Meeting of shareholders, a one-man management body – 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 General Manager, determines his salary, confirms the job descriptions, appoints him and imposes penalties.

(all amounts are in EUR thousand unless otherwise stated)

16. ISSUER'S BODIES (cont'd)

The Board and Administration of the Company:

Mr. Vytautas Bucas

Position
Chairman of the Board, elected to the Board on 12.04.2007, re-elected on 29.04.2008, 27.04.2012, and 05.07.2016 end of the term – 2020.

Work experience
Since May 2013 Adviser, Chairman of the Board of Invalda Privatus Kapitalas AB
2006–May 2013 Adviser of Invalda LT AB, Board member (since May 2007 until May 2013 Chairman of the Board)
2006–2007 Director of Invaldos Nekilnojamojo Turto Fondas AB
2000–2006 SEB Bankas AB, Board member, Vice President, CFO, Head of IT Department
1992–2000 Senior Auditor, Senior Manager, Manager at Arthur Andersen

Participation in the activities of other companies	Number of shares and of voting rights
Chairman of the Board of Invalda Privatus Kapitalas AB	39.63% of shares and of voting rights
Chairman of the Board of Bordena UAB	0.00%

Mr. Dalius Kaziunas

Position
Board member, elected to the Board on 29.04.2010, re-elected on 27.04.2012 and 05.07.2016 end of the term – 2020.

Work experience
Since May 2013 CEO, Board member of Invalda Privatus Kapitalas AB
2012–May 2013 President of Invalda LT AB, Board member (until 30.04.2012)
2008–2011 Adviser and Board member of Invalda LT AB
2008–2009 Director of Bankas Finasta AB
1996–February 2008 assistant of financial broker of FMI Finasta AB, financial broker, Director

Participation in the activities of other companies	Number of shares and of voting rights
CEO and Board member of Invalda Privatus Kapitalas AB	1.51% of shares and of voting rights
Chairman of the Board of Lauko Gėlininkystės Bandymų 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 Švytėjimas UAB	0.00%

Mr. Vaidas Savukynas

Position
Board member, elected to the Board on 08.10.2014, re-elected on 05.07.2016 end of the term - 2020.
Member of the Audit Committee, elected to the Audit Committee on 16.09.2013, end of the term – 2020

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

Participation in the activities of other companies	Number of shares and of voting rights
CFO at Invalda Privatus Kapitalas AB	0.00%
Member of the Board of Invetex AB	0.00%
Member of the Board of Lauko gėlininkystės bandymų stotis UAB	0.00%
Member of the Board of Bordena UAB	0.00%
Member of the Board of Švytėjimas UAB	0.00%
CEO of Investiciju Tinklas UAB	0.00%
CEO Justum UAB	0.00%
CEO of Krevina UAB	0.00%
CEO of Adruva UAB	0.00%

16. ISSUER'S BODIES (cont'd)

Mr. Jonas Krutinis

Position
Head of Finance Department since 23-02-2015, Head of Finance since 12-10-2015, General Manager since 15-05-2018.

Work experience
2014–2015 Business Intelligence Manager at SEB Baltics
2006–2014 Deputy Chairman of the Management Board, Head of Business Support, CFO at SEB Bank, Russia
2002–2006 Head of Planning at SEB Vilniaus bankas AB
1999–2002 Business Consultant at Arthur Andersen UAB
1997–1999 Analyst at VB Vilfima UAB
1995–1997 Specialist at CSDL

Participation in the activities of other companies	Number of shares and of voting rights
Board member of Autoverslas UAB	0.00%

The Company's key management personnel includes the Company's General Director and Head of Finance. In 2018 the average monthly remuneration to the management of the Company amounted to EUR 7.3 thousand (2017 – EUR 10.71 thousand). The remuneration is not paid to the Board members of the Company.

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

	2018	2017	2016	January–August 2015
Wages, salaries	207	196	167	146
Social security	64	61	52	45
Total	**271**	**257**	**219**	**191**

During 2018 the Company did not transfer any assets to the Board members, the Company's General Director, Head of Finance department; it also did not provide any guarantees or warranties, by which the performance of their liabilities would be se cured.

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

During 2018 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 2018 between the Company and its body, employees which allow compensations if they resign or are fired without the justified reason or their work finishes as a result of the change of the issuer's control.

18. RELATED PARTY TRANSACTIONS

The parties are considered related when one party has the possibility to control the other one or have significant influence over the other party in making financial and operating decisions. The related parties of the Company as of 31 August 201 were: ARI-LUX UAB (the subsidiary), Trenduva UAB (the subsidiary), Invalda Privatus Kapitalas AB (ultimate shareholder) and all companies controlled by Invalda Privatus Kapitalas AB (as of 31 August 2017: ARI-LUX UAB (the subsidiary), Invalda Privatus Kapitalas AB (shareholder) and all companies controlled by Invalda Privatus Kapitalas).

Transactions with the Group's related parties in 2018 and 2017 and the balances in 2018 and 2017 are provided in the notes (Note 26) to the consolidated and Company's financial statements for the year 2018.

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

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

20. DATA ON THE PUBLICLY DISCLOSED INFORMATION

The information publicly disclosed by Vilniaus Baldai AB during 2018 is presented in the Company's website www.vilniausbaldai.lt.

(all amounts are in EUR thousand unless otherwise stated)

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

Summary of publicly disclosed information during 2018:

Date of disclosure	Brief description of disclosed information
30.07.2018	Convocation of the General Meeting of Shareholders of Vilniaus Baldai AB and draft decisions
27.06.2018	Vilniaus Baldai AB result for activity and non-audited condensed interim consolidated financial statement for the nine months of FY 2018
14.05.2018	Vilniaus Baldai AB has acquired land plots for the new factory construction UPDATED
14.05.2018	Jonas Krutinis new CEO of Vilniaus Baldai AB
11.05.2018	Vilniaus Baldai AB has acquired land plots for the new factory construction
26.04.2018	Regarding signing of agreement with IKEA AG and planned investments
04.04.2018	Vilniaus Baldai AB result for activity and non-audited condensed interim consolidated financial statement for the six months of FY 2018
01.02.2018	Vilniaus Baldai AB - an independent heat producer, signed a preliminary contract for the supply of heat to Vilnius city
12.01.2018	Procedure for the pay-out of dividends
20.12.2017	Resolutions of the Annual General Shareholders Meeting of Vilniaus Baldai AB on 20/12/2017
20.12.2017	Vilniaus Baldai AB result for activity and non-audited condensed interim consolidated financial statement for the three months of FY 2018
08.12.2017	Vilniaus Baldai AB investor's calendar for 2018
08.12.2017	CORRECTION: Regarding additions to the agenda of the ordinary general meeting of shareholders of AB Vilniaus Baldai to be held on 20 December 2017
28.11.2017	Convocation of the general shareholders meeting of Vilniaus Baldai AB and draft resolutions
21.11.2017	Vilniaus Baldai AB annual audited information for the year 2017
25.10.2017	Vilniaus Baldai AB result for activity and non-audited condensed interim consolidated financial statement for the twelve months of FY 2017

21. Social responsibility report

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

General Manager   Jonas Krutinis

APPENDIX TO THE CONSOLIDATED ANNUAL REPORT

VILNIAUS BALDAI AB REPORT ON THE COMPLIANCE WITH THE GOVERNANCE CODE FOR THE COMPANIES LISTED ON THE STOCK EXCHANGE NASDAQ VILNIUS REGULATED MARKET FOR THE FY 2018

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 APP-LICAB-LE	COMMENTARY
Principle I: Basic Provisions **The overriding objective of a company should be to operate in common interests of all the shareholders by optimizing over time shareholder value.**		
1.1. A company should adopt and make public the company's development strategy and objectives by clearly declaring how the company intends to meet the interests of its shareholders and optimize shareholder value.	Yes	Next year the Company will specifically focus on productivity, improvement of internal processes and quality and production of new products. This will be achieved by applying LEAN methodology in such areas as production processes, performance management, employee skills and their involvement in continuous improvement activities.
1.2. All management bodies of a company should act in furtherance of the declared strategic objectives in view of the need to optimize shareholder value.	Yes	The activity of the Company's management bodies is concentrated on the implementation of the main goals and tasks.
1.3. A company's supervisory and management bodies should act in close co-operation in order to attain maximum benefit for the company and its shareholders.	Yes	The Board of the Company adopts the decisions on all the most important matters. The ordinary meetings of the Board of the Company are held at least once in a month. Extraordinary – upon the suggestion of the Chairman of the Board or Board member for the discussion and decision making of the important matters. The Board of the Company cooperates with the Chief Executive Officer.
1.4. A company's supervisory and management bodies should ensure that the rights and interests of persons other than the company's shareholders (e.g. employees, creditors, suppliers, clients, local community), participating in or connected with the company's operation, are duly respected.	Yes	The Company respects the rights and the interests of all main concerned groups.

Principle II: The corporate governance framework **The corporate governance framework should ensure the strategic guidance of the company, the effective oversight of the company's management bodies, an appropriate balance and distribution of functions between the company's bodies, protection of the shareholders' interests.**		
2.1. Besides obligatory bodies provided for in the Law on Companies of the Republic of Lithuania – a general shareholders' meeting and the chief executive officer, it is recommended that a company should set up both a collegial supervisory body and a collegial management body. The setting up of collegial bodies for supervision and management facilitates clear separation of management and supervisory functions in the company, accountability and control on the part of the chief executive officer, which, in its turn, facilitate a more efficient and transparent management process.	No	Management bodies of the Company are General Meeting, Board and Chief Executive Officer. The Company does not have a supervisory board. Control of the Board of the Company is performed by General Meeting, the Board reports to the General Meeting of Shareholders.
2.2. A collegial management body is responsible for the strategic management of the company and performs other key functions of corporate governance. A collegial supervisory body is responsible for the effective supervision of the company's management bodies.	Yes	The Company has a collegial management body – the Board.
2.3. Where a company chooses to form only one collegial body, it is recommended that it should be a supervisory body, i.e. the supervisory board. In such a case, the supervisory board is responsible for the effective monitoring of the functions performed by the company's chief executive officer.	No	The Company does not follow this recommendation. It has only one collegial body – the Board.
2.4. The collegial supervisory body to be elected by the general shareholders' meeting should be set up and should act in the manner defined in Principles III and IV. Where a company should decide not to set up a collegial supervisory body but rather a collegial management body, i.e. the board, Principles III and IV should apply to the board as long as that does not contradict the essence and purpose of this body.	No	The Company follows the majority of the provisions defined in Principle III. It does not follow the provisions defined in Principle IV on the establishment of committees.
2.5. Company's management and supervisory bodies should comprise such number of board (executive directors) and supervisory (non-executive directors) board members that no individual or small group of individuals can dominate decision-making on the part of these bodies.	Yes	The Board of the Company consists of 3 members. All the 3 members represent the interests of the shareholders' and aim for the benefit of the Company.
2.6. Non-executive directors or members of the supervisory board should be appointed for specified terms subject to individual re-election, at maximum intervals provided for in the Lithuanian legislation with a view to ensuring necessary development of professional experience and sufficiently frequent reconfirmation of their status. A possibility to remove them should also be stipulated however this procedure should not be easier than the removal procedure for an executive director or a member of the management board.	No	Members of the Supervisory Board and non-executive directors are not appointed by the Company.
2.7. Chairman of the collegial body elected by the general shareholders' meeting may be a person whose current or past office constitutes no obstacle to conduct independent and impartial supervision. Where a company should decide not to set up a supervisory board but rather the board, it is recommended that the chairman of the board and chief executive officer of the company should be a different person. Former company's chief executive officer should not be immediately nominated as the chairman of the collegial body elected by the general shareholders' meeting. When a company chooses to departure from these recommendations, it should furnish information on the measures it has taken to ensure impartiality of the supervision.	Yes	Chief Executive Officer of the Company is not a Board member. Chairman of the Board of the Company is not and was not the chief executive officer of the Company. There are no obstacles for independent and fair supervision.

Principle III: The order of the formation of a collegial body to be elected by a general shareholders' meeting **The order of the formation a collegial body to be elected by a general shareholders' meeting should ensure representation of minority shareholders, accountability of this body to the shareholders and objective monitoring of the company's operation and its management bodies.**		
3.1. The mechanism of the formation of a collegial body to be elected by a general shareholders' meeting (hereinafter in this Principle referred to as the 'collegial body') should ensure objective and fair monitoring of the company's management bodies as well as representation of minority shareholders.	Yes	The Board formation mechanism allows ensuring proper monitoring of the Company. Only a person, having the proper qualification can become a Board member. The Board of the Company consists of the members not working at the Company.
3.2. Names and surnames of the candidates to become members of a collegial body, information about their education, qualification, professional background, positions taken and potential conflicts of interest should be disclosed early enough before the general shareholders' meeting so that the shareholders would have sufficient time to make an informed voting decision. All factors affecting the candidate's independence, the sample list of which is set out in Recommendation 3.7, should be also disclosed. The collegial body should also be informed on any subsequent changes in the provided information. The collegial body should, on yearly basis, collect data provided in this item on its members and disclose this in the company's annual report.	Yes	Information about current Board members is presented in the Company's periodic reports.
3.3. Should a person be nominated for members of a collegial body, such nomination should be followed by the disclosure of information on candidate's particular competences relevant to his/her service on the collegial body. In order shareholders and investors are able to ascertain whether member's competence is further relevant, the collegial body should, in its annual report, disclose the information on its composition and particular competences of individual members which are relevant to their service on the collegial body.	Yes	The information on the composition of the Board is published in the annual report.
3.4. In order to maintain a proper balance in terms of the current qualifications possessed by its members, the collegial body should determine its desired composition with regard to the company's structure and activities, and have this periodically evaluated. The collegial body should ensure that it is composed of members who, as a whole, have the required diversity of knowledge, judgment and experience to complete their tasks properly. The members of the audit committee, collectively, should have a recent knowledge and relevant experience in the fields of finance, accounting and/or audit for the stock exchange listed companies.	Yes	Members of the Company's Board and Audit Committee have experience in companies' management, diversity of knowledge and experience to complete their tasks properly.
3.5. All new members of the collegial body should be offered a tailored program focused on introducing a member with his/her duties, corporate organization and activities. The collegial body should conduct an annual review to identify fields where its members need to update their skills and knowledge.	Yes	Members of the Company's Board have experience in companies' management. The Company's Board members are acquainted with the Company's organisation, its activity and management specifics.
3.6. In order to ensure that all material conflicts of interest related with a member of the collegial body are resolved properly, the collegial body should comprise a sufficient number of independent members.	No	The independence of the elected Board members was not evaluated in the Company as well as the content of the notion of the sufficiency of independent members.

