

Private Limited Liability Company VLI TIMBER, company code 302440414

(the legal form, the name, the code of the entity)

Gražiavietės str. 5, Kurkliai II v., Anykščiai d., data is collected and stored by the SE Registru centras

(address, register where data about the entity is collected and kept)

(legal status if the entity is in liquidation, reorganisation or is bankrupt)

Shareholders' Resolution No. AS202504-1, 2025-04-16

(Approved)

BALANCE SHEET as at December 31, 20242025 April 25 No. 25/04-2

(reporting date)

2024.01.01 - 2024.12.31

(reporting period)

Eur

(Reporting currency, specify degree of accuracy)

| Article No. | Article | Notes No. | Reporting period | Previous reporting period |
|-------------|--|-----------|------------------|---------------------------|
| | ASSETS | | | |
| A. | FIXED ASSETS | | 10289982 | 8637241 |
| 1. | INTANGIBLE ASSETS | | 130388 | 41723 |
| 1.1. | Assets arising from development | | | |
| 1.2. | Goodwill | | | |
| 1.3. | Software | | 130388 | 23783 |
| 1.4. | Concessions, patents, licences, trade marks and similar rights | | | |
| 1.5. | Other intangible assets | | | |
| 1.6. | Advance payments | | | 17940 |
| 2. | TANGIBLE ASSETS | | 9465462 | 8309386 |
| 2.1. | Land | | 28877 | 5277 |
| 2.2. | Buildings and structures | | 4488235 | 4314872 |
| 2.3. | Machinery and plant | | 3484625 | 1803404 |
| 2.4. | Vehicles | | 345615 | 284094 |
| 2.5. | Other equipment, fittings and tools | | 377966 | 550221 |
| 2.6. | Investment property | | - | - |
| 2.6.1. | Land | | | |
| 2.6.2. | Buildings | | | |
| 2.7. | Advance payments and tangible assets under construction (production) | | 740144 | 1351518 |
| 3. | FINANCIAL ASSETS | | 293626 | 271547 |
| 3.1. | Shares in entities of the entities group | | 38329 | 38329 |
| 3.2. | Loans to entities of the entities group | | 44500 | 44500 |
| 3.3. | Amounts receivable from entities of the entities group | | | |
| 3.4. | Shares in associated entities | | | |
| 3.5. | Loans to associated entities | | | |
| 3.6. | Amounts receivable from the associated entities | | | |
| 3.7. | Long-term investments | | 196633 | 188718 |
| 3.8. | Amounts receivable after one year | | 14164 | |
| 3.9. | Other financial assets | | | |
| 4. | OTHER FIXED ASSETS | | 400506 | 14585 |
| 4.1. | Assets of the deferred tax on profit | | 400506 | 14585 |
| 4.2. | Biological assets | | | |
| 4.3. | Other assets | | | |
| B. | CURRENT ASSETS | | 4873433 | 4973952 |
| 1. | STOCKS | | 1958361 | 1374307 |
| 1.1. | Raw materials, materials ir consumables | | 1185701 | 759623 |
| 1.2. | Production and work in progress | | 141561 | |
| 1.3. | Finished goods | | 256893 | 204523 |
| 1.4. | Goods for resale | | 1083 | 778 |
| 1.5. | Biological assets | | | |
| 1.6. | Fixed tangible assets held for sale | | | |
| 1.7. | Advance payments | | 373123 | 409383 |
| 2. | AMOUNTS RECEIVABLE WITHIN ONE YEAR | | 2836105 | 3400816 |
| 2.1. | Trade debtors | | 2152199 | 1716427 |

| | | | | |
|-------|--|--|-----------------|-----------------|
| 2.2. | Amounts owed by entities of the entities group | | 429824 | 350182 |
| 2.3. | Amounts owed by associates entities | | | |
| 2.4. | Other debtors | | 254082 | 1334207 |
| 3. | SHORT-TERM INVESTMENTS | | - | - |
| 3.1. | Shares in entities of the entities group | | | |
| 3.2. | Other investments | | | |
| 4. | CASH AND CASH EQUIVALENTS | | 78967 | 198829 |
| C. | PREPAYMENTS AND ACCRUED INCOME | | 107875 | 77087 |
| | TOTAL ASSETS | | 15271290 | 13688280 |
| | EQUITY AND LIABILITIES | | | |
| D. | EQUITY | | 5932366 | 5413028 |
| 1. | CAPITAL | | 100000 | 2896 |
| 1.1. | Authorised (subscribed) or primary capital | | 100000 | 2896 |
| 1.2. | Subscribed capital unpaid (-) | | | |
| 1.3. | Own shares (-) | | | |
| 2. | SHARE PREMIUM ACCOUNT | | | |
| 3. | REVALUATION RESERVE | | | |
| 4. | RESERVES | | 290 | 290 |
| 4.1. | Compulsory reserve or emergency (reserve) capital | | 290 | 290 |
| 4.2. | Reserve for acquiring own shares | | | |
| 4.3. | Other reserves | | | |
| 5. | RETAINED PROFIT (LOSS) | | 5832076 | 5409842 |
| 5.1. | Profit (loss) for the reporting year | | 519338 | 2328185 |
| 5.2. | Profit (loss) brought forward | | 5312738 | 3081657 |
| E. | GRANTS, SUBSIDIES | | 1091920 | 1640063 |
| F. | PROVISIONS | | - | - |
| 1. | Provisions for pensions and similar obligations | | | |
| 2. | Provisions for taxation | | | |
| 3. | Other provisions | | | |
| G. | AMOUNTS PAYABLE AND OTHER LIABILITIES | | 8170407 | 6532804 |
| 1. | AMOUNTS PAYABLE AFTER ONE YEAR AND OTHER LONG-TERM LIABILITIES | | 1631580 | 2401657 |
| 1.1. | Debenture loans | | 292262 | 267398 |
| 1.2. | Amounts owed to credit institutions | | 1339318 | 2124210 |
| 1.3. | Payments received on account | | | |
| 1.4. | Trade creditors | | | |
| 1.5. | Amounts payable under the bills and checks | | | |
| 1.6. | Amounts payable to the entities of the entities group | | | |
| 1.7. | Amounts payable to the associated entities | | | |
| 1.8. | Other amounts payable and long-term liabilities | | | 10049 |
| 2. | AMOUNTS PAYABLE WITHIN ONE YEAR AND OTHER SHORT-TERM LIABILITIES | | 6538827 | 4131147 |
| 2.1. | Debenture loans | | 105131 | 52445 |
| 2.2. | Amounts owed to credit institutions | | 2598779 | 1293253 |
| 2.3. | Payments received on account | | 149776 | 287331 |
| 2.4. | Trade creditors | | 3283493 | 2126861 |
| 2.5. | Amounts payable under the bills and checks | | | |
| 2.6. | Amounts payable to the entities of the entities group | | | |
| 2.7. | Amounts payable to the associated entities | | | |
| 2.8. | Liabilities of tax on profit | | | |
| 2.9. | Liabilities related to employment relations | | 383587 | 345090 |
| 2.10. | Other amounts payable and short-term liabilities | | 18061 | 26167 |
| H. | ACCRUALS AND DEFERRED INCOME | | 76597 | 102385 |
| | TOTAL EQUITY AND LIABILITIES | | 15271290 | 13688280 |

Director
(title of the head of entity administration)

(signature)

Darius Lackus
(name, surname)

Chief Accountant
(title of the chief accountant (accountant) or
of other person responsible for accounting)

(signature)

Sigita Mikutienė
(name, surname)

Private Limited Liability Company VLI TIMBER, company code 302440414

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Shareholders' Resolution No. AS202504-1, 2025-04-16

(Approved)

PROFIT AND LOSS ACCOUNT as at December 31, 2025

2025 April 25 No. 25/04-1

(reporting date)

2024.01.01 - 2024.12.31

(reporting period)

Eur

(Reporting currency, specify degree of accuracy)

| Article No. | Article | Notes No. | Reporting period | Previous reporting period |
|-------------|---|-----------|------------------|---------------------------|
| 1. | Net turnover | | 21382710 | 20782737 |
| 2. | Cost of sales | | (18775176) | (16396843) |
| 3. | Fair value adjustments of the biological assets | | | |
| 4. | GROSS PROFIT (LOSS) | | 2607534 | 4385894 |
| 5. | Selling expenses | | (249032) | (281701) |
| 6. | General and administrative expenses | | (1815845) | (1564158) |
| 7. | Other operating results | | 1596 | 23725 |
| 8. | Income from investments in the shares of parent, subsidiaries and associated entities | | | |
| 9. | Income from other long-term investments and loans | | | |
| 10. | Other interest and similar income | | 16766 | 11468 |
| 11. | The impairment of the financial assets and short-term investments | | | |
| 12. | Interest and other similar expenses | | (427602) | (275976) |
| 13. | PROFIT (LOSS) BEFORE TAXATION | | 133417 | 2299252 |
| 14. | Tax on profit | | 385921 | 16523 |
| 15. | NET PROFIT (LOSS) | | 519338 | 2315775 |

Director

(title of the head of entity administration)

(signature)

Darius Lackus

(name, surname)

Chief Accountant

(title of the chief accountant (accountant) or of other person responsible for accounting)

(signature)

Sigita Mikutiene

(name, surname)

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Shareholders' Resolution No. AS202504-1, 2025-04-16

(Approved)

STATEMENT OF CHANGES IN EQUITY as at December 31, 2024

2025 April 25 No. 25/04-3

(reporting date)

2024.01.01 - 2024.12.31

(reporting period)

