VILVI GROUP

EST. 1934 VILKYŠKIAI

# Annual reporting

2024

## CONTENT

## MANAGEMENT REPORT



## FINANCIAL STATEMENTS

# MANAGEMENT REPORT

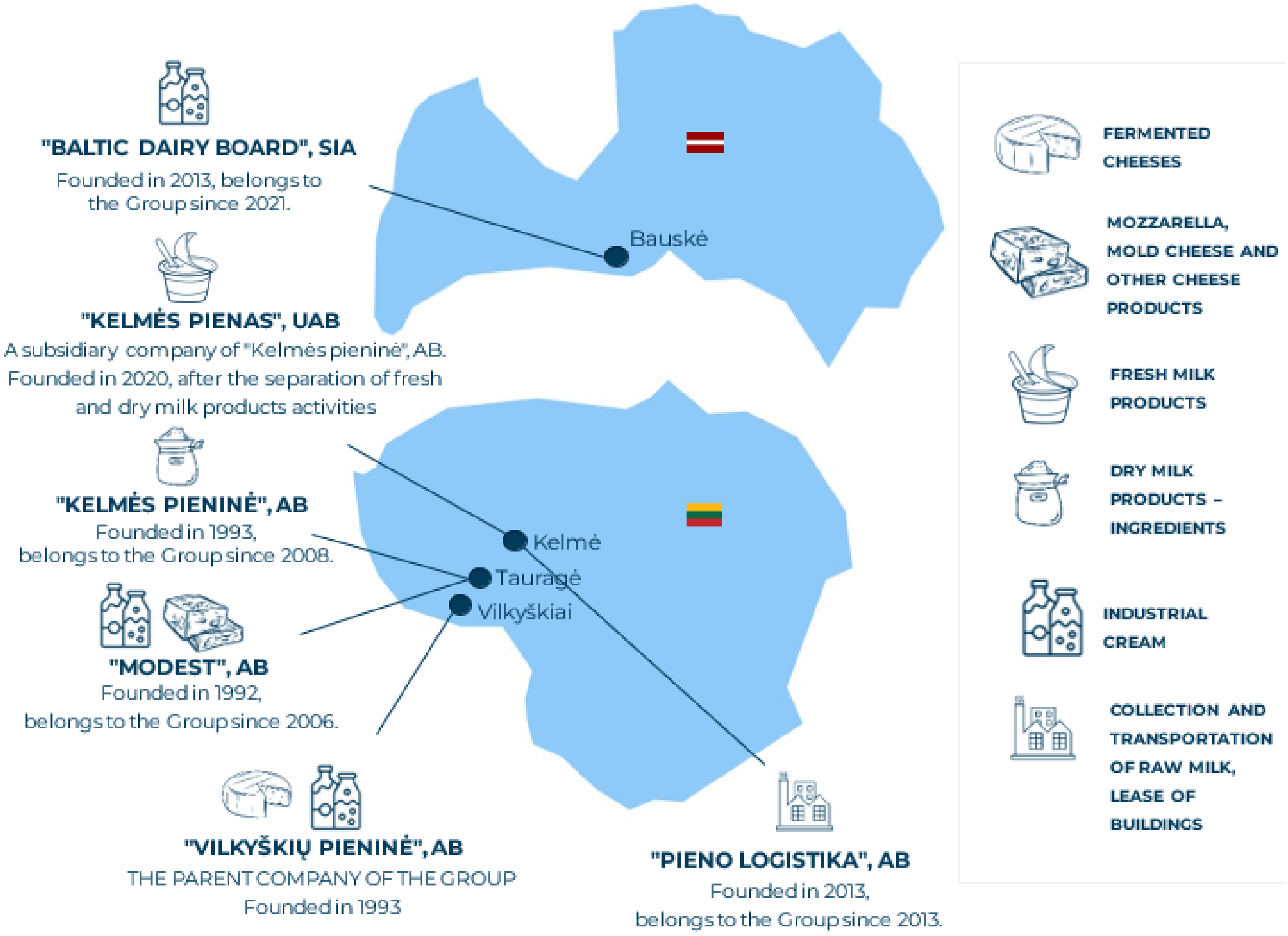


## ABOUT VILVI GROUP

The main activity of VILVI Group is the production and sale of dairy products.

The Group consists of six companies (five factories) that produce:

- various cheeses and cheese products;
- industrial ceam;
- various fresh milk products (kefir, sour cream, yogurts, cottage cheese, glazed cottage cheese bars, etc.);
- dry milk and whey products (whey protein concentrate, whey permeate, skimmed milk powder, sweet whey flour and proteins for athletes);
- ingredients of high added value dairy products.




**The parent company has not established branches or representative offices.**

## CEO'S STATEMENT

**Gintaras Bertašius**

Manager of VILVI GROUP
CEO of Vilkyškių pieninė AB
and Chairman of the Board

VILVI Group is committed to making the highest quality dairy products and ingredients easily accessible worldwide. Our goal is to enable people to enjoy these products anywhere on the globe. In 2024, products made by the Group's companies reached over 60 countries.

We are operating during a period marked by intense geopolitical challenges and uncertainties. We have witnessed growing competition in the market, as well as an increase in raw material prices that has even surpassed the European Union average. However, the years of experience accumulated by VILVI Group teamwork, and, of course, a refined and competitive product portfolio allow us to operate flexibly and efficiently.

We are proud of the year 2024, which became an example of stable growth, successfully implemented projects, and consistent performance improvement. The Group's EBITDA increased by 59.8%, reaching EUR 33.6 million.

This was a historical year, with financial results exceeding expectations, creating even more motivation to set future strategies and plans. One of the main drivers behind these results was export growth, which reached 87%. We operate purposefully, constantly evaluating different product categories, analyzing the competitive environment, introducing new products, and diversifying markets. In 2024, we strengthened our positions in markets such as Italy, Germany, Saudi Arabia, India, Vietnam, Thailand, and etc. These impressive results were also influenced by operational efficiency, achieved through the organization and planning of work processes. Employee conscious engagement and understanding of the benefits of operational efficiency contributed to these achievements. Productivity increased through the implementation of motivational systems.