3.7. A member of the collegial body should be considered to be independent only if he is free of any business, family or other relationship with the company, its controlling shareholder or the management of either, that creates a conflict of interest such as to impair his judgment. Since all cases when member of the collegial body is likely to become dependent are impossible to list, moreover, relationships and circumstances associated with the determination of independence may vary amongst companies and the best practices of solving this problem are yet to evolve in the course of time, assessment of independence of a member of the collegial body should be based on the contents of the relationship and circumstances rather than their form. The key criteria for identifying whether a member of the collegial body can be considered to be independent are the following: 1) He/she is not an executive director or member of the board (if a collegial body elected by the general shareholders' meeting is the supervisory board) of the company or any associated company and has not been such during the last five years; 2) He/she is not an employee of the company or some any company and has not been such during the last three years, except for cases when a member of the collegial body does not belong to the senior management and was elected to the collegial body as a representative of the employees; 3) He/she is not receiving or has been not receiving significant additional remuneration from the company or associated company other than remuneration for the office in the collegial body. Such additional remuneration includes participation in share options or some other performance based pay systems; it does not include compensation payments for the previous office in the company (provided that such payment is in no way related with later position) as per pension plans (inclusive of deferred compensations); 4) He/she is not a controlling shareholder or representative of such shareholder (control as defined in the Council Directive 83/349/EEC Article 1 Part 1); 5) He/she does not have and did not have any material business relations with the company or associated company within the past year directly or as a partner, shareholder, director or superior employee of the subject having such relationship. A subject is considered to have business relations when it is a major supplier or service provider (inclusive of financial, legal, counselling and consulting services), major client or organization receiving significant payments from the company or its group; 6) He/she is not and has not been, during the last three years, partner or employee of the current or former external audit company of the company or associated company; 7) He/she is not an executive director or member of the board in some other company where executive director of the company or member of the board (if a collegial body elected by the general shareholders' meeting is the supervisory board) is non-executive director or member of the supervisory board, he/she may not also have any other material relationships with executive directors of the company that arise from their participation in activities of other companies or bodies; 8) He/she has not been in the position of a member of the collegial body for over than 12 years; 9) He/she is not a close relative to an executive director or member of the board (if a collegial body elected by the general shareholders' meeting is the supervisory board) or to any person listed in above items 1 to 8. Close relative is considered to be a spouse (common-law spouse), children and parents.	No	At the General Meeting of shareholders the persons were elected to the members of the Board, who are independent and acting with an aim for the benefit of the Company; however, they do not correspond to the recommendation on independence of this code.

3.8. The determination of what constitutes independence is fundamentally an issue for the collegial body itself to determine. The collegial body may decide that, despite a particular member meets all the criteria of independence laid down in this Code, he cannot be considered independent due to special personal or company-related circumstances.		
3.9. Necessary information on conclusions the collegial body has come to in its determination of whether a particular member of the body should be considered to be independent should be disclosed. When a person is nominated to become a member of the collegial body, the company should disclose whether it considers the person to be independent. When a particular member of the collegial body does not meet one or more criteria of independence set out in this Code, the company should disclose its reasons for nevertheless considering the member to be independent. In addition, the company should annually disclose which members of the collegial body it considers to be independent.	No	The Company did not use Board members' independence evaluation and disclosure practice.
3.10. When one or more criteria of independence set out in this Code has not been met throughout the year, the company should disclose its reasons for considering a particular member of the collegial body to be independent. To ensure accuracy of the information disclosed in relation with the independence of the members of the collegial body, the company should require independent members to have their independence periodically re-confirmed.	No	The Company did not use Board members' independence evaluation and disclosure practice.
3.11. In order to remunerate members of a collegial body for their work and participation in the meetings of the collegial body, they may be remunerated from the company's funds. The general shareholders' meeting should approve the amount of such remuneration.	Yes	The general shareholders' meeting approves the amount of annual tantiemes paid to the members of the Board. In 2017 the members of the Board reached the decision to pay tantiemes for work in the Board to all members of the Board.
Principle IV: The duties and liabilities of a collegial body elected by the general shareholders' meeting **The corporate governance framework should ensure proper and effective functioning of the collegial body elected by the general shareholders' meeting, and the powers granted to the collegial body should ensure effective monitoring of the company's management bodies and protection of interests of all the company's shareholders.**		
4.1. The collegial body elected by the general shareholders' meeting (hereinafter in this Principle referred to as the 'collegial body') should ensure integrity and transparency of the company's financial statements and the control system. The collegial body should issue recommendations to the company's management bodies and monitor and control the company's management performance.	Yes	The Chief Executive Officer of the Company at least once in a month reports to the Company's Board and receives its recommendations. The Board of the Company confirms the annual report prepared by the Chief Executive Officer.
4.2. Members of the collegial body should act in good faith, with care and responsibility for the benefit and in the interests of the company and its shareholders with due regard to the interests of employees and public welfare. Independent members of the collegial body should (a) under all circumstances maintain independence of their analysis, decision-making and actions (b) do not seek and accept any unjustified privileges that might compromise their independence, and (c) clearly express their objections should a member consider that decision of the collegial body is against the interests of the company. Should a collegial body have passed decisions independent member has serious doubts about, the member should make adequate conclusions. Should an independent member resign from his office, he should explain the reasons in a letter addressed to the collegial body or audit committee and, if necessary, respective company-not-pertaining body (institution).	Yes	Members of the Company's Board act in good faith for the benefit and in the interests of the Company. They try to maintain own independence in making decisions.

4.3. Each member should devote sufficient time and attention to perform his duties as a member of the collegial body. Each member of the collegial body should limit other professional obligations of his (in particular any directorships held in other companies) in such a manner they do not interfere with proper performance of duties of a member of the collegial body. In the event a member of the collegial body should be present in less than a half of the meetings of the collegial body throughout the financial year of the company, shareholders of the company should be notified.	Yes	Board members perform their functions properly: actively participate in the Board meetings and devote sufficient time and attention to perform their duties. Board meetings are attended by all members.
4.4. Where decisions of a collegial body may have a different effect on the company's shareholders, the collegial body should treat all shareholders impartially and fairly. It should ensure that shareholders are properly informed on the company's affairs, strategies, risk management and resolution of conflicts of interest. The company should have a clearly established role of members of the collegial body when communicating with and committing to shareholders.	Yes	The Company follows this recommendation.
4.5. It is recommended that transactions (except insignificant ones due to their low value or concluded when carrying out routine operations in the company under usual conditions), concluded between the company and its shareholders, members of the supervisory or managing bodies or other natural or legal persons that exert or may exert influence on the company's management should be subject to approval of the collegial body. The decision concerning approval of such transactions should be deemed adopted only provided the majority of the independent members of the collegial body voted for such a decision.	Yes	The transactions between the Company and its shareholders, Supervisory Board or management bodies or other natural or legal persons that may have influence on management of the Company are confirmed according to the Articles of Association of the Company.
4.6. The collegial body should be independent in passing decisions that are significant for the company's operations and strategy. Taken separately, the collegial body should be independent of the company's management bodies. Members of the collegial body should act and pass decisions without an outside influence from the persons who have elected it. Companies should ensure that the collegial body and its committees are provided with sufficient administrative and financial resources to discharge their duties, including the right to obtain, in particular from employees of the company, all the necessary information or to seek independent legal, accounting or any other advice on issues pertaining to the competence of the collegial body and its committees.	Yes	The Company's Board has financial resources and does not depend on the Company's management.
4.7. Activities of the collegial body should be organized in a manner that independent members of the collegial body could have major influence in relevant areas where chances of occurrence of conflicts of interest are very high. Such areas to be considered as highly relevant are issues of nomination of company's directors, determination of directors' remuneration and control and assessment of company's audit. Therefore, when the mentioned issues are attributable to the competence of the collegial body, it is recommended that the collegial body should establish nomination, remuneration, and audit committees. Companies should ensure that the functions attributable to the nomination, remuneration, and audit committees are carried out. However, they may decide to merge these functions and set up less than three committees. In such case a company should explain in detail reasons behind the selection of alternative approach and how the selected approach complies with the objectives set forth for the three different committees. Should the collegial body of the company comprise small number of members, the functions assigned to the three committees may be performed by the collegial body itself, provided that it meets composition requirements advocated for the committees and that adequate information is provided in this respect. In such case provisions of this Code relating to the committees of the collegial body (in particular with respect to their role, operation, and transparency) should apply, where relevant, to the collegial body as a whole.	No	The Committees of Nomination and Remuneration are not established because of the structural simplicity of the Company's management. Question regarding establishment of nomination and remuneration committees will be solved in the future after analysing situation, evaluating financial expenses and other factors, implementing best practices in the market. The compliance with the requirements for the preparation of the set of the consolidated financial statements, internal control and financial risk management systems, legal acts regulating the preparation of the set of the consolidated financial statements is supervised by the Audit Committee established on 16 September 2013.

4.8. The key objective of the committees is to increase efficiency of the activities of the collegial body by ensuring that decisions are based on due consideration, and to help organize its work with a view to ensuring that the decisions it takes are free of material conflicts of interest. Committees should present the collegial body with recommendations concerning the decisions of the collegial body. Nevertheless the final decision shall be adopted by the collegial body. The recommendation on creation of committees is not intended, in principle, to constrict the competence of the collegial body or to remove the matters considered from the purview of the collegial body itself, which remains fully responsible for the decisions taken in its field of competence.	No	The Committees of Nomination and Remuneration are not established because of the structural simplicity of the Company's management. The compliance with the requirements for the preparation of the set of the consolidated financial statements, internal control and financial risk management systems, legal acts regulating the preparation of the set of the consolidated financial statements is supervised by the Audit Committee established on 16 September 2013.
4.9. Committees established by the collegial body should normally be composed of at least three members. In companies with small number of members of the collegial body, they could exceptionally be composed of two members. Majority of the members of each committee should be constituted from independent members of the collegial body. In cases when the company chooses not to set up a supervisory board, remuneration and audit committees should be entirely comprised of non-executive directors.	No	The Committees of Nomination and Remuneration are not established because of the structural simplicity of the Company's management. The Audit Committee of Vilniaus Baldai AB consists of 2 members, one of them is independent.
4.10. Authority of each of the committees should be determined by the collegial body. Committees should perform their duties in line with authority delegated to them and inform the collegial body on their activities and performance on regular basis. Authority of every committee stipulating the role and rights and duties of the committee should be made public at least once a year (as part of the information disclosed by the company annually on its corporate governance structures and practices). Companies should also make public annually a statement by existing committees on their composition, number of meetings and attendance over the year, and their main activities. Audit committee should confirm that it is satisfied with the independence of the audit process and describe briefly the actions it has taken to reach this conclusion.	No	The Committees of Nomination and Remuneration are not established because of the structural simplicity of the Company's management.
4.11. In order to ensure independence and impartiality of the committees, members of the collegial body that are not members of the committee should commonly have a right to participate in the meetings of the committee only if invited by the committee. A committee may invite or demand participation in the meeting of particular officers or experts. Chairman of each of the committees should have a possibility to maintain direct communication with the shareholders. Events when such are to be performed should be specified in the regulations for committee activities.	No	The Committees of Nomination and Remuneration are not established because of the structural simplicity of the Company's management.