Eur

(Reporting currency, specify degree of accuracy)

| | Paid up authorised or primary capital | Share premium account | Own shares (-) | Revaluation reserve | | Legal reserve | | Other reserves | Retained profit (loss) | Total |
|--|---------------------------------------|-----------------------|----------------|-----------------------|------------------|---|----------------------------------|----------------|------------------------|----------------|
| | | | | Fixed tangible assets | Financial assets | Compulsory reserve or emergency (reserve) capital | Reserve for acquiring own shares | | | |
| 1. Balance at the end of the reporting (yearly) period before previous | 2896 | | | 40332 | | 290 | | | 3081657 | 3125175 |
| 2. Result of changes in accounting policies | | | | | | | | | | - |
| 3. Result of correcting material errors | | | | | | | | | | - |
| 4. Recalculated balance at the end of the reporting (yearly) period before previous | 2896 | - | - | 40332 | - | 290 | - | - | 3081657 | 3125175 |

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Shareholders' Resolution No. AS202504-1, 2025-04-16

(Approved)

CASH FLOW STATEMENT as at December 31, 20242025 April 25 No. 25/04-4

(reporting date)

2024.01.01 - 2024.12.31

(reporting period)

Eur

(Reporting currency, specify degree of accuracy)

| Article No. | Article | Notes No. | Reporting period | Previous reporting period |
|-------------|--|-----------|------------------|---------------------------|
| 1. | Cash flows from operating activities | | | |
| 1.1. | Net profit (loss) | | 519338 | 2328185 |
| 1.2. | Depreciation and amortisation expenses | | 1756110 | 1151650 |
| 1.3. | Elimination of results of disposals of fixed tangible and intangible assets | | | (13422) |
| 1.4. | Elimination of results of financing and investing activities | | 132625 | 264508 |
| 1.5. | Elimination of results of other non-cash transactions | | 99522 | |
| 1.6. | Decrease (increase) in amounts receivable from entities of the entities group and the associated entities | | | |
| 1.7. | Decrease (increase) in other amounts receivable after one year | | (7915) | (29357) |
| 1.8. | Decrease (increase) in assets of the deferred tax on profit | | (385921) | (14585) |
| 1.9. | Decrease (increase) in stocks, except advance payments | | (689967) | (37460) |
| 1.10. | Decrease (increase) in advance payments | | 36260 | (54691) |
| 1.11. | Decrease (increase) in trade debtors | | (435772) | (325786) |
| 1.12. | Decrease (increase) in amounts owed by entities of the entities group and associated entities | | (79642) | (285791) |
| 1.13. | Decrease (increase) in other debtors | | 1065961 | 263624 |
| 1.14. | Decrease (increase) in short-term investments | | | |
| 1.15. | Decrease (increase) in prepayments and accrued income | | (30788) | (40410) |
| 1.16. | Increase (decrease) in provisions | | | (6865) |
| 1.17. | Increase (decrease) in trade of long-term creditors and prepayments received on account | | | |
| 1.18. | Increase (decrease) in amounts payable under the bills and checks after one year | | | |
| 1.19. | Increase (decrease) in long-term amounts payable for entities of the entities group and associated entities | | | |
| 1.20. | Increase (decrease) in trade with short-term creditors and prepayments received on account | | 1019077 | 546630 |
| 1.21. | Increase (decrease) in amounts payable under the bills and checks within one year | | | |
| 1.22. | Increase (decrease) in short-term amounts payable for entities of the entities group and associated entities | | | |
| 1.23. | Increase (decrease) in liabilities of tax on profit | | | |
| 1.24. | Increase (decrease) in liabilities related to employment relations | | 12122 | 86386 |
| 1.25. | Increase (decrease) in other amounts payable and liabilities | | 493135 | 878 |

UAB VLI TIMBER
Company code: 302440414
Address: Gražiavietės st. 5, Kurklių II v., Kurklių m., Anykščių d.

EXPLANATORY NOTE
FOR THE YEAR ENDED 31 DECEMBER 2024
(all amounts in thousands of euro, unless otherwise indicated)

1. General information

Private Limited Liability Company VLI TIMBER (hereinafter – the Company) was registered and commenced its operations on 23 September 2009.

The Company's registered office and place of business: Gražiavietės g. 5, Kurkliai II village, Kurkliai eldership, Anykščiai district.

The Company's data is collected and stored in the Register of Legal Entities.

The principal activity of the Company is the production and wholesale of biofuel. The majority of the Company's products are exported to European Union countries and the United Kingdom. Since August 2021, the Company has been engaged in e-commerce in Lithuania and other EU countries. In Lithuania, retail customers can purchase products via the e-shops **malkosonline.lt** and **onlydry.lt**; in Germany, Denmark, and France, through locally adapted **onlydry** online stores. Since February 2022, the Company has also been selling products via the **Amazon** platform, with sales expanding to Austria, Belgium, and the Netherlands. As of 2023, products are also available to UK customers via Amazon.

All shares of the Company are ordinary shares. The Company has not acquired any of its own shares. In 2023, a portion of shares was transferred, and the Company is currently owned by two individual shareholders.

The Company has not established any branches or representative offices.

As of 21 September 2021, the Company became a VAT payer in Germany. It has not established a legal entity in Germany but has registered a place of business and pays only value-added tax to the local budget. As of 15 June 2023, the Company also became a VAT payer in the United Kingdom. Again, no legal entity has been established; the Company has only registered a place of business and pays VAT to the local budget.

At the end of 2023, the Company had 98 employees; at the end of 2024 – 113 employees. The average number of employees in 2023 was 87, and in 2024 – 103. The Company's financial year starts on January 1 and ends on December 31.

2. Accounting Policies

Basis of Preparation

The financial statements have been prepared based on the going concern assumption, presuming that the Company will continue its operations in the foreseeable future. The financial statements have been prepared on the historical cost basis.

Based on the value of assets reported in the 2024 balance sheet, annual net sales revenue, and average number of employees, the Company is classified as a **medium-sized entity** in accordance with the Law on Financial Reporting by Undertakings and Groups of Undertakings of the Republic of Lithuania.

The set of financial statements for the year 2024 includes the **balance sheet, profit and loss statement, cash flow statement, statement of changes in equity, and notes to the financial statements.**

These financial statements were prepared in accordance with the **Law on Accounting of the Republic of Lithuania, the Law on Financial Reporting by Undertakings and Groups of Undertakings, and the Business Accounting Standards of Lithuania (BAS)** in force as of 31 December 2024, which include standards and methodological recommendations developed and approved by the Authority of Audit, Accounting, Property Valuation and Insolvency Management under the Ministry of Finance.

The accounting currency is the **euro (EUR)**.

EXPLANATORY NOTE
FOR THE YEAR ENDED 31 DECEMBER 2024
(all amounts in thousands of euro, unless otherwise indicated)

a) Intangible Non-Current Assets

Assets without physical substance that are controlled by the Company, expected to generate direct and/or indirect economic benefits, and whose value is not less than the minimum acquisition threshold established by the Company, are classified as intangible non-current assets.

Acquired intangible assets are initially recognised at acquisition cost. Expenditures incurred for the improvement of intangible assets after they have been brought into use are recognised as expenses in the reporting period in which they are incurred, provided such amounts are not material in comparison to the acquisition cost. Expenditures that result in changes to the original asset's functionality or enhance the asset's future use potential are capitalised as part of the asset's value.

The amortisable value of an intangible asset is allocated on a straight-line basis over its estimated useful life.

The following groups of intangible assets, their minimum acquisition cost thresholds, and useful lives have been established (effective from 1 January 2024):

Categories of Intangible Non-Current Assets

| Category of Intangible Asset | Minimum Acquisition Cost | Useful Lifetime |
|-------------------------------------|---------------------------------|------------------------|
| Software | EUR 2,000 | 3 years |
| Acquired rights | EUR 2,000 | 3 years |
| Other intangible assets | EUR 2,000 | 4 years |

b) Tangible Non-Current Assets

In the financial statements, all economic resources under the control of the Company are recognised as assets if the Company expects to derive future economic benefits from their use and their value can be measured reliably.

Tangible assets are classified as **tangible non-current assets** when they meet the following criteria:

- The asset is used for more than one year;
- The Company expects to generate economic benefits from the asset;
- The risks related to the asset have been transferred to the Company;
- The acquisition cost of the asset is no less than the minimum acquisition value specified in the Company's **Methodology on Minimum Acquisition Costs and Depreciation/Amortisation Periods for Non-Current Assets**.

Different **minimum acquisition thresholds** and **depreciation periods** (in years) are established for different categories of tangible non-current assets.

The following **categories of tangible assets**, along with their **useful lives** and **minimum acquisition values**, are established (effective from 1 January 2024):

EXPLANATORY NOTE
FOR THE YEAR ENDED 31 DECEMBER 2024
 (all amounts in thousands of euro, unless otherwise indicated)

Categories of Tangible Non-Current Assets

| <i>Category of Tangible Asset</i> | <i>Minimum Acquisition Value</i> | <i>Useful Lifetime</i> |
|---|----------------------------------|------------------------|
| <i>Other buildings</i> | <i>EUR 2,000</i> | <i>15 years</i> |
| <i>Installations, structures, boreholes, etc.</i> | <i>EUR 2,000</i> | <i>8 years</i> |
| <i>Vehicles:</i> | | |
| – <i>Passenger cars (up to 5 years old)</i> | <i>EUR 2,000</i> | <i>6 years</i> |
| – <i>Passenger cars (older than 5 years)</i> | <i>EUR 2,000</i> | <i>10 years</i> |
| <i>Freight vehicles, trailers, semi-trailers, buses (≤ 5 yrs)</i> | <i>EUR 2,000</i> | <i>4 years</i> |
| <i>Other equipment, devices, tools, and machinery:</i> | | |
| – <i>Computers and IT equipment</i> | <i>EUR 2,000</i> | <i>3 years</i> |
| – <i>Furniture</i> | <i>EUR 2,000</i> | <i>6 years</i> |
| – <i>Machinery, equipment, devices, tools, instruments</i> | <i>EUR 2,000</i> | <i>5 years</i> |
| <i>Other tangible assets</i> | <i>EUR 2,000</i> | <i>4 years</i> |

Accounting for Tangible Non-Current Assets

Tangible non-current assets are initially recognised at acquisition cost, which includes the amount paid or payable for the asset, transportation expenses, non-refundable taxes, and costs related to design, assembly, installation, and preparation for use.