Newly integrated artificial intelligence tools helped accelerate certain processes and enabled timely, well-informed decision-making. To further increase efficiency and improve results, the Group plans to continue developing artificial intelligence solutions in various areas in 2025, such as quality assurance and occupational safety.

The past year was significant in terms of investments. We started the construction of a new cheese factory in Bauska, Latvia, worth more than EUR 50 million, on the territory of Baltic Dairy Board SIA. This project represents the largest investment decision in the 31-year history of the Group's operations. The new factory equipped with automated equipment will not only significantly increase production volume but also create new job opportunities.

The creation of new jobs brings challenges in recruiting employees. Easy integration of new staff, their emotional well-being, and high-quality working conditions are among the Group's goals. In 2024, a lot of attention was given to internal culture - the organizational culture model was refined, and a Group's matrix of functional responsibilities and authorities was implemented.

We understand that as we aim to reach more consumers globally and increase production capacity, our responsibility in all sustainability areas, GHG emissions, and negative impact risks also grows. The year 2024 was a turning point in sustainability— we conducted a thorough assessment of impacts, risks, and opportunities (a dual materiality assessment), allowing us to clearly identify directions for enhancing positive impact and reducing negative impact. For responsible sustainability risk management, we are consistently developing a sustainability governance model and aiming to successfully integrate impact, risk, and opportunity management into the Group's governance.

This year, for the first time, we are submitting our sustainability report in accordance with the European Corporate Sustainability Reporting Directive (CSRD). The preparation for the new sustainability reporting requirements posed a lot of challenges. We aim to integrate sustainability issues into the organization's daily operations, and believe this should be a natural and more time-consuming process, regulation forces us to act at an accelerated pace.

A Sustainable Brand Index™ study conducted in 2024 by the Swedish research company "SB Insight" revealed that the "Vilkyškių pieninė" brand ranked 3rd among the most sustainable food and beverage industry brands in Lithuania. We are proud that year after year we remain leaders in the dairy sector, trusted by consumers and partners alike.

In line with our brand strategy, we transitioned to a single international VILVI brand across all product categories. We started with cheese, and last year, the VILVI brand was introduced for fresh dairy products, featuring the black cat logo. The transition is being carried out step by step, with the "Vilkyškių" name retained as a line name.

In 2025, we will continue to operate in the biotechnology sector, streamline and automate processes, and reach a significant completion phase in the construction of a new factory in Latvia. Staying true to our strong beliefs and considering our impact on the environment and people, we will focus on the value we create and the strategic commitments we have made to shareholders, partners, customers, employees, and society.

# OUR STRATEGY AND GOALS

**Our goal** is to be a leader in innovation in the dairy sector and to create maximum value from a drop of milk. We aim at making higher quality dairy products and ingredients more available around the world to give people more opportunities to enjoy them wherever they are.

All over the world, there are many places where people have limited access to quality dairy products, wholesome nutrition and taste experiences, while Lithuanians have been enjoying it for years. Based on our knowledge and the latest technologies, we offer solutions to countries and markets where the need for an affordable and authentic dairy experience is still very challenging. Our roots remain the basis of our success - lush meadows of the Nemunas, tasty and high-quality milk and the desire that as many people as possible can enjoy authentic experiences of dairy products.

Along with our products, we also share the belief that the opportunities provided to enjoy natural and wholesome foods contribute to the creation of a better world.

**Our vision**

We aim at making higher quality dairy products and ingredients more available around the world to give people more opportunities to enjoy them wherever they are.


| | | | |
|---|---|---|---|
| Our goals | Sales of milk products in the nearest markets | Ingredients and product solutions for businesses worldwide | Search for innovation and new solutions |

| | | | | |
|---|---|---|---|---|
| Our values | Responsibility and respect | Responsiveness to needs | Curiosity | Better than yesterday |

## Environment in which we operate

VILVI Group is an international market participant, therefore the business is affected by both the global environment and changes in it, as well as demand and the competitive environment in local markets.

## Challenges in the regions of operation

We operate in Tauragė, Šiauliai and Bauska (LV) regions. Carrying out activities in the regions is favorable because we can be closer to each other, get to know and understand each other better. But we also face challenges when we are looking for new employees, especially highly qualified specialists. We constantly evaluate the problems of the operational regions, actively search for and find solutions for attracting employees.

## Climate change and adaptation challenges

In the European Union, great attention is paid to the Green Course, and ambitious climate change mitigation goals are set. The requirements for business are growing and changing very rapidly. This requires both a quick reaction and additional investments, which will only increase in the future. Essential challenges for VILVI Group:

- Environmental impact reduction goals;
- Assessment of climate change scenarios and adaptation to the possible impact on places of activity and the Group's activities;
- Climate change adaptation planning and management. In the short term, a lot of additional human and financial resources are required to respond to the changing regulation, but the largest part of the resources is planned in the long term, i.e. implementing a real change, increasing the efficiency and circularity of resource use, in order to switch to renewable energy.

For more information, see the Sustainability Statement, pages 65-69.

## VILVI GROUP SHORT HISTORY

- "Vilkyškių pieninė", AB was founded — **1993**
- **2000** — "Vilkyškių pieninė", AB has been granted an export license to the EU
- "Vilkyškių pieninė", AB became a listed company — **2006**
- **2006** — "Modest", AB was acquired
- VILVI Group companies issued with Food Safety Standards Certificates for the first time
- **2008** — "Kelmės pieninė", AB was acquired
- Participation in international exhibitions has begun — **2010**
- **2011** — The VILVI brand has been used for export
- "Pieno logistika", AB was founded — **2013**
- Halal certificates were issued to VILVI Group companies
- "Vilkyškių pieninė" recognized as Brand of the Year — **2015**
- **2018** — A new factory for dry milk products has started operations
- "Vilkyškių pieninė", AB Corporate Group starts operating as VILVI GROUP — **2020**
- **2020** — "Kelmės pienas" UAB, was founded
- A 70% share package of "Baltic Dairy Board", SIA was acquired — **2021**
- "Vilkyškių pieninė" was recognized for the first time as one of the most sustainable brands in Lithuania
- VILVI Group companies started to be evaluated in the social audit SMETA — **2022**
- **2023** — The remaining 30% of the shares of "Baltic Dairy Board", SIA was acquired
- Eur 50 million investment project for new cheese production capacities in Latvia has been launched — **2024**