4.12. Nomination Committee. 4.12.1. Key functions of the nomination committee should be the following: 1) Identify and recommend, for the approval of the collegial body, candidates to fill board vacancies. The nomination committee should evaluate the balance of skills, knowledge and experience on the management body, prepare a description of the roles and capabilities required to assume a particular office, and assess the time commitment expected. Nomination committee can also consider candidates to members of the collegial body delegated by the shareholders of the company; 2) Assess on regular basis the structure, size, composition and performance of the supervisory and management bodies, and make recommendations to the collegial body regarding the means of achieving necessary changes; 3) Assess on regular basis the skills, knowledge and experience of individual directors and report on this to the collegial body; 4) Properly consider issues related to succession planning; 5) Review the policy of the management bodies for selection and appointment of senior management. 4.12.2. Nomination committee should consider proposals by other parties, including management and shareholders. When dealing with issues related to executive directors or members of the board (if a collegial body elected by the general shareholders' meeting is the supervisory board) and senior management, chief executive officer of the company should be consulted by, and entitled to submit proposals to the nomination committee.	No	The Committees of Nomination and Remuneration are not established because of the structural simplicity of the Company's management.
4.13. Remuneration Committee. 4.13.1. Key functions of the remuneration committee should be the following: 1) Make proposals, for the approval of the collegial body, on the remuneration policy for members of management bodies and executive directors. Such policy should address all forms of compensation, including the fixed remuneration, performance-based remuneration schemes, pension arrangements, and termination payments. Proposals considering performance-based remuneration schemes should be accompanied with recommendations on the related objectives and evaluation criteria, with a view to properly aligning the pay of executive director and members of the management bodies with the long-term interests of the shareholders and the objectives set by the collegial body; 2) Make proposals to the collegial body on the individual remuneration for executive directors and member of management bodies in order their remunerations are consistent with company's remuneration policy and the evaluation of the performance of these persons concerned. In doing so, the committee should be properly informed on the total compensation obtained by executive directors and members of the management bodies from the affiliated companies; 3) Make proposals to the collegial body on suitable forms of contracts for executive directors and members of the management bodies; 4) Assist the collegial body in overseeing how the company complies with applicable provisions regarding the remuneration-related information disclosure (in particular the remuneration policy applied and individual remuneration of directors); 5) Make general recommendations to the executive directors and members of the management bodies on the level and structure of remuneration for senior management (as defined by the collegial body) with regard to the respective information provided by the executive directors and members of the management bodies. 4.13.2. With respect to stock options and other share-based incentives which may be granted to directors or other employees, the committee should:	No	The Committees of Nomination and Remuneration are not established because of the structural simplicity of the Company's management.

1) Consider general policy regarding the granting of the above mentioned schemes, in particular stock options, and make any related proposals to the collegial body; 2) Examine the related information that is given in the company's annual report and documents intended for the use during the shareholders meeting; 3) Make proposals to the collegial body regarding the choice between granting options to subscribe shares or granting options to purchase shares, specifying the reasons for its choice as well as the consequences that this choice has. 4.13.3. Upon resolution of the issues attributable to the competence of the remuneration committee, the committee should at least address the chairman of the collegial body and/or chief executive officer of the company for their opinion on the remuneration of other executive directors or members of the management bodies.		
4.14. Audit Committee. 4.14.1. Key functions of the audit committee should be the following: 1) Observe the integrity of the financial information provided by the company, in particular by reviewing the relevance and consistency of the accounting methods used by the company and its group (including the criteria for the consolidation of the accounts of companies in the group); 2) At least once a year review the systems of internal control and risk management to ensure that the key risks (inclusive of the risks in relation with compliance with existing laws and regulations) are properly identified, managed and reflected in the information provided; 3) Ensure the efficiency of the internal audit function, among other things, by making recommendations on the selection, appointment, reappointment and removal of the head of the internal audit department and on the budget of the department, and by monitoring the responsiveness of the management to its findings and recommendations. Should there be no internal audit authority in the company, the need for one should be reviewed at least annually; 4) Make recommendations to the collegial body related with selection, appointment, reappointment and removal of the external auditor (to be done by the general shareholders' meeting) and with the terms and conditions of his engagement. The committee should investigate situations that lead to a resignation of the audit company or auditor and make recommendations on required actions in such situations; 5) Monitor independence and impartiality of the external auditor, in particular by reviewing the audit company's compliance with applicable guidance relating to the rotation of audit partners, the level of fees paid by the company, and similar issues. In order to prevent occurrence of material conflicts of interest, the committee, based on the auditor's disclosed inter alia data on all remunerations paid by the company to the auditor and network, should at all times monitor nature and extent of the non-audit services. Having regard to the principals and guidelines established in the 16 May 2002 Commission Recommendation 2002/590/EC, the committee should determine and apply a formal policy establishing types of non-audit services that are (a) excluded, (b) permissible only after review by the committee, and (c) permissible without referral to the committee; 6) Review efficiency of the external audit process and responsiveness of management to recommendations made in the external auditor's management letter.	Yes	The compliance with the requirements for the preparation of the set of the consolidated financial statements, internal control and financial risk management systems, legal acts regulating the preparation of the set of the consolidated financial statements is supervised by the Audit Committee established on 16 September 2013. The main functions of the Audit Committee of Vilniaus Baldai AB are: 1. to advice for the Board on the selection, assignment, repeated assignment and dismissal of the external audit company and on the conditions of the agreement with external audit company; 2. to observe the process of external audit; 3. to observe if external audit company and its auditors keep the principles of independency and objectivity; 4. to observe the process of preparation of financial statements; 5. to observe the efficiency of internal control and risk management systems and to evaluate the need of internal audit functions once per financial year.

4.14.2. All members of the committee should be furnished with complete information on particulars of accounting, financial and other operations of the company. Company's management should inform the audit committee of the methods used to account for significant and unusual transactions where the accounting treatment may be open to different approaches. In such case a special consideration should be given to company's operations in offshore centres and/or activities carried out through special purpose vehicles (organizations) and justification of such operations. 4.14.3. The audit committee should decide whether participation of the chairman of the collegial body, chief executive officer of the company, chief financial officer (or superior employees in charge of finances, treasury and accounting), or internal and external auditors in the meetings of the committee is required (if required, when). The committee should be entitled, when needed, to meet with any relevant person without executive directors and members of the management bodies present. 4.14.4. Internal and external auditors should be secured with not only effective working relationship with management, but also with free access to the collegial body. For this purpose the audit committee should act as the principal contact person for the internal and external auditors. 4.14.5. The audit committee should be informed of the internal auditor's work program, and should be furnished with internal audit's reports or periodic summaries. The audit committee should also be informed of the work program of the external auditor and should be furnished with report disclosing all relationships between the independent auditor and the company and its group. The committee should be timely furnished information on all issues arising from the audit. 4.14.6. The audit committee should examine whether the company is following applicable provisions regarding the possibility for employees to report alleged significant irregularities in the company, by way of complaints or through anonymous submissions (normally to an independent member of the collegial body), and should ensure that there is a procedure established for proportionate and independent investigation of these issues and for appropriate follow-up action. 4.14.7. The audit committee should report on its activities to the collegial body at least once in every six months, at the time the yearly and half-yearly statements are approved.		
4.15. Every year the collegial body should conduct the assessment of its activities. The assessment should include evaluation of collegial body's structure, work organization and ability to act as a group, evaluation of each of the collegial body member's and committee's competence and work efficiency and assessment whether the collegial body has achieved its objectives. The collegial body should, at least once a year, make public (as part of the information the company annually discloses on its management structures and practices) respective information on its internal organization and working procedures, and specify what material changes were made as a result of the assessment of the collegial body of its own activities.	No	There was no such practice.

Principle V: The working procedure of the company's collegial bodies **The working procedure of supervisory and management bodies established in the company should ensure efficient operation of these bodies and decision-making and encourage active co-operation between the company's bodies.**		
5.1. The company's supervisory and management bodies (hereinafter in this Principle the concept 'collegial bodies' covers both the collegial bodies of supervision and the collegial bodies of management) should be chaired by chairpersons of these bodies. The chairperson of a collegial body is responsible for proper convocation of the collegial body meetings. The chairperson should ensure that information about the meeting being convened and its agenda are communicated to all members of the body. The chairperson of a collegial body should ensure appropriate conducting of the meetings of the collegial body. The chairperson should ensure order and working atmosphere during the meeting.	Yes	This provision is adopted in the Company by collegial management body – the Board.
5.2. It is recommended that meetings of the company's collegial bodies should be carried out according to the schedule approved in advance at certain intervals of time. Each company is free to decide how often to convene meetings of the collegial bodies, but it is recommended that these meetings should be convened at such intervals, which would guarantee an interrupted resolution of the essential corporate governance issues. Meetings of the company's supervisory board should be convened at least once in a quarter, and the company's board should meet at least once a month.	Yes	Meetings of the Company's Board are arranged at least once in a month.
5.3. Members of a collegial body should be notified about the meeting being convened in advance in order to allow sufficient time for proper preparation for the issues on the agenda of the meeting and to ensure fruitful discussion and adoption of appropriate decisions. Alongside with the notice about the meeting being convened, all the documents relevant to the issues on the agenda of the meeting should be submitted to the members of the collegial body. The agenda of the meeting should not be changed or supplemented during the meeting, unless all members of the collegial body are present or certain issues of great importance to the company require immediate resolution.	Yes	The Company follows the provisions listed in this recommendation.
5.4. In order to co-ordinate operation of the company's collegial bodies and ensure effective decision-making process, chairpersons of the company's collegial bodies of supervision and management should closely co-operate by co-coordinating dates of the meetings, their agendas and resolving other issues of corporate governance. Members of the company's board should be free to attend meetings of the company's supervisory board, especially where issues concerning removal of the board members, their liability or remuneration are discussed.	No	The Company cannot implement this principle, because the Company only has a collegial management body, i.e. the Board.
Principle VI: The equitable treatment of shareholders and shareholder rights **The corporate governance framework should ensure the equitable treatment of all shareholders, including minority and foreign shareholders. The corporate governance framework should protect the rights of the shareholders.**		
6.1. It is recommended that the company's capital should consist only of the shares that grant the same rights to voting, ownership, dividend and other rights to all their holders.	Yes	The Company's capital consists of ordinary shares that grant the same rights to all their holders.
6.2. It is recommended that investors should have access to the information concerning the rights attached to the shares of the new issue or those issued earlier in advance, i.e. before they purchase shares.	Yes	The Company fully follows the provisions listed in this recommendation.
6.3. Transactions that are important to the company and its shareholders, such as transfer, investment, and pledge of the company's assets or any other type of encumbrance should be subject to approval of the general shareholders' meeting. All shareholders should be furnished with equal opportunity to familiarize with and participate in the decision-making process when significant corporate issues, including approval of transactions referred to above, are discussed.	No	The Company does not follow this provision because of the established routine practice, which resulted from the faster and timely decision-making process. The Company's Board adopts decisions on these matters.

6.4. Procedures of convening and conducting a general shareholders' meeting should ensure equal opportunities for the shareholders to effectively participate at the meetings and should not prejudice the rights and interests of the shareholders. The venue, date, and time of the shareholders' meeting should not hinder wide attendance of the shareholders. Prior to the shareholders' meeting, the company's supervisory and management bodies should enable the shareholders to lodge questions on issues on the agenda of the general shareholders' meeting and receive answers to them.	Yes	All the shareholders of the Company are informed about the date, venue and time of the General Meeting. Prior to the General Meeting of Shareholders all the shareholders have possibility to receive information related to the agenda of the General Meeting.
6.5. It is recommended that documents on the course of the general shareholders' meeting, including draft resolutions of the meeting, should be placed on the publicly accessible website of the company in advance. It is recommended that the minutes of the general shareholders' meeting after signing them and/or adopted resolutions should be also placed on the publicly accessible website of the company. Seeking to ensure the right of foreigners to familiarize with the information, whenever feasible, documents referred to in this recommendation should be published in English and/or other foreign languages. Documents referred to in this recommendation may be published on the publicly accessible website of the company to the extent that publishing of these documents is not detrimental to the company or the company's commercial secrets are not revealed.	Yes	The Company discloses the documents prepared for the General Meeting, including draft resolutions of the meetings via the information disclosure system of AB NASDAQ Vilnius Stock Exchange. The information is e-mailed to each shareholder on request. This information is also publicly accessible on the website of the Company.
6.6. Shareholders should be furnished with the opportunity to vote in the general shareholders' meeting in person and in absentia. Shareholders should not be prevented from voting in writing in advance by completing the general voting ballot.	Yes	Shareholders of the Company can implement the right to participate at the General Meeting of Shareholders either in person, or through the representative, if a person has the duly issued Power of Attorney. The Company also provides the possibilities for the shareholders to vote by completing the general voting ballot.
6.7. With a view to increasing the shareholders' opportunities to participate effectively at shareholders' meetings, the companies are recommended to expand use of modern technologies in voting processes by allowing the shareholders to vote in general meetings via terminal equipment of telecommunications. In such cases security of telecommunication equipment, text protection and a possibility to identify the signature of the voting person should be guaranteed. Moreover, companies could furnish their shareholders, especially foreigners, with the opportunity to watch shareholder meetings by means of modern technologies.	Not appli-cable	Until now the Company has not had any need to implement this recommendation. Shareholders of the Company can vote through the authorized person or completing the general voting ballot.
Principle VII: The avoidance of conflicts of interest and their disclosure **The corporate governance framework should encourage members of the corporate bodies to avoid conflicts of interest and assure transparent and effective mechanism of disclosure of conflicts of interest regarding members of the corporate bodies.**		
7.1. Any member of the company's supervisory and management body should avoid a situation, in which his/her personal interests are in conflict or may be in conflict with the company's interests. In case such a situation did occur, a member of the company's supervisory and management body should, within reasonable time, inform other members of the same collegial body or the company's body that has elected him/her, or to the company's shareholders about a situation of a conflict of interest, indicate the nature of the conflict and value, where possible.	Yes	The Company follows these recommendations.
7.2. Any member of the company's supervisory and management body may not mix the company's assets, the use of which has not been mutually agreed upon, with his/her personal assets or use them or the information which he/she learns by virtue of his/her position as a member of a corporate body for his/her personal benefit or for the benefit of any third person without a prior agreement of the general shareholders' meeting or any other corporate body authorized by the meeting.	Yes	