Depreciation of tangible non-current assets begins on the first day of the month following the month in which the asset is put into use. Depreciation ceases on the first day of the month following the asset's disposal, transfer, or derecognition.

*The Company applies the **straight-line method of depreciation** for its tangible non-current assets.*

*Tangible assets presented in the financial statements are measured at their historical acquisition or production cost, less **accumulated depreciation** and **impairment losses**, plus any **reversals of impairment**.*

*When a tangible non-current asset is sold or written off, both its acquisition cost and accumulated depreciation are derecognised, and the resulting gain or loss is recorded in the **statement of profit or loss**.*

Accounting for reconstruction and repair of tangible non-current assets depends on the outcome of such work:

- *If reconstruction or repair improves the asset's useful properties, the related costs are capitalised by increasing the acquisition cost of the asset and are depreciated over the remaining useful life of the asset.*
- *If the reconstruction or repair does not improve the asset's useful properties or extend its useful life, the related costs are recognised as **expenses in the reporting period**.*

*Assets classified under the "Other Buildings" category have been measured at **revalued amount**. The first revaluation was performed as of 31 December 2015. A second revaluation took place in 2020 based on a property valuation report dated December 2020. In 2023, reconstruction work was performed on the revalued assets. At year-end, the carrying amount of these assets was increased, and the **revaluation reserve** was fully utilised. It was decided that, going forward, all tangible assets will be accounted for at **acquisition cost**.*

EXPLANATORY NOTE
FOR THE YEAR ENDED 31 DECEMBER 2024
(all amounts in thousands of euro, unless otherwise indicated)

In the case of **leased tangible non-current assets** used in the Company's operations, if reconstruction or repair improves the asset's useful properties, the costs are recorded as **prepaid expenses**. After the completion of the work, the capitalised repair amount is transferred to expenses in equal portions over the lease term. In cases where lease agreements are **open-ended**, the value of repairs or reconstruction is expensed over the depreciation period applicable to the asset's respective category.

c) Inventories

Inventories are classified as current assets that are expected to be consumed in generating revenue within one year. Inventories include raw materials, materials, components and spare parts, work in progress, finished goods, and goods held for resale.

Inventories are initially measured at acquisition cost, which includes the purchase price and transportation costs. All other acquisition-related costs—such as taxes, fees (excluding refundable taxes), and preparation for use—are recognised as expenses in the period in which they are incurred.

Production accounting is based on established norms and cost calculation sheets. During production, raw materials are written off and finished goods are recorded as inventory.

The Company applies the **FIFO (First In, First Out)** method for determining the cost of inventories used or sold. Under this method, it is assumed that the oldest inventories are used first. The Company maintains a **perpetual inventory system**, where all inventory movements are recorded in real time.

As of 2024, the value of finished goods and work-in-progress at year-end is determined based on the cost of raw materials, components, and direct production costs, including: production employees' wages, depreciation of production-related fixed assets, and electricity costs.

Fuel used in the production process for machines and equipment is accounted for based on fuel usage reports, which consider established consumption norms, mileage, and operating hours. Fuel purchased for passenger cars and filled directly into vehicle tanks is recognised as an **operating expense** based on purchase documents.

Short-term assets and inventory issued for use in the Company's operations are written off as **operating expenses** at acquisition cost in the reporting period in which they are consumed.

(d) Receivables

Receivables are initially recognised at **fair value**. Subsequently, current receivables are measured at their recoverable amount, taking into account any impairment.

Receivable impairment is assessed based on the specific situation of each debtor. Debts overdue for up to 90 days are not impaired. For debts overdue by more than 90 days, impairment is assessed individually based on the likelihood of recovery.

Debts are classified as **doubtful** if their recovery is uncertain due to the age and status of the receivable. Debts overdue for more than 365 days are considered doubtful. Doubtful amounts are recognised as

EXPLANATORY NOTE
FOR THE YEAR ENDED 31 DECEMBER 2024
(all amounts in thousands of euro, unless otherwise indicated)

operating expenses and are recorded as **non-deductible expenses** for tax purposes, while remaining in a separate **contra account** for monitoring.

If previously recognised doubtful debts are recovered, the income is used to reduce doubtful debt expenses in the period of recovery.

Bad debts are those that meet the criteria set out in Article 25 of the Law on Corporate Income Tax and in the Minister of Finance Order No. 40 of 12 February 2002, which outlines the procedures for proving bad debt status and calculating their amounts.

Receivables that are factored are accounted for as trade receivables until the client settles the amount with the factoring bank.

(e) Cash and Cash Equivalents

Cash includes balances in bank accounts, funds in electronic store platforms, cash in the cash register drawer, and **cash in transit**. Cash in transit includes funds for which the Company does not yet have full access due to processing delays on electronic platforms or funds deducted from one account but not yet received into another by year-end.

Foreign currency transactions are recorded in euros at the **official exchange rate** of the European Central Bank on the day before the transaction date.

(f) Equity and Reserves

The Company's equity includes the paid-up portion of share capital, share premiums, legal reserve, other reserves, and retained earnings.

In accordance with the Law on Companies of the Republic of Lithuania, the Company established a mandatory reserve equal to one-tenth of the share capital from retained earnings when approving the financial statements for the year 2010. The amount of the mandatory reserve was not adjusted after subsequent increases in the share capital.

Profit distribution is recorded in the accounting records when the shareholders decide to distribute the profit, regardless of when the profit was earned. When a decision is made to create or reduce a reserve, the corresponding increase or decrease in the reserve is recorded in the accounts by adjusting retained earnings by the same amount.

The retained earnings (accumulated losses) line item reflects the net profit earned in the current and previous reporting periods that has not yet been distributed or the losses not yet covered, and which are not recognised in the income statement.

EXPLANATORY NOTE
FOR THE YEAR ENDED 31 DECEMBER 2024
(all amounts in thousands of euro, unless otherwise indicated)

(g) Grants and Subsidies

Grants and subsidies (hereinafter referred to as “grants”) received in the form of non-current assets or allocated for the purchase, construction, or other acquisition of non-current assets are classified as **asset-related grants**. These are accounted for on an **accrual basis**. Asset-related grants are recognised in the financial statements as utilised in proportion to the depreciation of the related assets, thus reducing the respective expenses.

Grants received to compensate for expenses incurred during the current or prior reporting periods, or for foregone income, as well as all other grants not classified as asset-related, are treated as **income-related grants**. These grants are recognised as income to the extent that related expenses are incurred during the reporting period or the amount of foregone income is calculated, which the grant is intended to compensate. Any unused portion of the grant is presented in the balance sheet under “Grants and Subsidies”.

A receivable grant is recorded only when there is substantiated assurance that the grant will indeed be received (e.g., a decision has been made, or a financing agreement has been signed with the project sponsor).

(h) Liabilities

Liabilities recognised in the accounting records are obligations arising from economic transactions or events that must be settled and whose amounts can be objectively determined. Planned transactions are not recognised as liabilities.

Current liabilities are those expected to be settled within one year from the balance sheet date. The Company's current liabilities include payables to trading partners, credit institutions, government authorities, and other legal or natural persons.

Upon initial recognition, a financial liability is measured at **cost**, which represents the value of the assets or services received. Costs related to transaction execution are recognised as expenses in the income statement during the period in which they are incurred.

Liabilities are classified as **non-current** if, by the date of the financial statements' approval, a financing agreement confirms that the liability was non-current in nature as at the balance sheet date.

The Company derecognises a financial liability or part thereof only when the obligation is fulfilled, cancelled, or expires.

The Company also recognises liabilities that arise upon the transfer of services or assets, but for which invoicing is performed in the following reporting period. These are recorded in deferred liabilities accounts and are presented in the financial statements under “Accrued Expenses and Deferred Income”.

(i) Revenue

Revenue is recognised based on the **accrual principle**, i.e., it is recorded in the accounting records when earned, regardless of the receipt of cash. Revenue is measured at **fair value**, taking into account granted or expected discounts, returns of sold goods, and write-downs. Revenue from the sale of goods is recognised, recorded in the accounting system, and presented in the financial statements when the goods are sold and the revenue amount can be reliably measured.

EXPLANATORY NOTE
FOR THE YEAR ENDED 31 DECEMBER 2024
(all amounts in thousands of euro, unless otherwise indicated)

Revenue from the provision of services is recognised, recorded in the accounting system, and presented in the financial statements when the service transaction is completed and both the revenue and the associated expenses related to the service transaction can be reliably measured.

Other operating income includes income from the sale of non-current assets used in the Company's operations, other assets used in the business, and secondary raw materials.

Finance income includes received interest, accrued penalties for contractual non-performance, and positive effects from foreign currency exchange rate changes.

(j) Expenses

Expenses are recognised based on the **accrual and matching principles**, i.e., they are recorded in the period in which the related revenue is earned, regardless of when the cash is paid.