# SOLUTIONS FOR CUSTOMERS

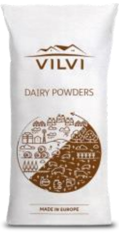
## Products and ingredients B2B

- **Cheese and cheese products**

Mozzarella/Cagliata/Tilsit/Gouda/Edam

- **Dry whey and milk products**

Whey protein concentrate 80 (WPC80) / Whey permeate / Sweet whey powder / Skimmed milk powder/ Lactose / Protein for athletes



- **Fresh milk products**

Butter / Cream / Sour cream / etc.

## Products with VILVI brands B2C

VILVI

GYMON

FORCE five

## Solutions for business

- **Special solutions according to customer needs**

- **Private labels**

## HIGHLIGHTS 2024

VILVI Group **has launched the largest investment project** in its 31-year history. It is planned to invest over EUR 50 million to new cheese production capacity in Bauska, Latvia, in the territory of the Group's company Baltic Dairy Board SIA. The project is planned to be completed by 2026.

The project is financed with own funds and „Citadele" Bank loans. The Latvian Government, through the Latvian State Development Finance Institution, will contribute more than EUR 10 million to the project, EUR 1.2 million in support from EU funds will also be received.

For this purpose, Vilkyškių pieninė AB the sole shareholder of Baltic Dairy Board SIA, increased the authorized capital of Baltic Dairy Board SIA. 31/12/2024 authorized capital is EUR 16,847,778.


Guided by the brand strategy, we aim to shape and grow a single brand across all product categories. We started the changes in the cheese category. We are consistently transitioning to a single product brand **VILVI** in the fresh dairy product categories. Therefore, the brand "Vilkyškių pieninė" becomes the international VILVI, while "Vilkyškių" remains in the name of the black cat product line.

Along with changes in the brand, packaging design has also changed. They have become brighter, but they are well-known.

At Sustainable Brand Index 2024 by "SB Insight", Vilkyškių pieninė AB ranked 3rd among the most sustainable brands of the food and beverage industry in Lithuania. We are the leaders of other dairy producers.

Among all 84 rated brands Vilkyškių pieninė AB took 16th place.

SUSTAINABLE BRAND INDEX

Kelmės pienas UAB has been issued **IFS Food Version 8** and **Rainforest Alliance** certificates.


VILVI Group products have been presented at four international exhibitions: **"Gulfood 2024"** in Dubai, UAE, **"SIAL 2024"** in Paris, France, **"Gulfood Manufacturing"** in Dubai, UAE and **"Food Ingredients Europe"** in Frankfurt, Germany.

# INFORMATION ON SHARES

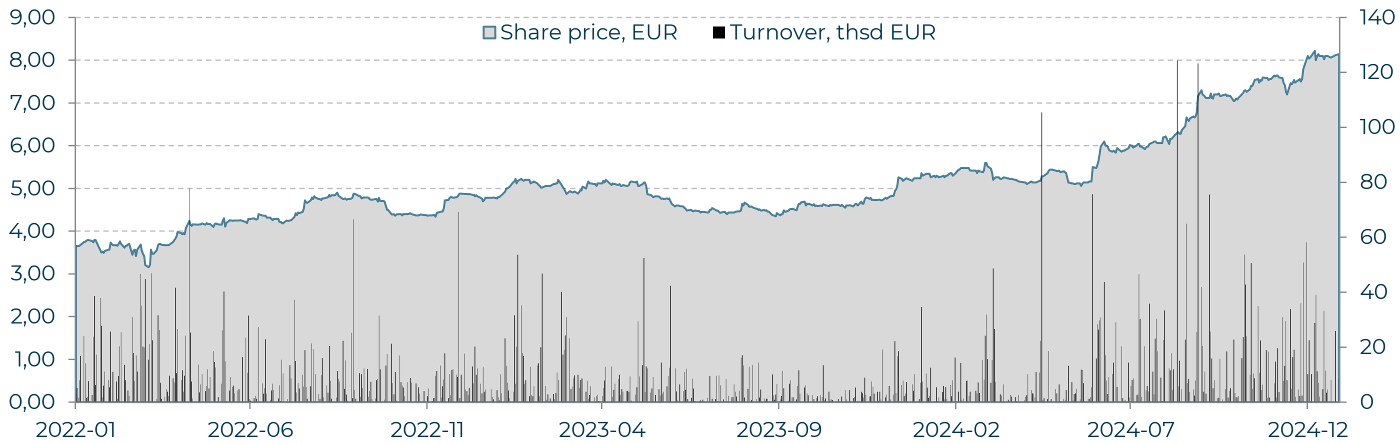
- The name of the securities is **Vilkyškių pieninė AB ordinary registered shares.**
- The number of securities admitted to trading is **11,943,000 units.**
- The nominal value of one share is **EUR 0.29.**
- The securities issued by the company are included in the Official List of **AB NASDAQ OMX Vilnius.**
- Securities ISIN code – **LT0000127508**, symbol – **VLP1L.**
- The company's shares have been included in the trading list since **17 May 2006.**

The securities of the company's subsidiaries are not publicly traded..