<table>
<tr><td>7.3. Any member of the company's supervisory and management body may conclude a transaction with the company, a member of a corporate body of which he/she is. Such a transaction (except insignificant ones due to their low value or concluded when carrying out routine operations in the company under usual conditions) must be immediately reported in writing or orally, by recording this in the minutes of the meeting, to other members of the same corporate body or to the corporate body that has elected him/her or to the company's shareholders. Transactions specified in this recommendation are also subject to recommendation 4.5.</td><td>Yes</td><td>The Company follows these recommendations.</td></tr>
<tr><td>7.4. Any member of the company's supervisory and management body should abstain from voting when decisions concerning transactions or other issues of personal or business interest are voted on.</td><td>Yes</td><td>The Company's Board members are acquainted with these principles and must follow these recommendations.</td></tr>
<tr><td colspan="3">Principle VIII: Company's remuneration policy

Remuneration policy and procedure for approval, revision and disclosure of directors' remuneration established in the company should prevent potential conflicts of interest and abuse in determining remuneration of directors, in addition it should ensure publicity and transparency both of company's remuneration policy and remuneration of directors.</td></tr>
<tr><td>8.1. A company should make a public statement of the company's remuneration policy (hereinafter the remuneration statement). This statement should be part of the company's annual accounts. Remuneration statement should also be posted on the company's website.</td><td>No</td><td>The Company does not prepare a statement of the remuneration policy.
The Company publishes in the annual information the amount of the remuneration of chief management and the averages of the remuneration of the Company's administration and workers. The above mentioned information is presented in compliance with the procedure set out by the legislation of the Republic of Lithuania and at the Company.</td></tr>
<tr><td>8.2. Remuneration statement should mainly focus on directors' remuneration policy for the following year and, if appropriate, the subsequent years. The statement should contain a summary of the implementation of the remuneration policy in the previous financial year. Special attention should be given to any significant changes in company's remuneration policy as compared to the previous financial year.</td><td>No</td><td>The Company does not prepare the remuneration statement, because the majority of the points of Principle VIII are not relevant to the present structure of the Company.</td></tr>
<tr><td>8.3. Remuneration statement should leastwise include the following information:
• Explanation of the relative importance of the variable and non-variable components of directors' remuneration;
• Sufficient information on performance criteria that entitles directors to share options, shares or variable components of remuneration;
• Sufficient information on the linkage between the remuneration and performance;
• The main parameters and rationale for any annual bonus scheme and any other non-cash benefits;
• A description of the main characteristics of supplementary pension or early retirement schemes for directors; however, remuneration statement should not include information which should not be disclosed for commercial reasons.</td><td>No</td><td>The Company does not prepare the remuneration statement, because the majority of the points of Principle VIII are not relevant to the present structure of the Company.</td></tr>
<tr><td>8.4. Remuneration statement should also summarize and explain company's policy regarding the terms of the contracts executed with executive directors and members of the management bodies. It should include, inter alia, information on the duration of contracts with executive directors and members of the management bodies, the applicable notice periods and details of provisions for termination payments linked to early termination under contracts for executive directors and members of the management bodies.</td><td>No</td><td>The Company does not prepare the remuneration statement, because the majority of the points of Principle VIII are not relevant to the present structure of the Company.</td></tr>
</table>

8.5. The information on preparatory and decision-making processes, during which a policy of remuneration of directors is being established, should also be disclosed. Information should include data, if applicable, on authorities and composition of the remuneration committee, names and surnames of external consultants whose services have been used in determination of the remuneration policy as well as the role of shareholders' annual general meeting.	No	The Company does not prepare the remuneration statement, because the majority of the points of Principle VIII are not relevant to the present structure of the Company.
8.6. Without prejudice to the role and organization of the relevant bodies responsible for setting directors' remunerations, the remuneration policy or any significant change in remuneration policy should be included into the agenda of the shareholders' annual general meeting. Remuneration statement should be put for voting in shareholders' annual general meeting. The vote may be either mandatory or advisory.	No	The Company does not prepare the remuneration statement, because the majority of the points of Principle VIII are not relevant to the present structure of the Company.
8.7. Remuneration statement should also contain detailed information on the entire amount of remuneration, inclusive of other benefits, that was paid to individual directors over the relevant financial year. This document should list at least the information set out in items 8.7.1 to 8.7.4 for each person who has served as a director of the company at any time during the relevant financial year. 8.7.1. The following remuneration and/or emoluments-related information should be disclosed: • The total amount of remuneration paid or due to the director for services performed during the previous financial year, inclusive of, where relevant, attendance fees fixed by the annual general shareholders meeting; • The remuneration and advantages received from any undertaking belonging to the same group; • The remuneration paid in the form of profit sharing and/or bonus payments and the reasons why such bonus payments and/or profit sharing were granted; • If permissible by the law, any significant additional remuneration paid to directors for special services outside the scope of the usual functions of a director; • Compensation receivable or paid to each former executive director or member of the management body as a result of his resignation from the office during the previous financial year; • Total estimated value of non-cash benefits considered as remuneration, other than the items covered in the above points. 8.7.2. As regards shares and/or rights to acquire share options and/or all other share-incentive schemes, the following information should be disclosed: • The number of share options offered or shares granted by the company during the previous financial year and their conditions of application; • The number of shares options exercised during the previous financial year and, for each of them, the number of shares involved and the exercise price or the value of the interest in the share incentive scheme at the end of the financial year; • The number of share options unexercised at the end of the financial year; their exercise price, the exercise date and the main conditions for the exercise of the rights; • All changes in the terms and conditions of existing share options occurring during the upcoming financial year. 8.7.3. The following supplementary pension schemes-related information should be disclosed: • When the pension scheme is a defined-benefit scheme, changes in the directors' accrued benefits under that scheme during the relevant financial year; • When the pension scheme is defined-contribution scheme, detailed information on contributions paid or payable by the company in respect of that director during the relevant financial year.	No	The Company does not prepare the remuneration statement, because the majority of the points of Principle VIII are not relevant to the present structure of the Company.

8.7.4. The statement should also state amounts that the company or any subsidiary company or entity included in the consolidated annual financial statements of the company has paid to each person who has served as a director in the company at any time during the relevant financial year in the form of loans, advance payments or guarantees, including the amount outstanding and the interest rate.		The Company does not prepare the remuneration statement, because the majority of the points of Principle VIII are not relevant to the present structure of the Company.
8.8. Schemes anticipating remuneration of directors in shares, share options or any other right to purchase shares or be remunerated on the basis of share price movements should be subject to the prior approval of shareholders' annual general meeting by way of a resolution prior to their adoption. The approval of scheme should be related with the scheme itself and not to the grant of such share-based benefits under that scheme to individual directors. All significant changes in scheme provisions should also be subject to shareholders' approval prior to their adoption; the approval decision should be made in shareholders' annual general meeting. In such case shareholders should be notified on all terms of suggested changes and get an explanation on the impact of the suggested changes.	Not appli-cable	Schemes anticipating remuneration of directors in shares, share options or any other right to purchase shares or be remunerated on the basis of share price movements are not used in the Company.
8.9. The following issues should be subject to approval by the shareholders' annual general meeting: • Grant of share-based schemes, including share options, to directors; • Determination of maximum number of shares and main conditions of share granting; • The term within which options can be exercised; • The conditions for any subsequent change in the exercise of the options, if permissible by law; • All other long-term incentive schemes for which directors are eligible and which are not available to other employees of the company under similar terms. Annual general meeting should also set the deadline within which the body responsible for remuneration of directors may award compensations listed in this article to individual directors.		
8.10. Should national law or company's Articles of Association allow, any discounted option arrangement under which any rights are granted to subscribe to shares at a price lower than the market value of the share prevailing on the day of the price determination, or the average of the market values over a number of days preceding the date when the exercise price is determined, should also be subject to the shareholders' approval.		
8.11. Provisions of Articles 8.8 and 8.9 should not be applicable to schemes allowing for participation under similar conditions to company's employees or employees of any subsidiary company whose employees are eligible to participate in the scheme and which has been approved in the shareholders' annual general meeting.		

8.12. Prior to the annual general meeting that is intended to consider decision stipulated in Article 8.8, the shareholders must be provided an opportunity to familiarize with draft resolution and project-related notice (the documents should be posted on the company's website). The notice should contain the full text of the share-based remuneration schemes or a description of their key terms, as well as full names of the participants in the schemes. Notice should also specify the relationship of the schemes and the overall remuneration policy of the directors. Draft resolution must have a clear reference to the scheme itself or to the summary of its key terms. Shareholders must also be presented with information on how the company intends to provide for the shares required to meet its obligations under incentive schemes. It should be clearly stated whether the company intends to buy shares in the market, hold the shares in reserve or issue new ones. There should also be a summary on scheme-related expenses the company will suffer due to the anticipated application of the scheme. All information given in this article must be posted on the company's website.	Not appli-cable	Schemes anticipating remuneration of directors in shares, share options or any other right to purchase shares or be remunerated on the basis of share price movements are not used in the Company.
Principle IX: The role of stakeholders in corporate governance **The corporate governance framework should recognize the rights of stakeholders as established by law and encourage active co-operation between companies and stakeholders in creating the company value, jobs and financial sustainability. For the purposes of this Principle, the concept *"stakeholders"* includes investors, employees, creditors, suppliers, clients, local community and other persons having certain interest in the company concerned.**		
9.1. The corporate governance framework should assure that the rights of stakeholders that are protected by law are respected.	Yes	The Company follows all the requirements provided by the laws, ensuring the rights of stakeholders. The Company's employees make an influence on the Company's management through the Trade Union; the relationships with the creditors, suppliers and clients are stipulated in the contracts established with them.
9.2. The corporate governance framework should create conditions for the stakeholders to participate in corporate governance in the manner prescribed by law. Examples of mechanisms of stakeholder participation in corporate governance include: employee participation in adoption of certain key decisions for the company; consulting the employees on corporate governance and other important issues; employee participation in the company's share capital; creditor involvement in governance in the context of the company's insolvency, etc.		
9.3. Where stakeholders participate in the corporate governance process, they should have access to relevant information.		

<table>
<tr><td colspan="3">Principle X: Information disclosure

The corporate governance framework should ensure that timely and accurate disclosure is made on all material information regarding the company, including the financial situation, performance and governance of the company.</td></tr>
<tr><td>10.1. The company should disclose information on:
• The financial and operating results of the company;
• Company objectives;
• Persons holding by the right of ownership or in control of a block of shares in the company;
• Members of the company's supervisory and management bodies, chief executive officer of the company and their remuneration;
• Material foreseeable risk factors;
• Transactions between the company and connected persons, as well as transactions concluded outside the course of the company's regular operations;
• Material issues regarding employees and other stakeholders;
• Governance structures and strategy.

This list should be deemed as a minimum recommendation, while the companies are encouraged not to limit themselves to disclosure of the information specified in this list.
10.2. It is recommended that consolidated results of the whole group to which the company belongs should be disclosed when information specified in item 1 of Recommendation 10.1 is under disclosure.
10.3. It is recommended that information on the professional background, qualifications of the members of supervisory and management bodies, chief executive officer of the company should be disclosed as well as potential conflicts of interest that may have an effect on their decisions when information specified in item 4 of Recommendation 10.1 about the members of the company's supervisory and management bodies is under disclosure. It is also recommended that information about the amount of remuneration received from the company and other income should be disclosed with regard to members of the company's supervisory and management bodies and chief executive officer as per Principle VIII.
10.4. It is recommended that information about the links between the company and its stakeholders, including employees, creditors, suppliers, local community, as well as the company's policy with regard to human resources, employee participation schemes in the company's share capital, etc. should be disclosed when information specified in item 7 of Recommendation 10.1 is under disclosure.</td><td>Yes</td><td>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.</td></tr>
<tr><td>10.5. Information should be disclosed in such a way that neither shareholders nor investors are discriminated with regard to the manner or scope of access to information. Information should be disclosed to all simultaneously. It is recommended that notices about material events should be announced before or after a trading session on the Vilnius Stock Exchange, so that all the company's shareholders and investors should have equal access to the information and make informed investing decisions.</td><td>Yes</td><td>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.</td></tr>
</table>

10.6. Channels for disseminating information should provide for fair, timely and cost-efficient access to relevant information by users. It is recommended that information technologies should be employed for wider dissemination of information, for instance, by placing the information on the company's website. It is recommended that information should be published and placed on the company's website not only in Lithuanian, but also in English, and, whenever possible and necessary, in other languages as well.	Yes	The company sends the reports simultaneously to the Bank of Lithuania and NASDAQ Vilnius AB Stock Exchange. In this way the independent and timely accessibility of the information is ensured. The information on the major events is presented in the Lithuanian and English languages.
10.7. It is recommended that the company's annual reports and other periodical accounts prepared by the company should be placed on the company's website. It is recommended that the company should announce information about material events and changes in the price of the company's shares on the Stock Exchange on the company's website too.	Yes	The Company announces on its website annual information and other periodic reports prepared by the Company, announcements about material events and changes of the Company's share prices on the Stock Exchange.
Principle XI: The selection of the company's auditor **The mechanism of the selection of the company's auditor should ensure independence of the firm of auditor's conclusion and opinion.**		
11.1. An annual audit of the company's interim and annual financial statements and report should be conducted by an independent firm of auditors in order to provide an external and objective opinion on the company's financial statements.	No	The independent firm of auditors conducts the audit of the annual financial statements and reviews the annual report to check whether there is no material inconsistencies between the financial information included in it and in the audited financial statements. The audit of the interim financial statements is not conducted.
11.2. It is recommended that the company's supervisory board and, where it is not set up, the company's board should propose a candidate firm of auditors to the general shareholders' meeting.	Yes	Company follows this principle. A candidate firm of auditors to the General Meeting is proposed by Board of the Company.
11.3. It is recommended that the company should disclose to its shareholders the level of fees paid to the firm of auditors for non-audit services rendered to the company. This information should be also known to the company's supervisory board and, where it is not formed, the company's board upon their consideration which firm of auditors to propose for the general shareholders' meeting.	Yes	Shareholders are informed about other fees paid to auditors for non-audit services, if such fees occur.