Cost of sales includes expenses incurred in the current and previous periods related to services rendered and goods sold during the reporting period. Only the portion of expenses directly related to the goods and services sold in the reporting period is included in this item.

Production costs include: consumed timber, packaging materials, transportation services, customs brokerage services and warehouse rental costs, operating expenses of equipment involved in the production process, electricity costs, and salaries of production workers including social security contributions.

Operating expenses are the costs incurred during the reporting period that are related to the Company's ordinary business activities. These expenses are classified into **selling and general and administrative expenses**.

- **Selling expenses** are operating costs incurred during the reporting period that are related to the sale of goods.
- **General and administrative expenses** are costs related to the Company's ordinary activities that contribute to the generation of revenue, including:
 - Salaries and related taxes of administrative staff;
 - Maintenance and operational expenses of premises and vehicles;
 - Telephone and internet expenses;
 - Costs of computer equipment and its maintenance;
 - Written-off cost of issued inventory;
 - Office supplies and postal service costs;
 - Business travel, training, consultancy, and other economic expenses.

Finance costs include interest expenses, negative foreign exchange rate differences, and late payment penalties.

Selling, general, administrative, and finance expenses are recognised, recorded, and reported in the financial statements in the same reporting period in which they are incurred.

EXPLANATORY NOTE
FOR THE YEAR ENDED 31 DECEMBER 2024
(all amounts in thousands of euro, unless otherwise indicated)

(k) Provisions

Provisions are recognised **only when** the Company has a legal obligation or an irrevocable commitment arising from a past event, and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and the amount of the obligation can be **reliably estimated**.

(o) Financial Risk Management

The Company operates in international markets mainly in **euros**, with only a small portion of purchases in **US dollars** and **UK pounds sterling**. Therefore, the Company does not face significant exposure to foreign currency exchange rate risk.

Credit risk, or the risk of counterparties failing to fulfil their obligations, is managed through the application of credit terms, control procedures, and **trade receivables insurance**.

Liquidity risk is mitigated by maintaining an adequate **level of cash and cash equivalents** or ensuring **access to financing** through appropriate credit facilities, supported by **advance cash flow planning**.

(p) Subsequent Events

Subsequent events that provide additional information about the Company's position as of the balance sheet date (**adjusting events**) are reflected in the financial statements.

Non-adjusting events after the reporting date are disclosed in the notes to the financial statements if they are **material**.

(r) Related Parties

A related party is a legal or natural person that meets at least one of the following conditions:

- a) Directly or indirectly exercises **control** over the Company;
- b) Can exert **significant influence** over the Company;
- c) Jointly controls an entity under a joint venture agreement;
- d) Is an entity under the **control of the same parent company** or the same natural person (or group of persons);
- e) Is an **associate or subsidiary** of the Company;
- f) Is an entity under **joint control** pursuant to a joint venture agreement;
- g) Is a **member of the key management personnel** of the Company or its parent;
- h) Is a **close family member** of any individual referred to in points (a), (b), (c), or (g);
- i) Is an entity controlled, jointly controlled, or significantly influenced by any person referred to in (g) or (h);
- j) Is an **entity that accumulates and pays pensions or other benefits** to employees of the Company or any related legal entity after the end of employment.

EXPLANATORY NOTE
FOR THE YEAR ENDED 31 DECEMBER 2024
(all amounts in thousands of euro, unless otherwise indicated)

(s) Significant Judgements and Key Sources of Estimation Uncertainty

In applying the Company's accounting policies, management is required to make **judgements, estimates, and assumptions** about the carrying amounts of assets and liabilities that are not readily apparent from other sources. These estimates and associated assumptions are based on historical experience and other factors considered to be relevant. **Actual results may differ** from these estimates.

Set out below are the key assumptions concerning the future and other key sources of estimation uncertainty at the end of the reporting period, which may have a **significant risk of material adjustment** to the carrying amounts of assets and liabilities within the next financial year.

Impairment of Property, Plant and Equipment

The Company **assesses at least annually** whether there is any indication that property, plant, and equipment may be impaired. If such an indication exists, the Company performs an **impairment test**. The recoverable amount of a cash-generating unit is determined based on its **value in use**.

Other Estimates and Assumptions

Other estimates include the **useful lives** of tangible and intangible assets, **provisions for inventory and doubtful trade receivables**. Estimates and underlying assumptions are **reviewed on an ongoing basis**. The effect of revisions to accounting estimates is recognised in the period in which the estimate is revised if the revision affects only that period or in both the current and future periods if the revision affects both.

EXPLANATORY NOTE
FOR THE YEAR ENDED 31 DECEMBER 2024
(all amounts in thousands of euro, unless otherwise indicated)

3. Notes to the Explanatory Memorandum

3.1 Intangible fixed assets

As at 31 December 2024, intangible assets consisted of:

| <i>Indicators</i> | <i>Software</i> | <i>Software in the pipeline</i> | <i>Other intangible assets</i> | <i>Total</i> |
|---------------------------------|-----------------|---------------------------------|--------------------------------|--------------|
| Acquisition value | | | | |
| 31 December 2023 | 35 806 | 17 940 | 2 172 | 55 918 |
| Retrieved from | - | 99 195 | - | 99 195 |
| Copied from | - | - | - | - |
| From one article to another | 117 135 | -117 135 | - | - |
| 31 December 2024 | 152 941 | - | 2 172 | 155 113 |
| Accumulated depreciation | | | | |
| 31 December 2023 | 12 023 | - | 2 172 | 14 195 |
| Calculated for the period | 10 530 | - | - | 10 530 |
| Copied from | - | - | - | - |
| From one article to another | - | - | - | - |
| 31 December 2024 | 22 553 | - | 2 172 | 24 725 |
| Balance sheet value | | | | |
| 31 December 2023 | 23 783 | 17 940 | - | 41 723 |
| 31 December 2024 | 130 388 | - | - | 130 388 |

Change in the Recognition Threshold for Intangible and Tangible Fixed Assets

From January 1, 2024, the Company revised the **minimum acquisition cost threshold** for assets to be classified as intangible fixed assets. The threshold was increased from **EUR 600** to **EUR 2,000**. Amortisation of intangible fixed assets is recognised in the income statement under **general and administrative expenses**.

3.2 Tangible fixed assets

From 1 January 2024, the value at which an asset acquired by an enterprise is considered to be non-current is changed. The change was made in order to simplify the accounting for assets and to better reflect the growth, nature of the business and the principle of materiality. The change was followed by a write-down of fixed assets previously acquired and still in use in the business, which were valued at less than the new value. The residual value of the fixed assets written off is EUR 49 742. The write-down was charged to general and administrative expenses. The assets have been written off in the financial accounts, but for tax purposes the cost will be included in each accounting period as if the fixed assets continue to be used and the depreciation will be calculated until the assets are fully depreciated.

EXPLANATORY NOTE
FOR THE YEAR ENDED 31 DECEMBER 2024
(all amounts in thousands of euro, unless otherwise indicated)

As at 31 December 2024, tangible assets consisted of:

| Indicators | Earth | Buildings, | Machinery and equipment | Vehicles | Computers, communication equipment and other tangible assets | Advances paid and construction in progress | Total |
|----------------------------------|--------|------------|-------------------------|----------|--|--|------------|
| Acquisition value | | | | | | | |
| 31 December 2023 | 5 277 | 5 581 561 | 2 857 201 | 381 711 | 900 473 | 1 351 518 | 11 077 741 |
| Retrieved from | 23 600 | 286 400 | 814 660 | 135 487 | 44 099 | 1 670 557 | 2 974 803 |
| Copied from | - | - | -30 507 | - | -46 661 | -23 404 | -100 572 |
| From one article to another | - | 661 996 | 1 596 531 | - | - | -2 258 527 | - |
| 31 December 2024 | 28 877 | 6 529 957 | 5 237 885 | 517 198 | 897 911 | 740 144 | 13 951 972 |
| Revaluation /depreciation | | | | | | | |
| 31 December 2023 | - | - | - | - | - | - | - |
| Revalued (+), devalued (-) | - | - | - | - | - | - | - |
| Depreciated during the period | - | - | - | - | - | - | - |
| 31 December 2024 | - | - | - | - | - | - | - |
| Accumulated depreciation | | | | | | | |
| 31 December 2023 | - | 1 266 689 | 1 053 797 | 97 617 | 350 252 | - | 2 768 355 |
| Calculated for the period | - | 775 033 | 710 316 | 73 966 | 186 265 | - | 1 745 580 |
| Copied from | - | - | -10 853 | - | -16 572 | - | -27 425 |
| From one article to another | - | - | - | - | - | - | - |
| 31 December 2024 | - | 2 041 722 | 1 753 260 | 171 583 | 519 945 | - | 4 486 510 |
| Balance sheet value | | | | | | | |
| 31 December 2023 | 5 277 | 4 314 872 | 1 803 404 | 284 094 | 550 221 | 1 351 518 | 8 309 386 |
| 31 December 2024 | 28 877 | 4 488 235 | 3 484 625 | 345 615 | 377 966 | 740 144 | 9 465 462 |

Depreciation of the Company's property, plant and equipment was charged to the income statement under the following headings:

cost of sales - EUR 1 357 888 (31 December 2023: EUR 1 309 992);

general and administrative expenses - EUR 83 697 (31 December 2023: EUR 52 056).

| Name of the group of pledged assets | Carrying amount (Eur) | Date of expiry of the pledge |
|-------------------------------------|-----------------------|------------------------------|
| Earth | 28 877 | 2029-07-29 |
| Buildings and structures | 3 427 966 | 2029-07-29 |
| Machinery and equipment | 910 138 | 2028-02-05 |
| Other tangible assets | 191 508 | 2028-02-05 |
| Total | 3 739 364 | |