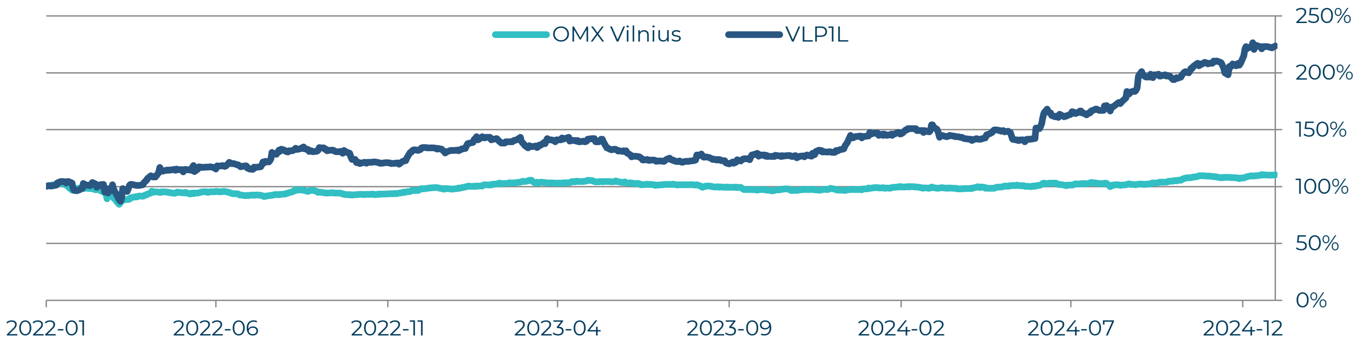
## Information on shares

| | 2020 | 2021 | 2022 | 2023 | 2024 |
|---|---|---|---|---|---|
| **Opening price, EUR** | 2.26 | 2.46 | 3.67 | 4.79 | 5.26 |
| **Highest price, EUR** | 2.48 | 3.68 | 4.91 | 5.36 | 8.24 |
| **Lowest price, EUR** | 1.39 | 2.40 | 3.00 | 4.12 | 5.02 |
| **Average price, EUR** | 1.93 | 2.90 | 4.12 | 4.88 | 6.36 |
| **Last price, EUR** | 2.46 | 3.66 | 4.79 | 5.24 | 8.14 |
| **Turnover, units** | 1,138,435 | 1,060,431 | 637,222 | 337,974 | 498,359 |
| **Turnover, MEUR** | 2.20 | 3.08 | 2.63 | 1.65 | 3.17 |
| **Capitalization, MEUR** | 29.38 | 43.71 | 57.21 | 62.58 | 97.22 |

**Vilkyškių pieninė AB share price change and turnover in 2022-2024.**




**Comparison of Vilkyškių pieninė AB share prices and Nasdaq OMX Vilnius, AB indices in 2022-2024.**

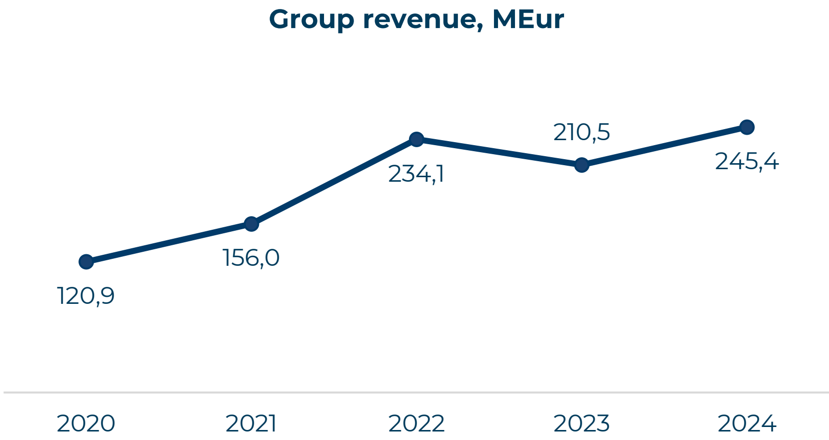


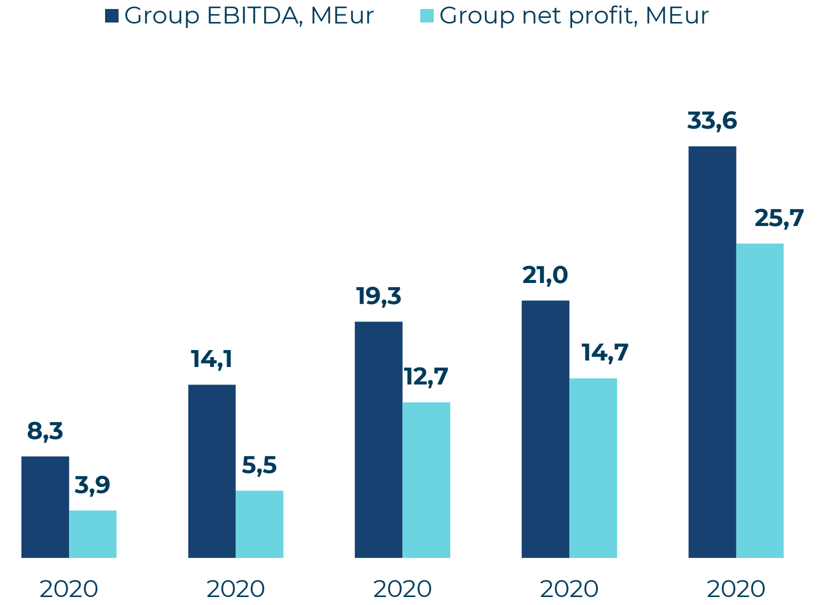
# RESULTS



# OVERVIEW OF VILVI GROUP RESULTS

| | |
|---|---|
| | **EUR 245.4 million consolidated sales turnover** |
| | **EUR 25.7 million consolidated net profit** |
| | **EUR 33.6 million in consolidated EBITDA** |
| | **87% of exports to > 60 countries** |
| | **EUR 19.6 million in taxes paid to the state 2024** |
| | **>350 thousand tons of purchased milk** |
| | **EUR 38.8 million in development and supporting investments during the reporting period** |




In 2024, sales turnover increased by 16.6% compared to 2023. VILVI Group's consolidated net profit increased to EUR 25.7 million and was 75.2% higher than in 2023. During the reporting period, the Group's EBITDA increased by 59.8% and amounted to EUR 33.6 million. The growth of the Group's EBITDA and net profit was mainly influenced by increased sales prices for exports of dry milk products and fats, operational efficiency improvements, and results-driven investments had an impact.