(all amounts are in EUR thousand unless otherwise stated)

Statement of financial position

	Notes	Group		Company	
		As of 31 August 2018	As of 31 August 2017	As of 31 August 2018	As of 31 August 2017
ASSETS					
Non-current assets					
Intangible assets	4	42	34	42	34
Property, plant and equipment	5				
Land and buildings		4,345	2,252	2,328	2,252
Machinery and equipment		15,406	10,522	15,406	10,522
Vehicles		2	4	2	4
Other property, plant and equipment		876	587	873	586
Total property, plant and equipment		20,629	13,365	18,609	13,364
Investments in subsidiaries	6	-	-	7	5
Deferred income tax asset	22	115	126	115	126
Total non-current assets		**20,786**	**13,525**	**18,773**	**13,529**
Current assets					
Inventories	7	7,134	6,493	7,134	6,493
Trade receivables	8	6,457	4,607	6,504	4,607
Prepayments		178	194	162	193
Current income tax assets		248	-	248	-
Loans granted	9	-	506	2,160	506
Other receivables	10	1,102	694	1,055	664
Cash and cash equivalents	11	843	954	627	888
Total current assets		**15,962**	**13,448**	**17,890**	**13,351**
Total assets		**36,748**	**26,973**	**36,663**	**26,880**

(cont'd on the next page)

(all amounts are in EUR thousand unless otherwise stated)

Statement of financial position (cont'd)

		Group		Company	
	Notes	As of 31 August 2018	As of 31 August 2017	As of 31 August 2018	As of 31 August 2017
EQUITY AND LIABILITIES					
Equity					
Share capital	1	4,508	4,508	4,508	4,508
Legal reserve	12	451	451	451	451
Retained earnings		10,892	9,687	10,855	9,635
Total equity		**15,851**	**14,646**	**15,814**	**14,594**
Liabilities					
Non-current liabilities					
Non-current borrowings	13	7,873	-	7,873	-
Provisions for employee benefits	14	815	708	815	708
Deferred income/revenue		52	55	52	55
Total non-current liabilities		**8,740**	**763**	**8,740**	**763**
Current liabilities					
Current portion of non-current borrowings	13	966	810	966	810
Credit line	13	-	3,000	-	3,000
Trade payables	15	8,064	4,838	8,060	4,856
Other current liabilities and accrued liabilities	16	3,127	2,916	3,083	2,857
Total current liabilities		**12,157**	**11,564**	**12,109**	**11,523**
Total liabilities		**20,897**	**12,327**	**20,849**	**12,286**
Total equity and liabilities		**36,748**	**26,973**	**36,663**	**26,880**

The accompanying notes set out in pages 48–80 are an integral part of these financial statements.

General Manager	Jonas Krutinis		29 November 2018
Chief accountant	Renata Banevičiūtė		29 November 2018

(all amounts are in EUR thousand unless otherwise stated)

Statement of profit or loss and other comprehensive income

	Notes	Group 2018	Group 2017	Company 2018	Company 2017
Revenue	17	69,322	63,423	69,322	63,423
Cost of sales	18	(62,875)	(54,585)	(62,967)	(54,675)
Gross profit		**6,447**	**8,838**	**6,355**	**8,748**
Selling and distribution expenses	19	(1,287)	(1,246)	(1,287)	(1,246)
Administrative expenses	19	(2,852)	(2,719)	(2,782)	(2,659)
Other income	20	568	325	573	327
Other expenses	20	(231)	(164)	(231)	(164)
Operating profit		**2,645**	**5,034**	**2,628**	**5,006**
Financial income	21	24	9	55	9
Financial costs	21	(85)	(73)	(84)	(73)
Result from financial activities		(61)	(64)	(28)	(64)
Profit before income tax		**2,584**	**4,970**	**2,599**	**4,942**
Income tax expense	22	(321)	(520)	(321)	(520)
Net profit for the reporting period		**2,263**	**4,450**	**2,278**	**4,422**
Other comprehensive income not to be reclassified to profit or loss					
Actuarial change of employee benefits	14	(11)	(25)	(11)	(25)
Income tax effect	22	2	4	2	4
Total comprehensive income for the reporting period		**2,254**	**4,429**	**2,269**	**4,401**
Attributable to owners of the Company:					
Net profit		2,263	4,450	2,278	4,422
Other comprehensive income		(9)	(21)	(9)	(21)
Total comprehensive income		2,254	4,429	2,269	4,401
Basic and diluted earnings per share (in EUR)	23	0.58	1.15	0.58	1.14

The accompanying notes set out in pages 48–80 are an integral part of these financial statements.

General Manager	Jonas Krutinis		29 November 2018
Chief accountant	Renata Banevičiūtė		29 November 2018

(all amounts are in EUR thousand unless otherwise stated)

Statement of changes in equity

Group

		Attributable to the owners of the Company			
	Notes	**Share capital**	**Legal reserve**	**Retained earnings**	**Total**
Balance as of 31 August 2016		**4,508**	**451**	**6,307**	**11,266**
Net profit for the reporting period		-	-	4,450	4,450
Other comprehensive income	14	-	-	(21)	(21)
Total comprehensive income		-	-	**4,429**	**4,429**
Transactions with owners					
Dividends declared		-	-	(1,049)	(1,049)
Total transactions with owners		-	-	**(1,049)**	**(1,049)**
Balance as of 31 August 2017		**4,508**	**451**	**9,687**	**14,646**
Net profit for the reporting period		-	-	2,263	2,263
Other comprehensive income	14	-	-	(9)	(9)
Total comprehensive income		-	-	**2,254**	**2,254**
Transactions with owners					
Dividends declared		-	-	(1,049)	(1,049)
Total transactions with owners		-	-	**(1,049)**	**(1,049)**
Balance as of 31 August 2018		**4,508**	**451**	**10,892**	**15,851**

(cont'd on the next page)

(all amounts are in EUR thousand unless otherwise stated)

Statement of changes in equity (cont'd)

Company

	Notes	Share capital	Legal reserve	Retained earnings	Total
Balance as of 31 August 2016		**4,508**	**451**	**6,283**	**11,242**
Net profit for the reporting period		-	-	4,422	4,422
Other comprehensive income	14	-	-	(21)	(21)
Total comprehensive income		-	-	**4,401**	**4,401**
Transactions with owners					
Legal reserve accrual		-	-	-	-
Dividends declared		-	-	(1,049)	(1,049)
Total transactions with owners		-	-	**(1,049)**	**(1,049)**
Balance as of 31 August 2017		**4,508**	**451**	**9,635**	**14,594**
Net profit for the reporting period		-	-	2,278	2,278
Other comprehensive income	14	-	-	(9)	(9)
Total comprehensive income		-	-	**2,269**	**2,269**
Transactions with owners					
Legal reserve accrual		-	-	-	-
Dividends declared		-	-	(1,049)	(1,049)
Total transactions with owners		-	-	**(1,049)**	**(1,049)**
Balance as of 31 August 2018		**4,508**	**451**	**10,855**	**15,814**

The accompanying notes set out in pages 48–80 are an integral part of these financial statements.

General Manager	Jonas Krutinis		29 November 2018
Chief accountant	Renata Banevičiūtė		29 November 2018

(all amounts are in EUR thousand unless otherwise stated)

Statement of cash flows

	Notes	Group		Company	
		2018	**2017**	**2018**	**2017**
Cash flows from operating activities					
Profit before income tax		2,584	4,970	2,599	4,942
Adjustments for:					
Depreciation and amortization	4, 5	1,616	1,347	1,616	1,346
Change in provisions for employee benefits		107	65	107	65
Result from the disposal of property, plant and equipment		-	(22)	-	(22)
Write-off of property, plant and equipment		-	8	-	8
Interest expenses (income)		35	53	35	53
Other		11	3	11	3
		4,353	6,424	4,368	6,395
Changes in working capital:					
Decrease (increase) in inventories		(641)	115	(641)	115
Decrease (increase) in prepayments		16	(5)	31	(4)
Decrease (increase) in trade receivables		(1,850)	261	(1,897)	261
Decrease (increase) in other receivables		(410)	(585)	(410)	(575)
Increase (decrease) in other current payables and liabilities		3,750	528	4,060	520
Cash flows from operating activities		**5,218**	**6,738**	**5,511**	**6,712**
Income tax (paid)		(665)	-	(665)	-
Net cash flows from operating activities		**4,553**	**6,738**	**4,846**	**6,712**
Cash flows from investing activities					
Loans granted to related party		-	(500)	(2,160)	(500)
Loan repayments received from related party		500	-	500	-
Investment in subsidiary		-	-	(2)	-
Received interest		19	-	19	-
Purchases of property, plant and equipment and intangible assets		(8,891)	(2,994)	(6,872)	(2,993)
Proceeds from disposal of non-current assets		-	68	-	68
Transfer (to) from time deposits		-	-	-	-
Net cash flows from (used in) investing activities		**(8,372)**	**(3,426)**	**(8,515)**	**(3,425)**

(cont'd on the next page)

(all amounts are in EUR thousand unless otherwise stated)

Statement of cash flows (cont'd)

	Notes	Group		Company	
		2018	2017	2018	2017
Cash flows from (used in) financing activities					
Proceeds from loan from related party		-	-	-	-
Repayment of loan to related party		-	-	-	-
Proceeds from borrowings		7,685	4,025	7,685	4,025
Repayments of borrowings		(2,656)	(6,011)	(2,656)	(6,011)
Dividends paid		(1,045)	(1,074)	(1,045)	(1,074)
Interest paid		(54)	(53)	(54)	(53)
Net cash flows (used in) financing activities		**3,930**	**(3,113)**	**3,930**	**(3,113)**
Net (decrease) increase in cash and cash equivalents		**(111)**	**199**	**(261)**	**174**
Cash and cash equivalents at the beginning of the period		**954**	**755**	**888**	**714**
Cash and cash equivalents at the end of the period	**11**	**843**	**954**	**627**	**888**

The accompanying notes set out in pages 48–80 are an integral part of these financial statements.

General Manager	Jonas Krutinis		29 November 2018
Chief accountant	Renata Banevičiūtė		29 November 2018

(all amounts are in EUR thousand unless otherwise stated)

Notes to the financial statements

1 General information

Vilniaus Baldai AB (hereinafter "the Company") is a public limited liability company registered in the Republic of Lithuania. The address of its registered office is Savanorių Ave. 178B, Vilnius, LT-03154, Lithuania.

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

As of 31 August 2018 and 2017 the shareholders of the Group and the Company were:

	2018		2017	
	Number of votes held	**Percentage**	**Number of votes held**	**Percentage**
Invalda Privatus Kapitalas AB	3,342,160	86.00	3,342,160	86.00
Other shareholders	544,107	14.00	544,107	14.00
Total	**3,886,267**	**100.00**	**3,886,267**	**100.00**

As of 31 August 2018, 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 2018 and 31 August 2017 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 2018 and 2017. The Company did not hold its own shares.

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

The Group consists of Vilniaus Baldai AB and its subsidiaries ARI-LUX UAB and Trenduva UAB (hereinafter "the Group"). ARI-LUX UAB and Trenduva UAB information as of 31 August 2018:

Company	Registration address	Share of ownership held by the Company, %	Share capital	Profit (loss) for the reporting period	Equity	Main activities
ARI-LUX UAB	Savanorių Ave. 178, LT-03154 Vilnius	100	3	20	78	Packaging of accessories
Trenduva UAB	T. Narbuto str. 5, LT-08101 Vilnius	100	3	(35)	(35)	Real estate operations

As of 31 August 2018 the number of employees of the Group and the Company was 776 and 717, respectively (as of 31 August 2017 – 636 and 586, respectively).

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

The Company's management approved these financial statements on 29 November 2018. The shareholders of the Company have a statutory right to approve these financial statements or not to approve them and to require preparation of another set of financial statements.

2 Accounting principles

The principal accounting policies adopted in preparing the Group's and the Company's financial statements for the year 2018 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 convention.

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

New standards, amendments and interpretations

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

Accounting policy applied for these financial statements of the Group and the Company is the same as used for financial statements of period ending 31 August 2017.

The Group and the Company have adopted the following new standards and amendments to standards, including any consequential amendments to other standards, with a date of initial application of 1 September 2017.

The following new standards and amendments with the effective date of 1 January 2017 did not have any impact on these consolidated and separate financial statements:

- Disclosure Initiative (Amendments to IAS 7)
- Recognition of Deferred Tax Assets for Unrealised Losses (Amendments to IAS 12)
- International Financial Reporting Standard for Small and Medium-sized Entities (IFRS for SMEs)
- Annual Improvements to IFRS Standards 2014–2016 Cycle (Amendments to IFRS 12)

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

The following new Standards, interpretations and amendments are applied to annual periods beginning on or after 1 January 2018 and have not been applied in preparing these financial statements. Those which may be relevant to the Group are set out below. The Group does not plan to adopt these standards early.