As at 31 December 2024, tangible fixed assets with a carrying amount of EUR 3 739 364 (EUR 4 750 874 in 2023) are pledged as collateral for the repayment of the loans to Šiaulių Bankas AB (Note 3.10)

EXPLANATORY NOTE
FOR THE YEAR ENDED 31 DECEMBER 2024
(all amounts in thousands of euro, unless otherwise indicated)

Depreciated fixed assets in use

The cost of fixed assets that are fully depreciated as at 31 December but are still used in the Company's operations:

| Name of asset group | 2024 m. | 2023 m. |
|--------------------------|----------------|----------------|
| Software | 3 186 | 3 186 |
| Other intangible assets | 2 172 | 2 172 |
| Buildings and structures | 423 183 | 423 183 |
| Machinery and equipment | 269 358 | 269 358 |
| Vehicles | 12 344 | 10 744 |
| Other tangible assets | 134 791 | 131 944 |
| Total | 845 034 | 840 587 |

As at 31 December 2024, construction in progress is recorded under uncompleted projects:

| Draft | Book value | Estimated time of project completion |
|-----------------------------|----------------|--------------------------------------|
| Reconstruction of buildings | 240 731 | 2025 Q2 |
| Solar power plant | 80 333 | 2025 Q3 |
| Automated packaging line | 42 098 | 2027 Q4 |
| Advances paid | (376 9) (82) | 2038 Q3 |
| Total | 740 144 | |

3.3 Subsidiaries

31 December 2024 and 31 December 2023 The Company's directly controlled subsidiaries were:

| Company name | Home address | Amount of investment | (Number of shares and (v) shareholding) (%) |
|--|--|----------------------|---|
| Santo Cajetan Energy Ltd | 29 Bargates, Box, Corsham, Wiltshire, SN13 8LT, UK | 18 215 | (100 units,) (100) (%) |
| OD Sverige AB | Hoverberg 828, 845 62, Svenstavik, SE | 20 000 | (150 units,) (60) (%) |
| Good Wood Distribution Ltd | 307 Cotton Exchange Building, Old Hall Street, Liverpool, L3 9LQ, UK | 114 | (100 units,) (100) (%) |
| Total shares in group companies | | 38 329 | |

EXPLANATORY NOTE
FOR THE YEAR ENDED 31 DECEMBER 2024
(all amounts in thousands of euro, unless otherwise indicated)

3.4 Stocks

At 31 December 2024 and 31 December 2023, inventories consisted of:

| | Raw materials, supplies and consumables | Work in progress and work in progress | Production | Goods for resale | Total |
|---|---|--|------------|---------------------|-----------|
| (Acquisition of inventories) (i) (jim) (and cost at 31 December 2023) | 759 623 | | 204 523 | 778 | 964 924 |
| Net realisable value at 31 December 2023 | 759 623 | | 204 523 | 778 | 964 924 |
| (Inventories acquired) (m) (and cost at 31 December 2024) | 1 185 701 | 141 561 | 256 893 | 1083 | 1 585 238 |
| Net realisable value at 31 December 2024 | 1 185 701 | 141 561 | 256 893 | 1083 | 1 585 238 |
| Stocks held with third parties | - | - | - | 122 | 122 |
| Pledged stocks | 200 000 | - | - | | 200 000 |

As at 31 December 2024, inventories with a carrying amount of EUR 200 thousand (31 December 2023: EUR 1,006 thousand) are pledged to Šiaulių Bankas AB as a guarantor for the repayment of loans (Note 3.10).

3.5 Receivables within one year

| Name | 2024 y. | 2023 y. |
|---|------------------|------------------|
| Trade receivables | | |
| Trade receivables | 2 267 514 | 1 812 036 |
| Doubtful debts from customers | (115 315) | (95 609) |
| Debts of group companies | 429 824 | 350 182 |
| Total | 2 582 023 | 2 066 609 |
| Other receivables | | |
| Value added tax to be recovered from the budget | 242 009 | 310 417 |
| Grant receivable from Structural Funds | | 1 020 801 |
| Advances to accountable persons | 11 773 | 620 |
| Loans granted and outstanding | 300 | 2 369 |
| Total other receivables | 254 082 | 1 334 207 |

EXPLANATORY NOTE
FOR THE YEAR ENDED 31 DECEMBER 2024
(all amounts in thousands of euro, unless otherwise indicated)

3.6 Cash and cash equivalents

The cash balance at the end of the reporting period comprises: cash at bank, cash at the cash desk, cash collection platforms and cash on the move. At 31 December 2024, cash and cash equivalents amounted to EUR 78 967 (31 December 2023: EUR 198 829).

3.7 Deferred charges and accrued income

| Name | 2024 y. | 2023 y. |
|---|----------------|---------------|
| Deferred insurance costs | 72 148 | 43 484 |
| Deferred leasehold improvements expense | 23 404 | 23 404 |
| Deferred cost of sales | 8 460 | 5 523 |
| Deferred other operating expenses | 3 863 | 4 676 |
| Total | 107 875 | 77 087 |

3.8 Capital and reserves

Authorised (subscribed) capital or share capital

31 December 2024 The authorised capital of the Company is EUR 100 000, consisting of 100 ordinary registered shares. Each share has a nominal value of EUR 1 000. All shares are fully paid up. In 2024, the share capital was increased from EUR 2 896 to EUR 100 000, as committed in the loan agreement with AB Šiaulių bankas.

31 December 2024 and 31 December 2023. The Company's shareholders were:

| | Number of shares | Percentage of total shares | Voting percentage of eligible shares |
|----------------------|------------------|----------------------------|--------------------------------------|
| p. Darius Lackus | 58 | 58 | 58 |
| p. Žygimantas Lackus | 42 | 42 | 42 |
| Total | 100 | 100 | 100 |

Mandatory reserve

The Compulsory Reserve is the mandatory reserve provided for by the laws of the Republic of Lithuania. It is transferred annually to at least 5% of net distributable profits until the statutory reserve reaches 10% of the share capital. It may be used exclusively to cover future losses.

As at 31 December 2024, the statutory reserve was fully accumulated and amounted to EUR 290 (31 December 2023: EUR 290).

EXPLANATORY NOTE
FOR THE YEAR ENDED 31 DECEMBER 2024
(all amounts in thousands of euro, unless otherwise indicated)

Retained earnings (losses)

| Articles at | Year | Total |
|--|------------|-----------|
| Retained earnings - profit (loss) | 2023-12-31 | 5 312 738 |
| Net result for the year - profit (loss) | | 519 338 |
| Profit (loss) not recognised in the income statement | | |
| Result to be distributed - profit (loss) | 2024-12-31 | 5 832 076 |
| Shareholders' contributions to cover losses | | |
| Transfers from reserves | | |
| Profit to be distributed | 2024-12-31 | 5 832 076 |
| Profit sharing: | | 300 710 |
| - into legal reserves | | 710 |
| - to other reserves | | |
| - dividends | | 300 000 |
| - Other (for share capital increases) | | |
| | | 5 531 336 |

At the date of approval of the financial statements, the draft profit appropriation has not yet been approved.

3.9 Grants, subsidies

| | 2024 y. | 2023 y. |
|---|--------------------|------------------|
| Balance at beginning of period | 1 640 063 | 505 802 |
| Grants receivable at beginning of period | (1 020 801) | |
| Grants received during the period | 714 358 | 283 628 |
| Amortisation of grants (subsidies) | (241 701) | (170 168) |
| Grants receivable during the period end | - | (1 020 801) |
| Balance at end of period | 1 091 920 | 1 640 063 |

Detail of the balance of grants received from the European Union Structural Funds as at 31 December 2024, amounting to EUR 1 091 thousand:

UAB VLI TIMBER
Company code: 302440414
Address: Gražiavietės st. 5, Kurklių II v., Kurklių m., Anykščių d.

EXPLANATORY NOTE
FOR THE YEAR ENDED 31 DECEMBER 2024
(all amounts in thousands of euro, unless otherwise indicated)

| <i>Name of the project</i> | <i>Grant received in the form of a jack o'lantern at the end of the period, EUR</i> |
|--|---|
| <i>Modernisation of the biofuel boiler house of UAB VLI TIMBER</i> | <i>167 113</i> |
| <i>UAB VLI TIMBER "Introducing digitalisation technologies into a company's production processes"</i> | <i>124 794</i> |
| <i>VLI TIMBER UAB "introducing competitive cultural products"</i> | <i>8 625</i> |
| <i>Implementing environmentally friendly technologies at VLI TIMBER</i> | <i>333 071</i> |
| <i>Introduction of new technological solutions for digitisation and automation of production processes in UAB VLI TIMBER</i> | <i>436 069</i> |
| <i>Installation of renewable energy generation capacity at UAB VLI TIMBER</i> | <i>22 248</i> |
| Total | 1 091 920 |

3.10 Liabilities and debts to credit institutions

31 December The Company's financial liabilities were as follows:

| | 2024 y. | 2023 y. |
|--|------------------|------------------|
| <i>Financial debts to credit institutions by repayment period:</i> | | |
| <i>In the first year</i> | <i>2 598 779</i> | <i>1 293 253</i> |
| <i>In the second to fifth year</i> | <i>1 339 318</i> | <i>2 124 210</i> |
| <i>Five years later</i> | | |
| Total financial debt | 3 938 097 | 3 417 463 |
| <i>Lease (finance lease) liabilities by maturity:</i> | | |
| <i>In the first year</i> | <i>105 131</i> | <i>52 445</i> |
| <i>In the second to fifth year</i> | <i>292 262</i> | <i>267 398</i> |
| <i>Five years later</i> | | |
| Total leasing (finance lease) liabilities | 397 393 | 319 843 |

The contracts provide for a variable interest rate, EURIBOR, with an interest period of 6 months. The assets pledged against the loan with a residual value of EUR 3 739 364 (31 December 2023: EUR 4 750 874) are disclosed in note 3.2.