See the comparison of other indicators of the Company and the Group in p. 13-14 respectively.

## PERFORMANCE RESULTS OF THE PARENT COMPANY VILKYŠKIŲ PIENINĖ AB

In addition to the main indicators defined and applied according to the International Financial Reporting Standards (IFRS), Vilkyškių pieninė AB also presents in its financial statements financial performance indicators not provided for by IFRS – alternative performance indicators (API), which, in the Company's assessment, are important and provide additional information to investors and other users of financial reporting. Alternative performance indicators should be treated as additional information prepared on the basis of IFRS.

Taking into account the guidelines published by the European Securities and Markets Authority on alternative performance indicators (ESMA/2015/1415), Vilkyškių pieninė AB presents comparative historical API data.

| | 2020 | 2021 | 2022 | 2023 | 2024 | Change in 2024/2023 | Change in 2023/2022 |
|---|---|---|---|---|---|---|---|
| **Revenue, thousand EUR** | 148,738 | 196,442 | 288,643 | 245,072 | 262,079 | **6.9%** | **-15.1%** |
| **Gross profit, thousand EUR** | 913 | 9,031 | 17,195 | 9,013 | 16,342 | **81.3%** | **-47.6%** |
| **Gross profit margin, %** | 0.6% | 4.6% | 6.0% | 3.7% | 6.2% | **2.5 p.p.** | **-2.3 p.p.** |
| **EBITDA, thousand EUR** | 2,994 | 13,079 | 15,530 | 4,500 | 19,216 | **327.0%** | **-71.0%** |
| **EBITDA margin, %** | 2.0% | 6.7% | 5.4% | 1.8% | 7.3% | **5.5 p.p.** | **-3.6 p.p.** |
| **Operating profit(EBIT), thousand EUR** | 1,394 | 11,450 | 13,893 | 2,912 | 17,512 | **501.4%** | **-79.0%** |
| **EBIT margin, %** | 0.9% | 5.8% | 4.8% | 1.2% | 6.7% | **5.5 p.p.** | **-3.6 p.p.** |
| **Profit before tax (EBT), thousand EUR** | 640 | 11,194 | 13,733 | 2,574 | 17,057 | **562.6%** | **-81.3%** |
| **EBT margin, %** | 0.4% | 5.7% | 4.8% | 1.1% | 6.5% | **5.4 p.p.** | **-3.7 p.p.** |
| **Net profit (loss), thousand EUR** | 1,371 | 10,774 | 12,599 | 2,527 | 16,359 | **547.4%** | **-79.9%** |
| **Net profit margin, %** | 0.9% | 5.5% | 4.4% | 1.0% | 6.2% | **5.2 p.p.** | **-3.4 p.p.** |
| **Net profit per share, Eur** | 0.11 | 0.9 | 1.05 | 0.21 | 1.37 | **547.5%** | **-79.8%** |
| **The ratio of the share's market price and profit per share – P/E ratio** | - | - | - | - | - | **-** | **-** |
| **Return on equity (ROE), %** | 5.2% | 33.5% | 29.9% | 5.4% | 30.8% | **25.4 p.p.** | **-24.5 p.p.** |
| **Return on assets (ROA), %** | 2.8% | 19.9% | 19.4% | 3.6% | 19.1% | **15.5 p.p.** | **-15.8 p.p.** |
| **Return on capital employed (ROCE), %** | 4.5% | 28.3% | 27.7% | 5.7% | 25.3% | **19.6 p.p.** | **-22.0 p.p.** |
| **Debt ratio** | 0.44 | 0.37 | 0.33 | 0.34 | 0.41 | **22.7%** | **1.6%** |
| **Debt to equity ratio** | 0.27 | 0.19 | 0.12 | 0.11 | 0.16 | **46.7%** | **-9.1%** |
| **Liquidity ratio** | 0.99 | 1.47 | 1.87 | 1.58 | 1.35 | **-14.7%** | **-15.4%** |
| **Asset turnover** | 3.05 | 3.31 | 4.1 | 3.49 | 2.59 | **-25.9%** | **-14.8%** |
| **Capital to asset ratio** | 0.56 | 0.63 | 0.67 | 0.66 | 0.59 | **-11.2%** | **-0.8%** |
| **Financial debts, thousand EUR** | 7,432 | 6,941 | 5,665 | 5,085 | 9,353 | **83.9%** | **-10.2%** |
| **Net debt, thousand EUR** | 7,277 | 6,362 | 5,340 | 2,231 | -3,933 | **-276.3%** | **-58.2%** |
| **Net debt/EBITDA** | 2.43 | 0.49 | 0.34 | 0.50 | -0.20 | **-140.3%** | **45.8%** |

*p.p. – percentage points*

*Information about the calculation of AVR and what useful information they provide is provided in the section Additional information page 122.*