(i) IFRS 9 Financial Instruments (2014) (Effective for annual periods beginning on or after 1 January 2018, to be applied retrospectively with some exemptions. The restatement of prior periods is not required, and is permitted only if information is available without the use of hindsight. Early application is permitted.)

This Standard replaces IAS 39, Financial Instruments: Recognition and Measurement, except that the IAS 39 exception for a fair value hedge of an interest rate exposure of a portfolio of financial assets or financial liabilities continues to apply, and entities have an accounting policy choice between applying the hedge accounting requirements of IFRS 9 or continuing to apply the existing hedge accounting requirements in IAS 39 for all hedge accounting.

Although the permissible measurement bases for financial assets – amortised cost, fair value through other comprehensive income (FVOCI) and fair value through profit and loss (FVTPL) – are similar to IAS 39, the criteria for classification into the appropriate measurement category are significantly different.

A financial asset is measured at amortized cost if the following two conditions are met:

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

In addition, for a non-trading equity instrument, a company may elect to irrevocably present subsequent changes in fair value (including foreign exchange gains and losses) in OCI. These are not reclassified to profit or loss under any circumstances.

For debt instruments measured at FVOCI, interest revenue, expected credit losses and foreign exchange gains and losses are recognised in profit or loss in the same manner as for amortised cost assets. Other gains and losses are recognised in OCI and are reclassified to profit or loss on derecognition.

The impairment model in IFRS 9 replaces the 'incurred loss' model in IAS 39 with an 'expected credit loss' model, which means that a loss event will no longer need to occur before an impairment allowance is recognised.

IFRS 9 includes a new general hedge accounting model, which aligns hedge accounting more closely with risk management. The types of hedging relationships – fair value, cash flow and foreign operation net investment – remain unchanged, but additional judgment will be required.

The standard contains new requirements to achieve, continue and discontinue hedge accounting and allows additional exposures to be designated as hedged items.

Extensive additional disclosures regarding an entity's risk management and hedging activities are required.

The Group and the Company do not expect IFRS 9 (2014) to have material impact on the financial statements. The classification and measurement of the Group's and Company's financial instruments are not expected to change under IFRS 9 because of the nature of the Group's and Company's operations and the types of financial instruments that they hold. However, the Group and the Company believe that impairment losses are likely to increase and become more volatile for assets in the scope of expected credit loss impairment model. The Group and the Company have not yet finalised the impairment methodologies that they will apply under IFRS 9.

(ii) IFRS 15 Revenue from contracts with customers (Effective for annual periods beginning on or after 1 January 2018. Earlier application is permitted.)

The new Standard provides a framework that replaces existing revenue recognition guidance in IFRS. Entities will adopt a five-step model to determine when to recognise revenue, and at what amount. The new model specifies that revenue should be recognised when (or as) an entity transfers control of goods or services to a customer at the amount to which the entity expects to be entitled. Depending on whether certain criteria are met, revenue is recognised:

- over time, in a manner that depicts the entity's performance; or
- at a point in time, when control of the goods or services is transferred to the customer.

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

The Group and the Company assessed the potential impact of IFRS 15 on the Group's and the Company's financial statements, management does not expect that the new Standard, when initially applied, will have material impact on the Group's and the Company's financial statements. The timing and measurement of the Group's and the Company's revenues are not expected to change under IFRS 15 because of the nature of the Group's and the Company's operations and the types of revenues they earn.

(iii) IFRS 16 Leases (Effective for annual periods beginning on or after 1 January 2019. Earlier application is permitted if the entity also applies IFRS 15.)

IFRS 16 supersedes IAS 17 Leases and related interpretations. The Standard eliminates the current dual accounting model for lessees and instead requires companies to bring most leases on-balance sheet under a single model, eliminating the distinction between operating and finance leases.

Under IFRS 16, a contract is, or contains, a lease if it conveys the right to control the use of an identified asset for a period of time in exchange for consideration. For such contracts, the new model requires a lessee to recognise a right-of-use asset and a lease liability. The right-of-use asset is depreciated and the liability accrues interest. This will result in a front-loaded pattern of expense for most leases, even when the lessee pays constant annual rentals.

The new Standard introduces a number of limited scope exceptions for lessees which include:

- leases with a lease term of 12 months or less and containing no purchase options, and
- leases where the underlying asset has a low value ('small-ticket' leases).

Lessor accounting shall remain largely unaffected by the introduction of the new Standard and the distinction between operating and finance leases will be retained.

The Group and the Company has not yet completed its initial assessment of the potential impact of IFRS 16 on the Group's and the Company's financial statements.

Future payments of the Group and the Company as to operating lease contracts as of 31 August 2018 are disclosed in the Note 27 to the financial statements.

(iv) Amendments to IFRS 10 and IAS 28 Sale or contribution of assets between an investor and its associate or joint venture (The European Commission decided to defer the endorsement indefinitely.)

The Amendments clarify that in a transaction involving an associate or joint venture, the extent of gain or loss recognition depends on whether the assets sold or contributed constitute a business, such that:

- a full gain or loss is recognised when a transaction between an investor and its associate or joint venture involves the transfer of an asset or assets which constitute a business (whether it is housed in a subsidiary or not), while;
- a partial gain or loss is recognised when a transaction between an investor and its associate or joint venture involves assets that do not constitute a business, even if these assets are housed in a subsidiary.

The Group does not expect that the amendments, when initially applied, will have material impact on the Group's financial statements. However, the quantitative impact of the adoption of the Amendments can only be assessed in the year of initial application of the Amendments, as this will depend on the transfer of asset or businesses to the associate or joint venture that take place during that reporting period.

There are no other new or amended standards or their interpretations, which are not yet effective and which may have material impact on the Group and the Company.

2.2. Functional and financial statements presentation currency

The Group's and the Company's functional and financial statements presentation currency is euro. Financial statements are prepared in thousands of euro.

2.3. Financial year

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

2.4. Principles of consolidation

The consolidated financial statements of the Group include Vilniaus Baldai AB and its subsidiaries. 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.

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

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

2.5. Intangible assets

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

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.

2.6. Property, plant and equipment

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

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

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

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

Buildings	10–66 years
Machinery and equipment	6–15 years
Vehicles	5–10 years
Other property, plant and equipment	2–6 years

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

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

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

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

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

2.7. Financial instruments – assets

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

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

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

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

Loans and receivables

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

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

Trade receivables

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

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

Cash and cash equivalents

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

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

Effective interest rate method

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

De-recognition of financial assets

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

2.8. Financial instruments – liabilities

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

Borrowings

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

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

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

Trade payables

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

Trade payables are recognized when the other party fulfils its contractual obligations and are initially recognised at fair value and subsequently measured at amortised cost using the effective interest rate method. Short-term trade payables are not discounted.

De-recognition of financial liabilities

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

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

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

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

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

2.10. Inventories

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

2.11. Share capital

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

2.12. Dividends

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

2.13. Leases

The Company and the Group are lessees

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

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

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

The Company and the Group are lessors

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

2.14. Employee benefits

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

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

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

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

The Group and the Company recognise 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.

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 2018 (15% in 2017).

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

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

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

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

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

Income tax and deferred tax for the accounting period

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

2.17. Revenue recognition

a) Sales of goods and services
Revenue is recognized when it is probable that the economic benefits associated with the transaction will flow to the Group and the Company and the amount of the revenue can be measured reliably. Sales are recognized net of VAT and discounts.

Revenue from sales of goods is recognized when delivery has taken place and transfer of risks and rewards has been completed.

b) Interest income
Interest income is recognised on a proportionate basis in profit or loss using the effective interest rate method. When a receivable is impaired, the Group and the Company reduce the carrying amount to its recoverable amount, being the estimated future cash flow discounted at the original effective interest rate of the instrument, and continues unwinding the discount as interest income. Interest income on impaired loan and receivables is recognised using the original effective interest rate. Interest income is classified as cash flows from investing activities in the statement of cash flows.

2.18. Expense recognition

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

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

2.19. 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

Financial assets

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

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

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

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

Non-financial assets

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

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

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

2.21. Segment information

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 Company and the Group 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.

In the normal course of business the Group and the Company enter into transactions with their related parties. These transaction prices are intended to approximate 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.

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

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

2.26. Use of estimates in the preparation of financial statements

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

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

Estimates and assumptions

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

Property, plant and equipment – useful life
The key assumptions concerning determination of the useful life of property, plant and equipment are as follows: expected usage term of the asset, expected technical, technological or other obsolescence arising from changes or improvements in the production, legal or similar limits on the use of the asset, such as the expiry dates of related leases. Further details are given in Note 2.6.

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

Acquisition of subsidiary
On May 11, 2018, Vilniaus Baldai AB has acquired 100 per cent of shares of Trenduva UAB. Shares are acquired from Invalda Privatus Kapitalas AB (code 303075527, address Šeimyniškių str. 3, Vilnius, register where data of the Company is accumulated and stored – Register of Legal Entities), which owns 86% of Vilniaus Baldai AB shares. Trenduva UAB owns two land plots of 18.5 ha in Trakai region, Guopstai. Land use of these land plots is indicated as industrial and warehousing, as well as communication and engineering corridors. Vilniaus Baldai AB plans to use this land for further production expansion. Trenduva UAB has no other significant assets, has no processes in place and does not generate revenue. Therefore, the management considers acquisition of subsidiary not as a joint-venture but as assets acquisition in these consolidated financial statements due to the fact that Trenduva UAB.

2.27. Fair value measurement

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

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

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

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

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

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

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

(all amounts are in EUR thousand unless otherwise stated)

3 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 production and trade.

4 Intangible assets

	Software	
	Group	**Company**
Cost:		
Balance as of 31 August 2016	232	232
Additions	17	17
Balance as of 31 August 2017	249	249
Additions	32	32
Balance as of 31 August 2018	278	278
Amortisation:		
Balance as of 31 August 2016	189	189
Charge for the year	26	26
Balance as of 31 August 2017	215	215
Charge for the year	25	25
Balance as of 31 August 2018	236	236
Net book value as of 31 August 2017	**34**	**34**
Net book value as of 31 August 2018	**42**	**42**

Amortisation 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 86 thousand as of 31 August 2018 (as of 31 August 2017 – EUR 99 thousand) are fully amortised and were still in use.

(all amounts are in EUR thousand unless otherwise stated)

5 Property, plant and equipment

Group

	Land and buildings	Machinery and equipment	Vehicles	Other property, plant and equipment	Total
Cost:					
Balance as of 31 August 2016	4,374	27,462	177	1,199	33,212
Additions	141	2,404	-	432	2,977
Disposals and retirements	-	(1,560)	(81)	(57)	(1,698)
Reclassified from/ to	-	163	-	(163)	-
Balance as of 31 August 2017	4,515	28,469	96	1,411	34,491
Additions	2,255	6,210	-	394	8,859
Disposals and retirements					
Reclassified from/ to					
Balance as of 31 August 2018	6,770	34,679	96	1,805	43,350
Accumulated depreciation:					
Balance as of 31 August 2016	2,111	18,414	145	781	21,451
Charge for the year	152	1,064	6	99	1,321
Disposals and retirements	-	(1,531)	(59)	(56)	(1,646)
Balance as of 31 August 2017	2,263	17,947	92	824	21,126
Charge for the year	162	1,326	2	105	1,595
Disposals and retirements					
Balance as of 31 August 2018	2,425	19,273	94	929	22,721
Net book value as of 31 August 2018	**4,345**	**15,406**	**2**	**876**	**20,629**
Net book value as of 31 August 2017	**2,252**	**10,522**	**4**	**587**	**13,365**

(all amounts are in EUR thousand unless otherwise stated)

5 Property, plant and equipment (cont'd)

Company

	Land and buildings	Machinery and equipment	Vehicles	Other property, plant and equipment	Total
Cost:					
Balance as of 31 August 2016	4,374	27,460	177	1,199	33,210
Additions	141	2,404	-	431	2,976
Disposals and retirements	-	(1,560)	(81)	(57)	(1,698)
Reclassified from/ to	-	163	-	(163)	-
Balance as of 31 August 2017	4,515	28,467	96	1,410	34,488
Additions	238	6,210	-	392	6,840
Disposals and retirements					
Reclassified from/ to					
Balance as of 31 August 2018	4,753	34,677	96	1,802	41,328
Accumulated depreciation:					
Balance as of 31 August 2016	2,111	18,413	145	781	21,450
Charge for the year	152	1,063	6	99	1,320
Disposals and retirements	-	(1,531)	(59)	(56)	(1,646)
Balance as of 31 August 2017	2,263	17,945	92	824	21,124
Charge for the year	162	1,326	2	105	1,595
Disposals and retirements					
Balance as of 31 August 2018	2,425	19,271	94	929	22,719
Net book value as of 31 August 2018	**2,328**	**15,406**	**2**	**873**	**18,609**
Net book value as of 31 August 2017	**2,252**	**10,522**	**4**	**586**	**13,364**

Depreciation charge for the year was recognised as follows:

	Group		Company	
	2018	**2017**	**2018**	**2017**
Cost of production	1,514	1,265	1,514	1,264
Operating expenses	81	56	81	56
	1,595	**1,321**	**1,595**	**1,320**

Property, plant and equipment of the Group and the Company with an acquisition cost of EUR 4,174 thousand was fully depreciated as of 31 August 2018 (EUR 3,560 thousand as of 31 August 2017), and was still in active use. The major part of the fully depreciated property, plant and equipment consists of machinery and equipment.