EXPLANATORY NOTE
FOR THE YEAR ENDED 31 DECEMBER 2024
(all amounts in thousands of euro, unless otherwise indicated)

The Company additionally used factoring by Šiaulių Bankas AB with recourse. As at 31 December 2024, the amount receivable/payable under the factoring agreement amounts to EUR 942 111 (31 December 2023: EUR 430 815). The payables are recorded under Financial debts to credit institutions.

Employment-related liabilities (EUR)

| | 2024 y. | 2023 y. |
|---|----------------|----------------|
| Payroll liabilities | 123 786 | 111 055 |
| Holiday accruals | 162 812 | 136 437 |
| Social security contributions | 49 493 | 46 086 |
| Deferred social security contributions payable | 10 048 | 17 233 |
| PIT liabilities | 33 390 | 30 675 |
| Social security contributions for holiday savings | 2 882 | 2 441 |
| Deductions made from staff salaries | 1 176 | 1 163 |
| Total | 383 587 | 345 090 |

Other payables and current liabilities (EUR)

| | 2024 y. | 2023 y. |
|---|---------------|---------------|
| Pollution tax payable | 2 552 | 6 316 |
| Real estate tax payable | 2 369 | 486 |
| PIT liability on non-employment income | 929 | 670 |
| Amounts due to accountable person | 196 | 101 |
| VAT payable in Germany | 201 | 1 368 |
| VAT accrued and payable in the United Kingdom | 193 | 56 |
| VAT due declared to the OSS | 11 621 | 17 170 |
| Total | 18 061 | 26 167 |

3.11 Accrued expenses and deferred income

| | 2024 y. | 2023 y. |
|---|---------------|----------------|
| Accrued costs for transport services | 64 938 | 101 500 |
| Accrued cost of sales and other operating expense | 11 659 | 885 |
| Total | 76 597 | 102 385 |

3.12 Sales revenue

Sales revenue for the financial year consisted of:

| | 2024 y. | 2023 y. |
|-------------------------------|-------------------|-------------------|
| Sales in Lithuania | 356 579 | 396 779 |
| Exports to third countries | 10 840 995 | 8 343 590 |
| Exports to the European Union | 10 185 136 | 12 042 368 |
| Total | 21 382 710 | 20 782 737 |

EXPLANATORY NOTE
FOR THE YEAR ENDED 31 DECEMBER 2024
(all amounts in thousands of euro, unless otherwise indicated)

Sales revenue in 2024 compared to 2023 increased by EUR 600 thousand mainly due to increased production capacity.

3.13 Cost of sales

| <i>Name</i> | <i>Financial year</i> | <i>Last financial year</i> |
|---|-----------------------|----------------------------|
| Cost of sales | 18 775 176 | 16 396 843 |
| <i>Cost of production sold</i> | 8 685 416 | 8 156 014 |
| <i>Transport of goods</i> | 4 099 165 | 3 652 144 |
| <i>Wages and social security for production workers</i> | 1 355 199 | 1 309 992 |
| <i>Depreciation of fixed assets included in production</i> | 1 357 888 | 967 955 |
| <i>Electricity consumption</i> | 530 331 | 409 278 |
| <i>Equipment operating costs</i> | 296 216 | 471 010 |
| <i>Cost of hiring production workers from outside the country</i> | 1 594 161 | 989 967 |
| <i>Fuel costs</i> | 265 806 | 164 549 |
| <i>Storage costs</i> | 482 764 | 86 448 |
| <i>Other production costs</i> | 108 230 | 189 486 |

The cost of sales in 2024 has increased by €2,378 thousand compared to 2023, due to increased transport costs and staff salary costs.

3.14 Cost of sales

Cost of sales for the financial year consisted of:

| | 2024 y. | 2023 y. |
|--|----------------|----------------|
| <i>Electronic marketing sales cost of sales</i> | 175 060 | 256 091 |
| <i>Advertising, marketing and other selling expenses</i> | 73 972 | 25 610 |
| Total | 249 032 | 281 701 |

3.15 General and administrative costs

| <i>Name</i> | 2024 y. | 2023 y. |
|---|------------------|------------------|
| General and administrative costs | 1 763 984 | 1 564 158 |
| <i>Wages and social security</i> | 919 166 | 737 357 |
| <i>Consultancy, training, qualification costs</i> | 141 701 | 142 681 |
| <i>Land and premises rental and maintenance costs</i> | 184 471 | 147 962 |
| <i>Car rental, repair and maintenance costs</i> | 34 475 | 22 304 |
| <i>Insurance costs</i> | 72 767 | 36 186 |
| <i>Depreciation and amortisation of fixed assets</i> | 86 868 | 54 690 |
| <i>Cost of operating taxes</i> | 49 135 | 50 240 |
| <i>Holiday savings and social security costs</i> | 23 969 | 42 266 |
| <i>Other costs</i> | 251 432 | 330 472 |

EXPLANATORY NOTE
FOR THE YEAR ENDED 31 DECEMBER 2024
(all amounts in thousands of euro, unless otherwise indicated)

3.16 Results from other activities

| <i>Indicators</i> | <i>2024 y.</i> | <i>2023 y.</i> |
|--|----------------|----------------|
| (a) OTHER OPERATING EXPENDITURE | 1 596 | 69 349 |
| <i>Itemisation of amounts:</i> | | |
| <i>fixed assets disposed of</i> | | 58 000 |
| <i>disposal of other assets used in operations</i> | 505 | 1 157 |
| <i>non-typical operating income</i> | 1 091 | 10 192 |
| (b) OTHER OPERATING COSTS | | 45 624 |
| <i>Itemisation of amounts:</i> | | |
| <i>cost of fixed assets disposed of</i> | | 44 578 |
| <i>the cost of other assets used in operations disposed of</i> | | 1 046 |
| (c) RESULT OF OTHER ACTIVITIES (a - b) | 1 596 | 2 325 |

3.17 Financial and investment activities

| <i>Indicators</i> | <i>2024 y.</i> | <i>2023 y.</i> |
|--|------------------|----------------|
| (a) REVENUE FROM FINANCIAL AND INVESTMENT ACTIVITIES | 16 766 | 11 468 |
| <i>Itemisation of amounts:</i> | | |
| <i>interest on loans</i> | 12 826 | 7 661 |
| <i>income from investments</i> | 88 | |
| <i>finances, late payment penalties</i> | 3 852 | 3 807 |
| (b) COSTS OF FINANCIAL AND INVESTMENT ACTIVITIES | 427 602 | 275 976 |
| <i>Itemisation of amounts:</i> | | |
| <i>interest paid to leasing companies</i> | 24 276 | 13 534 |
| <i>factoring interest and acceptance fees</i> | 86 804 | 87 133 |
| <i>interest on loans and credits</i> | 299 031 | 171 045 |
| <i>investment revaluation charges</i> | 5 193 | |
| <i>the negative effect of exchange rate changes</i> | 1 826 | 819 |
| <i>finances, late payment penalties</i> | 10 472 | 3 445 |
| (c) RESULT OF FINANCIAL AND INVESTMENT ACTIVITIES (a - b) | (410 836) | (264 8) |

EXPLANATORY NOTE
FOR THE YEAR ENDED 31 DECEMBER 2024
(all amounts in thousands of euro, unless otherwise indicated)

3.18 Corporation tax

Components of income tax expense (income) for the financial year:

| | 2024 y. | 2023 y. |
|---|------------------|-----------------|
| Income tax expense for the period | | |
| Income tax adjustments for prior periods | | |
| Deferred tax expense (income) | (385 921) | (16 523) |
| Income tax expense (income) recognised in the income statement | (385 921) | (16 523) |

Income tax expense (income) for the year was:

| Income tax expense | 2024 y. | 2023 y. |
|---|------------------|-----------------|
| Profit before tax | 133 417 | 2 299 252 |
| Corporate tax rate | 15 | 15 |
| Costs that do not reduce taxable profit | 140 523 | 160 156 |
| Income not contributing to taxable profit | 5 230 | 3 807 |
| Costs that reduce profit (impact of prior periods) | 1678 | 2 600 |
| Support doubled | 2 700 | 2 600 |
| Impact of the investment allowance | 264 332 | 2 453 001 |
| Measurement of deferred income tax | (385 921) | (16 523) |
| Income tax expense (income) recognised in the income statement | (385 921) | (16 523) |

The taxable profit was reduced by 100% in accordance with Article 46-1 of the Corporate Income Tax Act, with the benefit of investment projects. The investments were for the acquisition of production equipment and equipment to improve the conditions of production processes. The purpose of the acquisitions was to increase the company's production capacity and optimise production processes.

As at 31 December 2024 and 31 December 2023, deferred tax assets/liabilities consisted of:

| | 2024 y. | 2023 y. |
|---|----------------|---------------|
| Deferred tax assets from: | | |
| social security contributions calculated on holiday savings | 461 | 366 |
| * Accumulated investment project allowances under Article 46-1 of the Corporate | 376 553 | - |
| values of doubtful receivables | 18 450 | 14 219 |
| Difference due to depreciation rates | 5 042 | - |
| Total | 400 506 | 14 585 |

* The unused balance of the investment allowance is EUR 2,353 thousand. The cumulative investment project allowance in accordance with Article 46-1 of the Law on Corporate Income Tax has been estimated based on the Company's business plan to generate profit for the years 2025-2026.