## PERFORMANCE RESULTS OF VILVI GROUP

| | 2020 | 2021 | 2022 | 2023 | 2024 | Change in 2024/2023 | Change in 2023/2022 |
|---|---|---|---|---|---|---|---|
| **Revenue, thousand EUR** | 120,873 | 156,045 | 234,083 | 210,536 | 245,429 | **16.6%** | **-10.1%** |
| **Gross profit, thousand EUR** | 10,629 | 17,196 | 24,274 | 27,687 | 41,781 | **50.9%** | **14.1%** |
| **Gross profit margin, %** | 8.8% | 11.0% | 10.4% | 13.2% | 17.0% | **3.8 p.p.** | **2.8 p.p.** |
| **EBITDA, thousand EUR** | 8,271 | 14,122 | 19,280 | 21,003 | 33,556 | **59.8%** | **8.9%** |
| **EBITDA margin, %** | 6.8% | 9.0% | 8.2% | 10.0% | 13.7% | **3.7 p.p.** | **1.8 p.p.** |
| **Operating profit(EBIT), thousand EUR** | 4,332 | 7,134 | 14,921 | 16,778 | 29,043 | **73.1%** | **12.4%** |
| **EBIT margin, %** | 3.6% | 4.6% | 6.4% | 8.0% | 11.8% | **3.8 p.p.** | **1.6 p.p.** |
| **Profit before tax (EBT), thousand EUR** | 3,142 | 6,156 | 14,180 | 15,439 | 27,680 | **79.3%** | **8.9%** |
| **EBT margin, %** | 2.6% | 3.9% | 6.1% | 7.3% | 11.3% | **4.0 p.p.** | **1.2 p.p.** |
| **Net profit (loss), thousand EUR** | 3,872 | 5,500 | 12,699 | 14,652 | 25,669 | **75.2%** | **15.4%** |
| **Net profit margin, %** | 3.2% | 3.5% | 5.4% | 7.0% | 10.5% | **3.5 p.p.** | **1.6 p.p.** |
| **Net profit per share, Eur** | 0.32 | 0.46 | 1.06 | 1.23 | 2.15 | **74.8%** | **16.0%** |
| **The ratio of the share's market price and profit per share – P/E ratio** | 7.59 | 7.95 | 4.5 | 4.27 | 3.79 | **-11.2%** | **-5.1%** |
| **Return on equity (ROE), %** | 11.7% | 14.8% | 28.4% | 26.4% | 35.3% | **8.9 p.p.** | **-2.0 p.p.** |
| **Return on assets (ROA), %** | 5.0% | 6.7% | 13.6% | 14.3% | 19.8% | **5.5 p.p.** | **0.7 p.p.** |
| **Return on capital employed (ROCE), %** | 10.1% | 11.7% | 22.0% | 20.5% | 23.2% | **2.7 p.p.** | **-1.5 p.p.** |
| **Debt ratio** | 0.55 | 0.55 | 0.49 | 0.43 | 0.45 | **4.7%** | **-12.2%** |
| **Debt to equity ratio** | 0.62 | 0.61 | 0.46 | 0.33 | 0.46 | **39.4%** | **-28.3%** |
| **Liquidity ratio** | 0.64 | 1.24 | 1.46 | 1.77 | 2.09 | **18.1%** | **21.2%** |
| **Asset turnover** | 1.57 | 1.77 | 2.38 | 1.97 | 1.61 | **-18.3%** | **-17.2%** |
| **Capital to asset ratio** | 0.45 | 0.45 | 0.51 | 0.57 | 0.55 | **-3.5%** | **11.8%** |
| **Financial debts, thousand EUR** | 21,660 | 24,163 | 22,929 | 20,185 | 39,222 | **94.3%** | **-12.0%** |
| **Net debt, thousand EUR** | 21,479 | 23,364 | 22,308 | 11,460 | 20,350 | **77.6%** | **-48.6%** |
| **Net debt/EBITDA** | 2.6 | 1.65 | 1.16 | 0.55 | 0.61 | **10.9%** | **-52.6%** |

*p.p. – percentage points*

# MAIN RAW MATERIALS

## RAW COW'S MILK

Raw cow's milk is the main raw material for the products produced by Vilkyškių pieninė AB, Modest AB and Kelmės pienas UAB. According to the calculations of Vilkyškių pieninė AB, the Group occupies about 20% of the domestic market in terms of the amount of milk processed, the third place among producers, after Rokiškio sūris AB and Žemaitijos pienas AB.

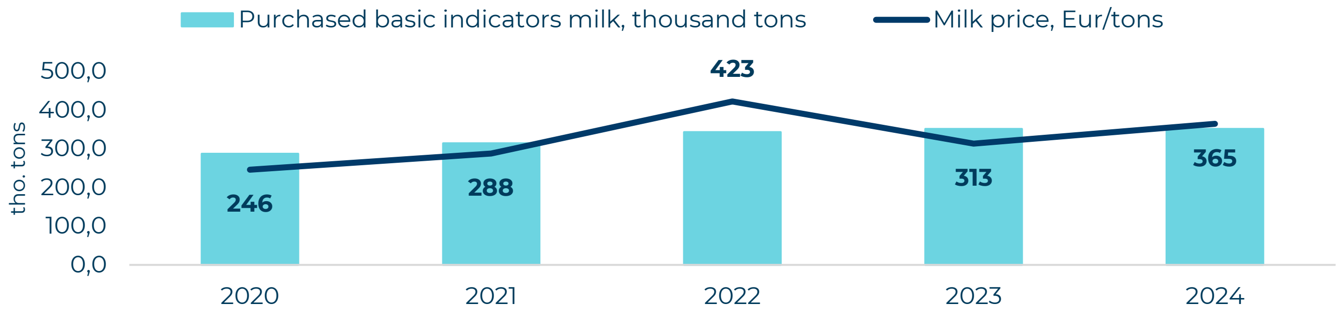
In 2024, Group companies bought this raw material from Lithuanian, Estonian and Latvian milk suppliers.


Over third of the milk was imported.

| | 2020 | 2021 | 2022 | 2023 | 2024 |
|---|---|---|---|---|---|
| **Purchased basic indicators milk*, in tons** | 287,370 | 314,540 | 342,953 | 351,832 | 351,607 |
| **Milk price, EUR/t** | 246.2 | 287.9 | 422.7 | 313.3 | 364.7 |

**The purchased milk is recalculated into base terms using a coefficient calculated based on fat and protein content.*

In 2024, 351.6 thousand tons of milk were purchased according to the basic indicators, which is 0.1% less than in 2023. The price of milk in 2024 increased by 16.4% compared to 2023.