The Company did not have property, plant and equipment acquired under finance leases as of 31 August 2018 (and as of 31 August 2017).

As of 31 August 2018, the Company's property, plant and equipment with the net book value of EUR 17,013 thousand was pledged to the bank as collateral for loans granted (Note 13).

(all amounts are in EUR thousand unless otherwise stated)

6 Investments into subsidiaries

Acquisition cost of investment of the Company in subsidiaries as of 31 August 2018 and 2017 are presented below:

	2018		2017	
	Share capital	Acquisition cost	Share capital	Acquisition cost
ARI-LUX UAB	100%	5	100%	5
Trenduva UAB	100%	2		-
		7		**5**

Performance results of the subsidiary ARI-LUX UAB before elimination of related transactions in 2018 and 2017.

Statement of financial position

	As of 31 August 2018	As of 31 August 2017
Non-current assets	2	1
Current assets	165	116
Total assets	**167**	**117**
Equity and reserves	78	58
Non-current liabilities	-	-
Current liabilities	89	59
Total equity and liabilities	**167**	**117**

Statement of profit or loss and other comprehensive income

	2018	2017
Revenue	386	306
Cost of sales	(294)	(216)
Gross profit	**92**	**90**
Operating expenses	(72)	(62)
Profit (loss) before income tax	**20**	**28**
Income tax expense	-	-
Net profit (loss) for the reporting period	**20**	**28**

(all amounts are in EUR thousand unless otherwise stated)

6 Investments into subsidiaries (cont'd)

Performance results of the subsidiary Trenduva UAB before elimination of related transactions in 2018.

Statement of financial position

	As of 31 August 2018
Non-current assets	2,018
Current assets	186
Total assets	**2,204**
Equity and reserves	(35)
Current liabilities	2,239
Total equity and liabilities	**2,204**

Statement of profit or loss and other comprehensive income

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

On 11 May 2018, the Company acquired all shares of Trenduva UAB. Trenduva UAB owns two land plots of 18.5 ha in Trakai region, Guopstai. Land use of these land plots is indicated as industrial and warehousing, as well as communication and engineering corridors. Vilniaus Baldai AB plans to use this land for further production expansion.

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

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

Cash	2
Total consideration transferred	**2**

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

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

Land plots that UAB Trenduva controls under ownership right where acquired from unrelated parties in February 2018.

All liabilities of Trenduva UAB were only to AB Vilniaus Baldai.

(all amounts are in EUR thousand unless otherwise stated)

7 Inventories

	Group		Company	
	2018	**2017**	**2018**	**2017**
Raw materials	3,145	2,643	3,145	2,643
Work in progress	812	220	812	220
Finished goods	2,143	3,018	2,143	3,018
Spare parts	1,031	610	1,031	610
Goods for resale	3	2	3	2
Less: write-down to net realisable value	-	-	-	-
	7,134	**6,493**	**7,134**	**6,493**

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

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

8 Trade receivables

	Group		Company	
	2018	**2017**	**2018**	**2017**
Trade receivables, gross	6,457	4,607	6,504	4,607
Less: impairment for doubtful receivables	-	-	-	-
	6,457	**4,607**	**6,504**	**4,607**

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

As of 31 August 2018 and 31 August 2017 no impairment allowance was recognised for trade receivables of the Group and the Company.

The ageing analysis of the Group's and the Company's trade receivables as of 31 August 2018 and 31 August 2017 is as follows:

Group's trade receivables:

	Trade receivables neither past due nor impaired	Trade receivables past due, but not impaired					
		Less than 30 days	30–60 days	60–90 days	90–120 days	More than 120 days	Total
2018	6,124	171	162	-	-	-	**6,457**
2017	4,575	1	31	-	-	-	**4,607**

Company's trade receivables:

	Trade receivables neither past due nor impaired	Trade receivables past due, but not impaired					
		Less than 30 days	30–60 days	60–90 days	90–120 days	More than 120 days	Total
2018	6,171	171	162	-	-	-	**6,504**
2017	4,575	1	31	-	-	-	**4,607**

(all amounts are in EUR thousand unless otherwise stated)

9 Loans granted

	Group		Company	
	2018	2017	2018	2017
Loans granted to related companies and accrued interest	-	506	2,160	506
	-	**506**	**2,160**	**506**

As of 18 February 2018 the Company signed the agreement with Trenduva UAB and its then parent company Invalda Privatus Kapitalas AB for the loan amount of EUR 2,160 thousand. The annual interest rate for the loan is fixed 2.7%. The parties agreed that Trenduva UAB will repay the loan or the Company will acquire all shares of Trenduva UAB. On 11 May 2018, the Company acquired all shares of Trenduva UAB. Loan is on demand and is presented under current assets. The Company and Trenduva UAB have not agreed on a formal loan repayment schedule.

10 Other receivables

	Group		Company	
	2018	2017	2018	2017
Refundable VAT	802	612	802	612
Other receivables	300	82	253	52
	1,102	**694**	**1,055**	**664**

Other receivables of the Group and the Company were neither past due nor impaired as of 31 August 2018 and 31 August 2017.

11 Cash and cash equivalents

	Group		Company	
	2018	2017	2018	2017
Cash at bank	843	954	627	888
	843	**954**	**627**	**888**

The Company's cash balances in bank accounts denominated in foreign currency and euro, and future inflows to the accounts at Danske Bank A/S Lithuania Branch were pledged to the bank as collateral for loans granted (Note 13).

12 Reserves

Legal reserve

A legal reserve is a compulsory reserve under Lithuanian legislation. Annual transfers of not less than 5% of net profit are compulsory until the reserve reaches 10% of the share capital. As of 31 August 2018 and 2017 the Company's legal reserve was fully formed.

13 Financial liabilities

	Group		Company	
	2018	2017	2018	2017
Non-current borrowings				
Loans	2,373	-	2,373	-
Credit line	5,500	-	5,500	-
	7,873	**-**	**7,873**	**-**
Current borrowings				
Current portion of loans	966	810	966	810
Credit line	-	3,000	-	3,000
	966	**3,810**	**966**	**3,810**

(all amounts are in EUR thousand unless otherwise stated)

13 Financial liabilities (cont'd)

The Company's property, plant and equipment with the total net book value of EUR 17,013 thousand as of 31 August 2018 (EUR 8,816 thousand as of 31 August 2017) and the current cash balances and future inflows to the Company's accounts at Danske Bank A/S Lithuania Branch and inventories in value of EUR 6,284 thousand were pledged as collateral for the loans granted as at 31 August 2018.

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

	Group		Company	
	As of 31 August 2018			
	Fixed interest rate	Variable interest rate	Fixed interest rate	Variable interest rate
2018 / 2019		966		966
2019 / 2020		6,466		6,466
2020 / 2021		857		857
2021 / 2022		300		300
2022 / 2023		250		250
	-	**8,839**	-	**8,839**

On 2 January 2018, the Company signed amendments to the agreement on financing (crediting) services with Danske Bank A/S Lithuania Branch for the loan amount and repayment terms. In the amendment there were agreed on 3 financing services:

1) Credit line with maximum financing amount of EUR 5,500 thousand, maturity 31 December 2019;
2) Loan of EUR 1,500 thousand, maturity 30 June 2023;
3) Loan of EUR 2,000 thousand, maturity 30 June 2021.

Actual interest rates are close to the effective interest rates. As of 31 August 2018 the weighted average annual interest rate on outstanding balances of the Group's and the Company's borrowing was 1.09% (0.95% as of 31 August 2017). In 2018 and 2017, the period of re-pricing variable interest rates on borrowings was 3 and 6 months.

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

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

	Group		Company	
	2018	2017	2018	2017
Credit line	0.95%	0.95%	0.95%	0.95%
Loans	1.32%	0.95%	1.32%	0.95%

Borrowings at the end of the year currencies:

	Group		Company	
	2018	2017	2018	2017
Borrowings denominated in:				
EUR	8,839	3,810	8,839	3,810
	8,839	**3,810**	**8,839**	**3,810**

Borrowings movement:

	Group	Company
Borrowings as at 31.08.2017	**3,810**	**3,810**
Proceeds from borrowings	7,685	7,685
Repayments of borrowings	(2,656)	(2,656)
Borrowings as at 31.08.2018	**8,839**	**8,839**

(all amounts are in EUR thousand unless otherwise stated)

14 Provisions for employee benefits

	Group		Company	
	2018	**2017**	**2018**	**2017**
Provisions for pension benefits	337	297	337	297
Provisions for jubilee and other benefits	478	411	478	411
	815	**708**	**815**	**708**

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:

	2018	**2017**
Discount rate	1.5%	1.5%
Salary growth rate	6%	6%
Rate of employee turnover by age group:		
younger than 25 years	0–40%	0–40%
from 25 to 45 years	10–15%	10–15%
from 45 to 59 years	10%	10%
from 59 to 75 years	0–10%	0–10%

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

	Increase / decrease, %	**Impact on other comprehensive income**
2018		
Discount rate	+0.5%	(29)
Salary growth rate	+0.5%	28
Discount rate	-0.5%	30
Salary growth rate	-0.5%	(27)

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

The Group and the Company	**2018**	**2017**
At 1 September	297	259
Growth in the current year	37	34
Payments	(8)	(21)
Re-measurements of pension benefits	11	25
At 31 August	**337**	**297**

(all amounts are in EUR thousand unless otherwise stated)

14 Provisions for employee benefits (cont'd)

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

The Group and the Company	2018	2017
At 1 September	411	384
Growth in the current year	114	71
Payments	(47)	(44)
Re-measurements of jubilee and other benefits	-	-
At 31 August	**478**	**411**

15 Trade payables

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

16 Other current and accrued liabilities

	Group		Company	
	2018	2017	2018	2017
Payroll related liabilities	2,052	1,770	2,032	1,717
Dividends payable	1,015	1,011	1,015	1,011
Operating taxes payable	0	115	0	109
Other payables and accrued liabilities	60	20	36	20
	3,127	**2,916**	**3,083**	**2,857**

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

17 Revenue

	Group		Company	
	2018	2017	2018	2017
Sales of goods	69,322	63,422	69,322	63,422
Revenue from services	-	1	-	1
	69,322	**63,423**	**69,322**	**63,423**

Breakdown of revenue by the location where production is delivered:

	Group		Company	
	2018	2017	2018	2017
European Union countries, excluding Lithuania	38,601	39,223	38,601	39,223
Non-European Union countries	28,728	23,560	28,728	23,560
Lithuania	1,993	640	1,993	640
	69,322	**63,423**	**69,322**	**63,423**

In 2018 and 2017 sales of goods comprised sales of furniture, which accounted for approx. 97% and 99% respectively of total sales, while the rest were sales of raw materials and waste.

The main customer of the Company is IKEA Supply AG. Sales to this customer in 2018 amounted to EUR 67,381 thousand, i.e. 97 per cent of total sales (in 2017 sales amounted to EUR 62,855 thousand, i.e. 99 per cent of total sales). The Company was working with this customer on the basis of short-term agreements since 1998. On 1 February 2018, the Company concluded long-term supply contract with IKEA Supply AG up to the year 2025.

(all amounts are in EUR thousand unless otherwise stated)

18 Cost of sales

	Group		Company	
	2018	2017	2018	2017
Materials	46,263	40,522	46,263	40,522
Wages, salaries	7,863	6,879	7,643	6,716
Depreciation	1,500	1,278	1,500	1,278
Social security	2,428	2,128	2,360	2,078
Other production expenses	4,821	3,778	5,201	4,081
	62,875	**54,585**	**62,967**	**54,675**

19 Selling and distribution expenses and administrative expenses

Selling and distribution expenses:

	Group		Company	
	2018	2017	2018	2017
Wages, salaries	6	0	6	0
Transportation and logistics expenses	1,168	1,171	1,168	1,171
Consultation expenses	2	1	2	1
Depreciation and amortisation	12	11	12	11
Utilities, maintenance and communications	5	5	5	5
Business trips expenses	-	1	-	1
Other	94	57	94	57
	1,287	**1,246**	**1,287**	**1,246**

Administrative expenses:

	Group		Company	
	2018	2017	2018	2017
Wages, salaries	1,195	1,241	1,157	1,204
Transportation and logistics expenses	92	17	92	17
Bonuses for the Board members	-	90	-	90
Social security	372	389	361	378
Audit and consultation expenses	208	221	208	220
Depreciation and amortisation	69	71	69	71
Utilities, maintenance and communications	110	93	110	93
Waste utilisation expenses	46	55	46	55
Business trips expenses	74	55	74	55
Charity and support expenses	1	2	-	1
Other	685	485	665	475
	2,852	**2,719**	**2,782**	**2,659**

(all amounts are in EUR thousand unless otherwise stated)

20 Other operating income and expenses

	Group		Company	
	2018	**2017**	**2018**	**2017**
Other operating income				
Rent and utilities income	295	283	300	285
Gain on disposal of property, plant and equipment	-	26	-	26
Heating income	224	-	224	-
Other income	49	16	49	16
	568	**325**	**573**	**327**
Other operating expenses				
Direct costs of rent income	(145)	(160)	(145)	(160)
Heat generation costs	(86)	-	(86)	-
Losses on disposal of property, plant and equipment	-	(4)	-	(4)
	(231)	**(164)**	**(231)**	**(164)**

21 Finance income and finance costs

	Group		Company	
	2018	**2017**	**2018**	**2017**
Finance income				
Interest income	3	6	34	6
Positive currency exchange	21	-	21	-
	24	**6**	**55**	**6**
Finance costs				
Interest expenses	(63)	(57)	(62)	(57)
Expenses due to currency exchange	(22)	(13)	(22)	(13)
	(85)	**(70)**	**(84)**	**(70)**

22 Income tax

	Group		Company	
	2018	**2017**	**2018**	**2017**
Components of the income tax expense				
Income tax expenses for the reporting year	310	560	310	560
Income tax expenses from dividends paid to natural persons	-	1	-	1
Total current income tax expense	310	561	310	561
Recognition and reversal of temporary differences	11	(41)	11	(41)
Deferred income tax (income)	11	(41)	11	(41)
Income tax expense carried in profit or loss	**321**	**520**	**321**	**520**

Deferred income tax asset and liability as of 31 August 2018 and 31 August 2017 was accounted using tax rate of 15%.