EXPLANATORY NOTE
FOR THE YEAR ENDED 31 DECEMBER 2024
(all amounts in thousands of euro, unless otherwise indicated)

3.19 Financial relationships with directors and other related parties

The management of the company consists of 1 person - the director.

| Indicators | Financial year | Last financial year |
|---|-----------------------|----------------------------|
| A. Amounts accrued during the year relating to employment: | | |
| 1. For managers | 70 231 | 52 234 |
| 2. Other related parties | - | - |
| B. Gratuitous transfers of assets and gifts: | | |
| 1. For managers | 80 | 100 |
| 2. Other related parties | - | - |
| C. Other non-employment income accrued during the year : | | |
| 1. For managers | 46 976 | 41 892 |
| 2. Other related parties | - | - |
| D. Loans granted and outstanding : | | |
| 1. For managers* | 163 700 | 155 100 |
| 2. Other related parties | - | - |
| Average number of managers per year | 1 | 1 |

* 31 December 2024 Loan granted by the Company to a director of the Company. The loan bears fixed interest. The amount of interest accrued during 2024 is EUR 8 615 (31 December 2023: EUR 6 thousand). The loan matures on 31 December 2026.

3.20 Transactions with related parties

The table below shows transactions with related parties during the financial year ending 31 December 2024:

| Country concerned | Purchases | Sales | Receivables | Payables | Loans granted | Interest on loans |
|-----------------------------|------------------|------------------|--------------------|-----------------|----------------------|--------------------------|
| Santo Cajetan Energy Ltd | - | 10 266 | 21 369 | - | - | - |
| OD Sverige AB | - | 960 910 | 193 964 | - | - | - |
| *Good Wood Distribution Ltd | 26 626 | 564 275 | 214 491 | - | 44 500 | 2 700 |
| Total | 26 626 | 1 535 451 | 429 824 | - | 44 500 | 2 700 |

*The maturity of the loan has been postponed until 31 December 2026. The loan agreement provides for an annual interest rate of 6.05%.

EXPLANATORY NOTE
FOR THE YEAR ENDED 31 DECEMBER 2024
(all amounts in thousands of euro, unless otherwise indicated)

The following table reflects the transactions with related companies during the financial year ending 31 December 2023:

| Country concerned | Purchases | Sales | Receivables | Payables | Loans granted | Interest on loans |
|----------------------------|---------------|----------------|-------------|----------|---------------|-------------------|
| Santo Cajetan Energy Ltd | - | 82 781 | - | - | - | - |
| OD Sverige AB | - | 466 432 | - | - | - | - |
| Good Wood Distribution Ltd | 12 316 | 272 708 | - | - | 44 500 | - |
| Total | 12 316 | 821 921 | - | - | 44 500 | - |

Adjustments and reclassifications of prior year comparative information

From 2024 onwards, the year-end cost of production and work-in-progress will include direct and indirect production costs related to production. This includes wage costs of production staff, depreciation of fixed assets involved in production and electricity costs.

Information on adjustments and corrections to the financial statements made after 31 December 2023 in the audited accounts is provided below. Information on the changes in the financial statements before and after the adjustments is provided, as well as separate disclosures on the changes to the 2023 financial statements.

PROFIT AND LOSS ACCOUNT

| Eil No | Articles | Past reporting period BEFORE adjustments | Corrections | Past reporting PO period adjustments |
|--------|---------------------------------|--|----------------|--------------------------------------|
| 2. | Cost of sales | (16 396 843) | 231 781 | (16 165 062) |
| 4. | GROSS PROFIT (LOSS) | 4 385 894 | 231 781 | 4 617 675 |
| 13. | PROFIT (LOSS) BEFORE TAX | 2 299 252 | 231 781 | 2 531 033 |
| 15. | NET PROFIT (LOSS) | 2 315 775 | 231 781 | 2 547 556 |

BALANCE

| Eil No | Articles | Past reporting period BEFORE (kor) (e) (gavimus) | Corrections | Past reporting PO period adjustments |
|----------|-----------------------|--|----------------|--------------------------------------|
| B | CURRENT ASSETS | 4 973 952 | 231 781 | 5 205 733 |
| 1. | ATSARGOS | 1 374 307 | 231 781 | 1 606 088 |
| 1.2 | Work in progress | | 127 135 | 127 135 |
| 1.3 | Production | 204 523 | 104 646 | 309 169 |
| | TOTAL ASSETS | 13 688 280 | 231 781 | 13 920 061 |

EXPLANATORY NOTE
FOR THE YEAR ENDED 31 DECEMBER 2024
(all amounts in thousands of euro, unless otherwise indicated)

| | | | | |
|-----------|---|-------------------|----------------|-------------------|
| D | EQUITY | 5 413 028 | 231 781 | 5 644 809 |
| 5. | RETAINED EARNINGS (LOSSES) | 5 409 842 | 231 781 | 5 641 623 |
| 5.1 | Profit (loss) for the year | 2 328 185 | 231 781 | 2 559 966 |
| | TOTAL EQUITY AND TOTAL LIABILITIES | 13 688 280 | 231 781 | 13 920 061 |

Contingent liabilities and commitments and uncertainties

The Company has not been subject to a full tax audit by the tax authorities. The tax authorities may at any time examine the accounting, transactional and other documents, records and tax returns of the Company for the current and the 3 preceding calendar years, and in certain cases for the current and the 5 or 10 preceding calendar years, and may impose additional taxes and penalties. Management is not aware of any circumstances that could give rise to a potential material liability for unpaid taxes.

At 31 December 2024 and 2023 The Company is not involved in any legal proceedings that, in the opinion of management, would have a material effect on the financial statements.

3.21 Subsequent events

On 18 March 2025 a credit line agreement was signed with a credit limit of EUR 2 500 000. The credit line has a maturity date of 17 March 2026.

Apart from the above, no other post-accounting events have occurred after the end of the financial year and up to the date of approval of these financial statements that would have an impact on these financial statements or require additional disclosure.

Director

Darius Lackus

Chief Accountant

Sigita Mikutienė



Closed Joint Stock Company „VLI Timber“

MANAGEMENT REPORT

2024 m.

General information about the company. Operating environment and directions.

In 2024, VLI TIMBER, a private limited liability company, was operating in a market affected by fluctuations due to the ongoing war in Ukraine. Comparing the circumstances and consumer behaviour in recent years with the activity in 2022, when the war had just started, the company's operating environment has returned to normal conditions, with seasonality of demand in the market. The warmer-than-normal weather at the beginning of 2024 led to a shorter winter season and reduced sales. It was necessary to start storing production earlier, i.e. from February. The longer period until the start of the next season resulted in higher storage costs. These circumstances were largely responsible for the significant drop in annual profit.

The company continued its expansion efforts and continued its efforts to become the world's largest producer of firewood at the highest quality and at affordable prices. Investments were made to increase production capacity and to gain a substantial competitive advantage over competitors. The company launched a third chopping and packaging line in 2024, and improvements have been made to the drying facilities, which allow for shorter drying times. Financing was obtained and the design of a new plant in the Jonava district started. The company continued to research, test and find ways to automate the packaging and splitting processes in a more efficient way.

The company sells firewood to business customers in the European Union, the United Kingdom and other markets. Since April 2021, the company's products have been available to end-users via e-shops:

Lithuania malkos.online and onlydry.lt

- *In Germany onlydry.de*
- *In Sweden onlydry.se*
- *In Germany, the Netherlands, Austria, Belgium, Sweden, UK - Amazon*

The company has been involved in biofuel production for more than a decade and therefore has extensive experience and knowledge of the local and foreign markets, i.e. market prices, quality of raw materials and billets, availability of transport companies and other service providers, local legislation and more. Over the years, the company has built up an extensive database of its buyer companies: their financial situation and their purchasing volumes.

Faced with a strong market reaction to the war in Ukraine, which started in early 2022, with spikes in demand and inflation, the company has repeatedly adjusted its sales prices in response to the changes and to match the increasing demand. This experience has served to keep the market under constant observation and planning and not to rely on a single seasonal factor that can affect both sales volumes and purchase or selling prices.

The experience and historical data we have accumulated helps us to forecast and act in the market, both in normal and emerging conditions.

Information about the company's divisions, branches, associates and shareholders

UAB VLI TIMBER has acquired and owns several other companies:

- *In August 2022, the company acquired 100 units of Santo Cajetan Energy Ltd, representing 100% ownership. Company registration number 12603173, registered address: 29 Bargates, Box, Corsham, Wiltshire, SN13 8LT, United Kingdom.*
- *In November 2022, 150 shares in OD Sverige AB were acquired, representing 60 % ownership. Company code 559403-702960, registered address Hoverberg 828, 845 62, Svenstavik, Sweden.*
- *In May 2023, the company Good Wood Distribution Ltd acquired 100 shares, representing 100 % ownership. Company code 14855108, registered address: 307 Cotton Exchange Building, Old, United Kingdom*

In the subsidiaries, the company initiates the development of the companies' activities in the markets in which they are established and markets its products through them.

The company is registered for VAT in Germany from September 2021. This registration was made in order to warehouse part of the production in Germany and to deliver the goods from there to customers. At the moment, it is being considered to abandon the warehouse lease.

From June 2023, the company has a VAT registration number in the United Kingdom of Great Britain and Ireland.

The company has not acquired any shares of its own. The Company does not have a Management Board or a Supervisory Board.