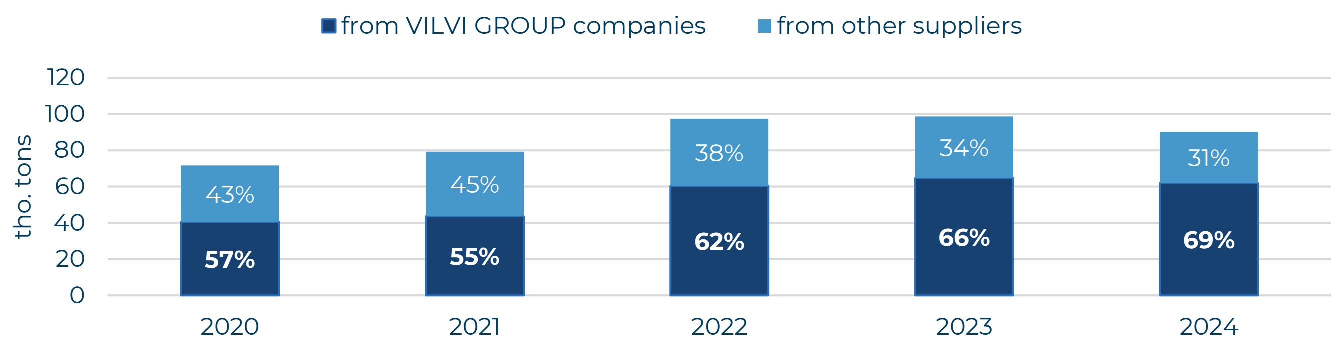

## MILK WHEY

The main raw material of Kelmės pieninė AB needed in the production of dry milk products is WPC and whey permeate concentrates, which are obtained from whey by breaking it down and concentrating it. Whey is a secondary product left over from cheese production. Most of the raw materials are supplied by VILVI Group companies, the other part is purchased from suppliers in Latvia and Estonia.

| | 2020 | 2021 | 2022 | 2023 | 2024 |
|---|---|---|---|---|---|
| **Purchased whey concentrates from VILVI GROUP companies, in tons** | 40,641 | 43,593 | 60,297 | 64,692 | 61,898 |
| **Purchased whey concentrates from other suppliers, in tons** | 30,999 | 35,730 | 37,075 | 33,908 | 28,308 |

In 2024, 90 thousand tons of whey concentrates were purchased, which is 8.5% less than in 2023.

**Raw material purchased by Kelmės pieninė AB**



# VILVI GROUP OPERATING SEGMENTS

### Operting segments:

- Cheese, cheese products and other – cheese, cheese products, cream, etc. produced by the Company and its subsidiaries;
- Fresh milk products – fresh dairy products produced by the subsidiary company (kefir, yogurts, sour cream, butter, curd products, etc.);
- Dry milk products – WPC, MPC, skimmed milk, permeate and whey flour produced by subsidiaries;
- Industrial cream – induatrial cream produced by the Company and its subsidiaries.

Until 2024, the cheese, cheese products, and other business segment consisted of the cheeses, cheese products, industrial cream, and liquid whey produced by the Company and its subsidiaries, which remain as a byproduct of the cheese production process. Starting from 2024, by management decision, it was decided to present the results of industrial cream as a separate business segment - Industrial cream. This segment was separated due to its significant volume and income amount.

**Volumes of VILVI Group's products for sale by segments, in tons:**

| | 2020 | 2021 | 2022 | 2023 | 2024 | *Change in 2024/2023* | *Change in 2023/2022* |
|---|---|---|---|---|---|---|---|
| **Cheese, cheese products and other** | 39,187 | 43,970 | 47,575 | 48,809 | 26,907 | ***11.8%**** | ***2.6%*** |
| **Fresh milk products** | 12,696 | 14,048 | 15,174 | 15,741 | 15,240 | ***-3.2%*** | ***3.7%*** |
| **Dry milk products** | 19,006 | 21,416 | 21,886 | 22,486 | 20,883 | ***-7.1%*** | ***2.7%*** |
| **Industrial cream** | - | - | - | - | 25,250 | **-** | **-** |

**Comparison with 2023 includes only cheese, cheese products, and etc., excluding industrial cream.*

*Since the "Industrial cream" segment was separated only in 2024, comparative results are not provided.*

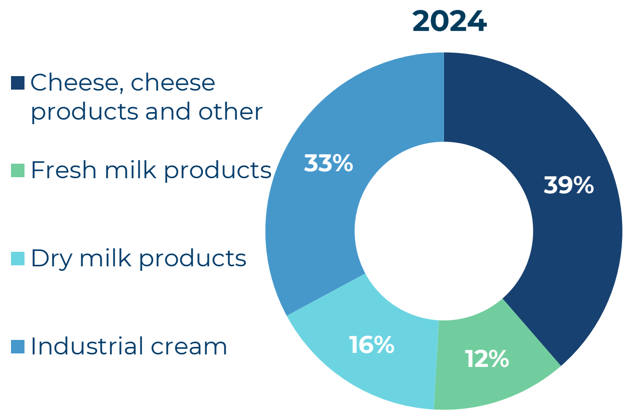
In 2024, cheese and cheese products were produced 2 thousand tons more than last year.

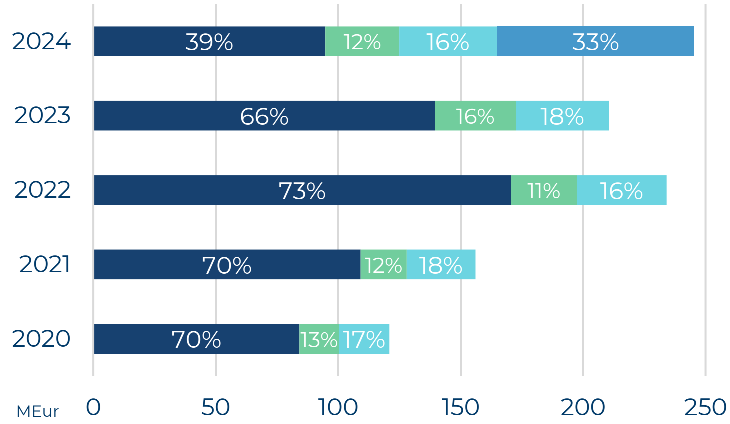
15.2 thousand tons of fresh milk products were produced, i.e. 3.2% less than in 2023. At the beginning of 2024, in compliance with the EU regulation, and to ensure that caps of drinking product packaging are inseparable from the packaging, work on the installation of a new line was carried out, which impacted production limitations.

20.9 thousand tons of dry milk products were produced in 2024 – production decreased by 7.1%. compared to 2023.