In 2018, 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 659 thousand related to the acquisition and installation of new production technological lines intended for the modernisation of existing production technological lines. The Group and the Company reduced taxable profit for 2018 by the investment tax credit of EUR 659 thousand.

(all amounts are in EUR thousand unless otherwise stated)

22 Income tax (cont'd)

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			
	2018		2017	
Profit (loss) before tax		2,584		4,970
Tax calculated at a statutory 15% tax rate	15%	388	15%	746
Tax effects of:				
- Expenses not deductible for tax purposes	1%	34	0%	19
- Income not subject to tax	0%	(2)	0%	(2)
- Income tax relief due to investment projects	(4%)	(99)	(5%)	(243)
Income tax expense carried in profit or loss	**12%**	**321**	**10%**	**520**

	Company			
	2017		2016	
Profit (loss) before tax		2,599		4,942
Tax calculated at a statutory 15% tax rate	15%	390	15%	741
Tax effects of:				
- Expenses not deductible for tax purposes	1%	32	0%	24
- Income not subject to tax	0%	(2)	0%	(2)
- Income tax relief due to investment projects	(4%)	(99)	(5%)	(243)
Income tax expense carried in profit or loss	**12%**	**321**	**10%**	**520**

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

	Group		Company	
	2018	2017	2018	2017
Deferred tax assets	157	170	157	170
Deferred tax liability	(42)	(44)	(42)	(44)
	115	**126**	**115**	**126**

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	**2016**	**Credited (debited) to income tax expenses**	**2017**	**Credited (debited) to income tax expenses**	**2018**
Deferred tax assets					
– Accrued charges	128	42	170	(13)	157
	128	42	170	(13)	157
Deferred tax liabilities					
– Investment relief	(47)	3	(44)	2	(42)
	(47)	3	(44)	2	(42)
Deferred tax assets, net	**81**	**45**	**126**	**(11)**	**115**

22 Income tax (cont'd)

Company	2016	Credited (debited) to income tax expenses	2017	Credited (debited) to income tax expenses	2018
Deferred tax assets					
– Accrued charges	128	42	170	(13)	157
	128	42	170	(13)	157
Deferred tax liabilities					
– Investment relief	(47)	3	(44)	2	(42)
	(47)	3	(44)	2	(42)
Deferred tax assets, net	**81**	**45**	**126**	**(11)**	**115**

23 Earnings per share

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

	Group		Company	
	2018	**2017**	**2018**	**2017**
Net profit attributable to shareholders	2,263	4,450	2,278	4,422
Weighted average number of shares (thousand)	3,886	3,886	3,886	3,886
Basic earnings per share (in EUR)	**0.58**	**1.15**	**0.58**	**1.14**

There were no changes in the share capital of the Company during 2018 and 2017; therefore, the weighted average number of shares equals the total number of shares.

24 Financial risk management

Financial instruments by category

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

	Group		Company	
	Category – Loans and receivables		Category – Loans and receivables	
	2018	**2017**	**2018**	**2017**
Financial assets				
Loans granted	-	506	2,160	506
Trade and other receivables	6,757	4,660	6,757	4,660
Cash and cash equivalents	843	954	627	888
	7,600	**6,120**	**9,544**	**6,054**

	Group		Company	
	Category – Financial liabilities measured at amortised cost		Category – Financial liabilities measured at amortised cost	
	2018	**2017**	**2018**	**2017**
Financial liabilities				
Borrowings	8,839	3,810	8,839	3,810
Trade and other payables	9,139	5,857	9,111	5,875
	17,978	**9,667**	**17,950**	**9,685**

(all amounts are in EUR thousand unless otherwise stated)

24 Financial risk management (cont'd)

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 Company's liquidity (total current assets / total current liabilities) and quick ratios ((total current assets – inventories) / total current liabilities) as of 31 August 2018 were 1.48 and 0.89, respectively, the Group's 1.31 and 0.73 respectively (the Group's and the Company's liquidity and quick ratio as of 31 August 2017 – 1.16 and 0.60, respectively).

The tables below summarise the maturity profile of the Group's and the Company's financial liabilities as of 31 August 2018 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	-	624	3,198	-	-	3,822
Trade and other payables	1,019	4,838	-	-	-	5,857
Balance as of 31 August 2017	**1,019**	**5,462**	**3,198**	**-**	**-**	**9,679**
Interest bearing loans and borrowings	-	258	772	7,928	-	8,958
Trade and other payables	219	8,920	-	-	-	9,139
Balance as of 31 August 2018	**219**	**9,178**	**772**	**7,928**	**-**	**18,097**

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	-	624	3,198	-	-	3,822
Trade and other payables	1,019	4,856	-	-	-	5,875
Balance as of 31 August 2017	**1,019**	**5,480**	**3,198**	**-**	**-**	**9,697**
Interest bearing loans and borrowings	-	258	772	7,928	-	8,958
Trade and other payables	219	8,892	-	-	-	9,111
Balance as of 31 August 2018	**219**	**9,150**	**772**	**7,928**	**-**	**18,069**

Credit risk

The Group and the Company have significant concentration of trading counterparties. The main customer of the Group and the Company – IKEA Supply AG – as of 31 August 2018 accounted for approximately 97% of the total Group's and Company's trade receivables (as of 31 August 2017 over 97%). Also, the major part of the Company's sales is with this customer (Note 17).

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 and other receivables recognised at the statement of financial position date.

With respect to trade and other receivables that are neither impaired nor past due, there are no indications as of the reporting date that the debtors will not meet their payments obligations since receivables balances are monitored on an ongoing basis. Ageing analysis is presented in Note 8.

(all amounts are in EUR thousand unless otherwise stated)

24 Financial risk management (cont'd)

Credit risk (cont'd)

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 European Union which have high credit ratings.

The credit quality of financial assets that are neither past due nor impaired can be assessed by reference to historical information about counterparty default rates:

	Group		Company	
	Category – Loans and receivables		Category – Loans and receivables	
	2018	**2017**	**2018**	**2017**
Not overdue trade and other receivables	6,635	4,634	8,826	4,634
Cash at bank that have high* credit ratings	843	954	627	888
	7,478	**5,588**	**9,453**	**5,522**

* Credit rate A provided by Fitch Ratings Agency

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

Foreign exchange risk

Currency risks of the Group and the Company occur due to the fact that the Group and the Company borrow 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 2018 were as follows (stated in EUR):

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

Interest rate risk

The Group's and the Company's borrowings comprise borrowings with variable interest rates, related to EURIBOR, which creates an interest rate risk. There were no financial instruments designated to manage the exposure to fluctuation in interest rates outstanding as of 31 August 2018 and 31 August 2017.

2018 m.	**Increase /decrease, %**	**Effect on profit before tax**
EUR	+1%	(126)
EUR	-1%	110

2017 m.	**Increase /decrease, %**	**Effect on profit before tax**
EUR	+1%	(58)
EUR	-1%	60

(all amounts are in EUR thousand unless otherwise stated)

24 Financial risk management (cont'd)

Fair value of financial assets and liabilities

Financial assets

	Group		Company	
	Category – Loans and receivables		Category – Loans and receivables	
	2018	2017	2018	2017
Financial assets				
Level 3: Loans granted	-	506	2,160	506
Level 2: Trade and other receivables	6,757	4,660	6,757	4,660
Level 1: Cash and cash equivalents	843	954	627	888
	7,600	**6,120**	**9,544**	**6,054**

	Group		Company	
	Category – Financial liabilities measured at amortised cost		Category – Financial liabilities measured at amortised cost	
	2018	2017	2018	2017
Financial liabilities				
Level 3: Borrowings	8,839	3,810	8,839	3,810
Level 2: Trade and other payables	9,139	5,857	9,111	5,875
	17,978	**9,667**	**17,950**	**9,685**

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

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

25 Capital management

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

The Group and the Company manage their capital structure and make adjustments to it in the light of changes in economic conditions and the risk characteristics of their activities. To maintain or adjust the capital structure, the Company may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies or processes of capital management during the year ended 31 August 2018.

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

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

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

The management monitors that the Company is in line with all above mentioned requirements. Monitoring of compliance is calculated at the end of each quarter. No other capital management instruments are used.

(all amounts are in EUR thousand unless otherwise stated)

25 Capital management (cont'd)

The calculation of banks' covenants is presented below:

	2018	2017
Equity	15,811	14,594
Receivables from related parties	600	537
Loans granted to the Company by related parties	-	-
Adjusted equity	**15,211**	**14,057**
Assets	36,663	26,880
Receivables from related parties	600	537
Loans granted to the Company by related parties	-	-
Adjusted assets	**36,063**	**26,343**
Equity to assets ratio	**0.42**	**0.53**

	2018	2017
Debt	8,839	3,810
Cash and cash equivalents	(627)	(888)
Net debt	**8,212**	**2,922**
EBITDA (for the last 12 months)	4,209	6,360
Net debt to EBITDA ratio	**1.95**	**0.46**

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

* Ratio is applicable only since 2018

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

As of 31 August 2018 and 31 August 2017 and at the end of each quarter of both financial years, the Group and the Company complied with all external requirements established to secure the repayment of bank borrowings.

26 Related-party transactions

The parties are considered related when one party has the possibility to control the other one or have significant influence over the other party in making financial and operating decisions. The related parties of the Company as of 31 August 2018 and also as of 31 August 2017 were: ARI-LUX UAB (the subsidiary), TRENDUVA UAB (the subsidiary), Invalda Privatus Kapitalas AB (ultimate shareholder) and all companies controlled by Invalda Privatus Kapitalas AB (other related parties).

(all amounts are in EUR thousand unless otherwise stated)

26 Related-party transactions (cont'd)

Transactions of the Group and the Company with related parties during 2018 and 2017 and the balances as of 31 August 2018 and 31 August 2017 were as follows:

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

2017 Group	Purchases	Sales	Receivables	Payables
Invalda Privatus Kapitalas AB	-	9	506	-
Other related parties	234	69	43	2
	234	**78**	**549**	**2**

2017 Company	Purchases	Sales	Receivables	Payables
*ARI-LUX UAB	306	2	-	19
Invalda Privatus Kapitalas AB	-	9	506	-
Other related parties	234	69	43	2
	540	**80**	**549**	**21**

* Transactions with the Company's subsidiary.

2018 Group	Purchases	Sales	Receivables	Payables
Invalda Privatus Kapitalas AB	-	-	-	-
Other related parties	3,315	1,388	569	647
	3,315	**1,388**	**569**	**647**

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

* Transactions with the Company's subsidiary.

b) Loans to Invalda Privatus Kapitalas AB

	2018	2017
As at 1 September	506	-
Loans advanced during year	-	500
Loan repayments received	506	-
Interest charged	-	6
Interest received	-	-
As at 31 August	**0**	**506**

(all amounts are in EUR thousand unless otherwise stated)

26 Related-party transactions (cont'd)

c) *Loans to Trenduva UAB:*

	2018	2017
At 1 September	-	-
Loans advanced during year	2,160	-
Loan repayments received		-
Interest charged	-	-
Interest received	31	-
At 31 August	**2,191**	**-**

Remuneration of the management and other payments

The Company's General Director, Head of Finance Department and Director of the subsidiaries are considered to be the key management of the Group.

	Group		Company	
	2018	2017	2018	2017
Wages, salaries	233	219	207	196
Social security	72	68	64	61
	305	**287**	**271**	**257**

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

27 Operating leases

Operating lease commitments

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

The Group's and the Company's lease expenses related with the lease of vehicles and premises amounted to EUR 447 thousand in 2018 (2017 – EUR 746 thousand).

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

	Group		Company	
	2018	2017	2018	2017
Not later than 1 year				
Lease of vehicles	34	160	31	160
Lease of premises	527	580	527	580
	561	**740**	**558**	**740**
Later than 1 year and no later than 5 years				
Lease of vehicles	47	341	37	341
Lease of premises	1,771	468	1,771	468
	1,818	**809**	**1,808**	**809**
	2,379	**1,549**	**2,366**	**1,549**

Operating lease receivable

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

	Group		Company	
	2018	2017	2018	2017
Not later than 1 year	71	129	71	129
Later than 1 year and no later than 5 years	-	-	-	-
Later than five years	-	-	-	-
	71	**129**	**71**	**129**

(all amounts are in EUR thousand unless otherwise stated)

28 Contingent liabilities

As of 31 August 2018 the Group and the Company had no contingent liabilities.

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

29 Events after the end of the reporting period

There were no significant events after 31 August 2018 until the date of approval of these financial statements.

General Manager	Jonas Krutinis		29 November 2018
Chief accountant	Renata Banevičiūtė		29 November 2018