Overview of financial performance

During the financial year under review, the authorised capital of the private limited liability company was increased to EUR 100 000. The number of shares remained unchanged. The share capital consists of 100 ordinary shares of EUR 1 000 each, fully paid up.

The main activity of the company has not changed. The turnover has remained similar compared to the previous year. Sales revenue for 2024 amounted to EUR 21 382 710, gross profit to EUR 2 607 534 and net profit to EUR 519 338.

The company's performance is directly reflected in its key performance indicators:

| UAB VLI TIMBER | | Value of indicator | | |
|--|--|---------------------------|-------------|-------------|
| Indicators of financial position | | 2024 | 2023 | 2022 |
| Income protection indicators | | | | |
| Gross margin | (gross profit / sales and services) x 100 | 12.19 | 21.10 | 21.57 |
| Net profitability | (net profit / sales and services) x 100 | 2.43 | 11.14 | 13.21 |
| Return on equity | ((net profit/equity) x 100 | 8.75 | 42.78 | 69,13 |
| Leverage ratios | | | | |
| Long-term debt ratio | (non-current liabilities/assets) x 100 | 10.68 | 17.55 | 17.39 |
| Asset structure coefficient | (current assets / assets) x 100 | 31.91 | 36.34 | 41.06 |
| Critical liquidity ratio | (current assets - inventories) / current liabilities | 0.45 | 0.87 | 0.66 |
| Maneuverability coefficient | current assets/owners' equity | 0.82 | 0.92 | 1.1 |
| Customer indebtedness ratio (360 days) | (trade receivables/sales and services) x 360 (d.) | 36.23 | 29.73 | 30.61 |
| Asset turnover (trade) | sales and services / assets | 1.40 | 1.52 | 1.96 |
| Turnover of non-current assets (trading) | sales and services / fixed assets | 2.08 | 2.41 | 3.35 |

During the year under review, fixed assets amounting to EUR 3 073 998 were acquired, of which investments in:

- *buildings and structures EUR 945 563,*
- *land EUR 23 600,*

- machinery and equipment EUR 1 826 054,
- vehicles EUR 135 487,
- computer equipment and communication equipment EUR 2 699
- other equipment and other tangible assets EUR 41 400
- software EUR 99 195

Staff

The main asset of a company, apart from its physical base, is its employees (intellectual assets). VLI TIMBER, acting in a constantly changing market environment and in order to keep its employees motivated, empowers its managers to conduct periodic job interviews, to review salaries and to listen to employees' expectations in order to retain employees and to be an attractive player in the labour market.

The company's managers invest time and resources in up-skilling employees and training them in additional work processes to ensure the flexibility of production staff to participate in different production processes. The company's culture is already characterised by a teamwork model, where shifts have leaders and coordinators. Daily meetings and the identification of problems and the joint search for solutions empowers each employee to participate in production improvement and problem solving processes.

The company's guiding principles for relationships are respect for each other and businesslike communication towards a common goal.

In 2024, the average number of employees of UAB VLI TIMBER will be 103, including an average of 18 people in the administration. At the end of the year, the company had 113 employees, of whom 17 were in administration.

The company's search for staff does not always allow it to find workers for unskilled jobs, so part of the need for staff is supplemented by hiring contracts. These are mainly foreign nationals:

Ukrainians, Belarusians, Georgians, Azerbaijanis, Tajiks. The average number of people working under these contracts was 50 in 2024 and 32 at the end of the year.

Implementation of EU-funded projects

UAB VLI TIMBER focuses on improving the company's processes, increasing the scale of production and, at the same time, maintaining and strengthening the company's competitiveness. To this end, applications have been submitted and support received. Contracts were signed for the financing of two projects in 2024.

- *"Introduction of technologies to improve energy efficiency in UAB VLI TIMBER". This project provides for the modernisation of the existing wood dryers in order to increase their efficiency. The total value of the project is EUR 2 040 000, of which 55 % will be financed by the grant.*

- *"Sustainable investment in the expansion of production capacity in the Jonava district of UAB VLI TIMBER". The project aims to set up a new factory in the Jonava district and to finance part of the equipment to be purchased with grant funding. The project value is EUR 11 693 757, of which 69,25 % is foreseen to be financed by the Funds.*

During the year under review, the project "Installation of renewable energy generation capacity in UAB VLI TIMBER", which is foreseen in the 2023 contract, was launched.

Support was received and used in 2024:

| | 2024 y. | 2023 y. |
|---|--------------------|------------------|
| Balance at beginning of period | 1 640 063 | 505 802 |
| Grants receivable at beginning of period | (1 020 801) | |
| Grants received during the period | 714 358 | 283 628 |
| Amortisation of grants (subsidies) | (241 701) | (170 168) |
| Grants receivable during the period end | - | (1 020 801) |
| Balance at end of period | 1 091 920 | 1 640 063 |

Detail of the balance of grants received from the European Union Structural Funds as at 31 December 2024, amounting to EUR 1 091 thousand:

| Name of the project | Grant received in the form of a jack o'lantern at the end of the period, EUR |
|---|--|
| Modernisation of the biofuel boiler house of UAB VLI TIMBER | 167 113 |
| UAB VLI TIMBER "Introducing digitalisation technologies into a company's production processes" | 124 794 |
| VLI TIMBER UAB "introducing competitive cultural products" | 8 625 |
| Implementing environmentally friendly technologies at VLI TIMBER | 333 071 |
| Introduction of new technological solutions for digitisation and automation of production processes in UAB VLI TIMBER | 436 069 |
| Installation of renewable energy generation capacity at UAB VLI TIMBER | 22 248 |
| Total | 1 091 920 |

The main objective of all the projects is to expand the company by optimising and modernising production processes, which will help it to remain competitive in the long term. By investing both its own funds and the support of the EU Structural Funds, the company is thus addressing the main problems of the gap between market needs and the company's capabilities.

Operational risks and hedges

Biofuel production is an area that is closely linked to the energy and wood processing markets. Failure to react in time to market changes can result in losses at any time. Domestic inflation and the rising general level of prices for all goods and services have an impact on biofuel prices. These global and national economic changes are also felt in the company's operations. If the company enters into a fixed-price contract with a customer, it is exposed to the risk of incurring losses due to increases in the prices of subcontractors' services, materials, wages of employees, etc. The company can hedge the risk of significant losses due to these circumstances by strengthening the legal basis of the contracts it signs, by providing for hedging safeguards and by setting the selling prices on a case-by-case basis for each sale, taking into account the specific circumstances of each sale.

To avoid the impact of price changes, the company has reduced inventory balances in all categories and the number of long-term purchase contracts to a minimum. In this way, it remains flexible in its purchases of raw materials and other components and buys them at current market prices.

Rapid decision-making and continuous process management are key to reducing price risk. The tools that help to identify risks and respond to changing situations are consistent market monitoring and analysis. The company uses LEAN tools to plan and monitor its activities. Daily meetings covering the monitoring of production indicators and bi-weekly meetings covering the review of financial indicators help to see the state of the company here and now. The timely identification of problems allows for prompt reactions and decisions to avoid undesirable consequences or reduce risks.

The company insures all debts owed by its customers against insolvency by using third-party trade insurance services. Payment deferrals are only granted to buyers when the financial situation of the buyers is stable and the insurance company insures the buyer's debts.

The company carries compulsory third-party liability insurance and employer's liability insurance. When entering into loan agreements with a bank, the Company insures the collateral against all risks. As the company grows, long-term investments are made. These are financed to a large extent by long-term loans from the bank or by EU support funds. Cash flow risk is additionally managed through a factoring financing agreement and by planning for continuous biofuel production during the summer when biofuel demand is reduced. Seasonal fluctuations have a negligible impact on the company's cash flow. Systematic and consistent cooperation with long-term customers and production planning allows the company to meet customers' expectations and, at the same time, to avoid a shortage of sales and working capital in a period when biofuel sales normally fall.

In view of the risks arising from the different national legal frameworks, the company has acquired subsidiaries in the United Kingdom and Sweden in order to distribute the risks between the companies.

Post-reporting events

On 18 March 2025, a credit line agreement was signed with a credit limit of EUR 2 500 000. The credit line has a maturity date of 17 March 2026.

Apart from the above, no other post-accounting events have occurred after the end of the financial year and up to the date of approval of these financial statements that would have an impact on these financial statements or require additional disclosure.

Company plans and forecasts

In 2025, UAB VLI TIMBER does not plan to change its core business and will continue to produce and sell biofuels both in wholesale and retail networks.

In 2025, it plans to implement a project to modernise its drying facilities, which will allow it to increase the volume of dried products. The upgrading of the drying kilns is expected to result in significant energy savings and a reduction in the drying time of firewood, which is usually around 30% in winter. This is most lacking during winter. Another focus of the company's R&D team is automation of packaging. A packaging line is being developed which will automatically pack firewood into bags. Currently this process is manual, so a significant saving in labour costs is expected from the start-up of such a line. The planned start-up date for the packaging line is Q4 2025. Both ongoing projects will lead to higher profitability.

The company is currently designing a new production facility in the Jonava district. This will be a fully automated firewood plant that will allow the company to triple its production capacity. The new plant is expected to start up in the second quarter of 2027.

With the increase in production capacity and the end of the energy crisis, the company is focusing on existing markets and increasing sales in them, and plans to do the same in the future. In the coming year, the company will allow itself to sell more than it is able to produce, and plans to buy back products from other producers to meet additional demand. The intention is to continue to expand sales channels and to develop sales through its own e-shops.

We will work to be the biofuel supplier of choice. We will continue to raise our profile and increase our value by providing quality service and developing long-term relationships with our customers. We will strive to be the most preferred firewood supply partner for our customers.

Director

Darius Lackus