

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.*

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

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.

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

Categories of Tangible Non-Current Assets

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

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

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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**.

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.

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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 **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.

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(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.

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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.

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(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.

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(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.

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3. Notes to the Explanatory Memorandum

3.1 Intangible fixed assets

As at 31 December 2024, intangible assets consisted of:

Indicators	Software	Software in the pipeline	Other intangible assets	Total
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

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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.

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	

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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)

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:

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

3.4 Stocks

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

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

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

<i>Name</i>	<i>2024 y.</i>	<i>2023 y.</i>
<i>Trade receivables</i>		
<i>Trade receivables</i>	<i>2 267 514</i>	<i>1 812 036</i>

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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

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:

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	<i>Number of shares</i>	<i>Percentage of total shares</i>	<i>Voting percentage of eligible shares</i>
<i>p. Darius Lackus</i>	58	58	58
<i>p. Žygimantas Lackus</i>	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).

Retained earnings (losses)

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

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

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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:

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

3.10 Liabilities and debts to credit institutions

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

	2024 y.	2023 y.
Financial debts to credit institutions by repayment period:		
In the first year	2 598 779	1 293 253

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In the second to fifth year	1 339 318	2 124 210
Five years later		
Total financial debt	3 938 097	3 417 463
Lease (finance lease) liabilities by maturity:		
In the first year	105 131	52 445
In the second to fifth year	292 262	267 398
Five years later		
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.

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

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	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

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

3.13 Cost of sales

Name	Financial year	Last financial year
Cost of sales	18 775 176	16 396 843
Cost of production sold	8 685 416	8 156 014
Transport of goods	4 099 165	3 652 144
Wages and social security for production workers	1 355 199	1 309 992
Depreciation of fixed assets included in production	1 357 888	967 955
Electricity consumption	530 331	409 278
Equipment operating costs	296 216	471 010
Cost of hiring production workers from outside the country	1 594 161	989 967
Fuel costs	265 806	164 549
Storage costs	482 764	86 448
Other production costs	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.
Electronic marketing sales cost of sales	175 060	256 091

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Advertising, marketing and other selling expenses	73 972	25 610
Total	249 032	281 701

3.15 General and administrative costs

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

3.16 Results from other activities

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

3.17 Financial and investment activities

Indicators	2024 y.	2023 y.
(a) REVENUE FROM FINANCIAL AND INVESTMENT ACTIVITIES	16 766	11 468
Itemisation of amounts:		

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interest on loans	12 826	7 661
income from investments	88	
finances, late payment penalties	3 852	3 807
(b) COSTS OF FINANCIAL AND INVESTMENT ACTIVITIES	427 602	275 976
Itemisation of amounts:		
interest paid to leasing companies	24 276	13 534
factoring interest and acceptance fees	86 804	87 133
interest on loans and credits	299 031	171 045
investment revaluation charges	5 193	
the negative effect of exchange rate changes	1 826	819
finances, late payment penalties	10 472	3 445
(c) RESULT OF FINANCIAL AND INVESTMENT ACTIVITIES (a - b)	(41 0 836)	(264 8)

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

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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.

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

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* 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%.

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

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after the adjustments is provided, as well as separate disclosures on the changes to the 2023 financial statements.

PROFIT AND LOSS ACCOUNT

<i>Eil No</i>	<i>Articles</i>	<i>Past reporting period BEFORE adjustments</i>	<i>Corrections</i>	<i>Past reporting PO period adjustments</i>
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

<i>Eil No</i>	<i>Articles</i>	<i>Past reporting period BEFORE (kor) (e) (gavimus)</i>	<i>Corrections</i>	<i>Past reporting PO period adjustments</i>
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

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.

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

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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