**VILVI GROUP income from main products by segments, thousand EUR:**

| | 2020 | 2021 | 2022 | 2023 | 2024 | *Change in 2024/2023* | *Change in 2023/2022* |
|---|---|---|---|---|---|---|---|
| **Cheese, cheese products and other** | 84,134 | 109,199 | 170,589 | 139,194 | 94,770 | ***-31.9%*** | ***-18.4%*** |
| **Fresh milk products** | 16,252 | 18,710 | 26,864 | 33,371 | 30,153 | ***-9.6%*** | ***24.2%*** |
| **Dry milk products** | 20,487 | 28,136 | 36,630 | 37,971 | 39,859 | ***5.0%*** | ***3.7%*** |
| **Industrial cream** | - | - | - | - | 80,647 | **-** | **-** |
| **Total:** | **120,873** | **156,045** | **234,083** | **210,536** | **245,429** | ***16.6%*** | ***-10.1%*** |



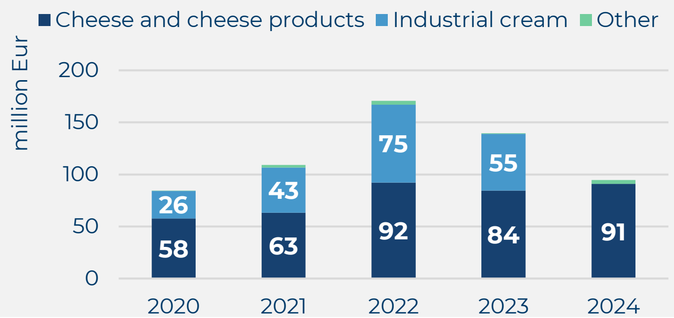
## Cheese, cheese products and other

Until 2024, the income of this segment was derived from sales of cheese and cheese products, industrial cream, and etc. In the reporting year, industrial cream was separated into its own segment, leaving the income from the sales of cheese, cheese products, and etc. in the segment. The sum of the income of these separate segments should be compared with the total amount from previous periods.

The total turnover of cheese, cheese products, and etc. increased by 11.5% compared to the previous year. This can be attributed to the continuous and consistent increase in dairy product prices.

In 2024, we succeeded in increasing cheese production volumes, thereby increasing sales volumes in terms of quantity (6.5% more cheese products were sold compared to 2023).

Revenue structure in the segment:

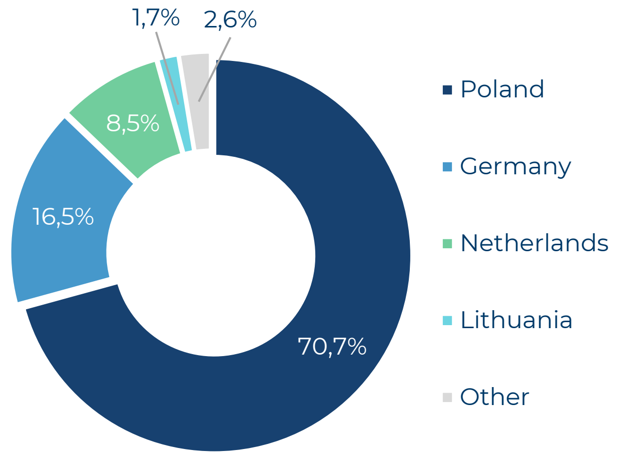



## Industrial cream

Results from industrial cream are presented as a separate segment starting in 2024, so comparative data is not provided. The management decided to separate this segment, considering it significant, as in 2024 its sales income accounted for a third (32.9%) of total sales income.

In 2024, more than 98% of the industrial cream turnover was generated through exports to EU countries.

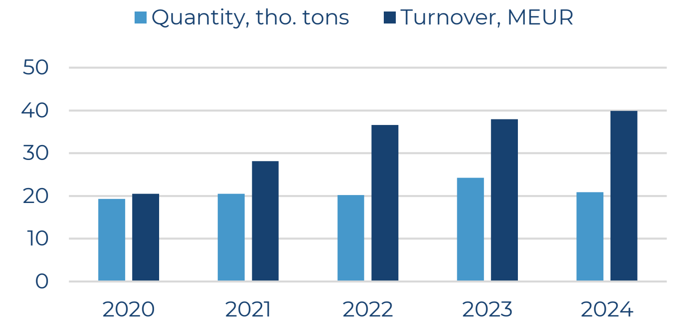
Sales markets:




## Dry milk products

Due to a slightly lower production in 2024 (7.1% compared to 2023), sales volumes also decreased by 13.9% in quantity compared to the previous year. However, the overall increase in dairy product prices in 2024 (5.0%) boosted this segment's sales income for the reporting year.

VILVI Group generates most of its income in this segment from whey protein sales – about 60% (although this accounts for only 12.4% in terms of quantity).




In 2024, 97.2% of the turnover of dry milk products was exported:

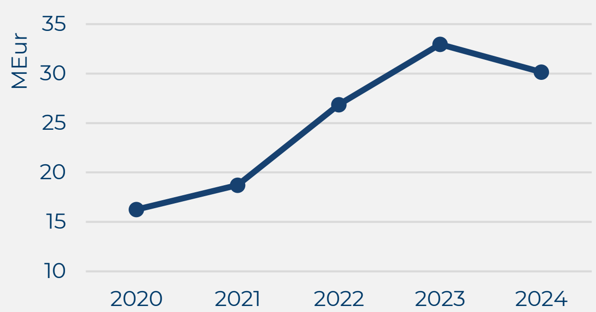
European Union - **69.9%**

Other foreign countries – **27.3%**

## Fresh milk products

In 2024, income from this segment decreased by 8.5% compared to the previous year, as more high-value-added dairy products were sold in 2023. During the reporting year, the pricing of fresh dairy products (such as yogurt, kefir, sour cream) on the local market decreased, which impacted the income decrease in this segment since more than 85% of fresh dairy products were sold in the local market in 2024. Additionally, at the beginning of 2024, less products were manufactured and sold due to the installation works of the new packaging line, in compliance with EU regulations, to ensure that the caps of beverage product packaging are inseparable from the entire packaging.

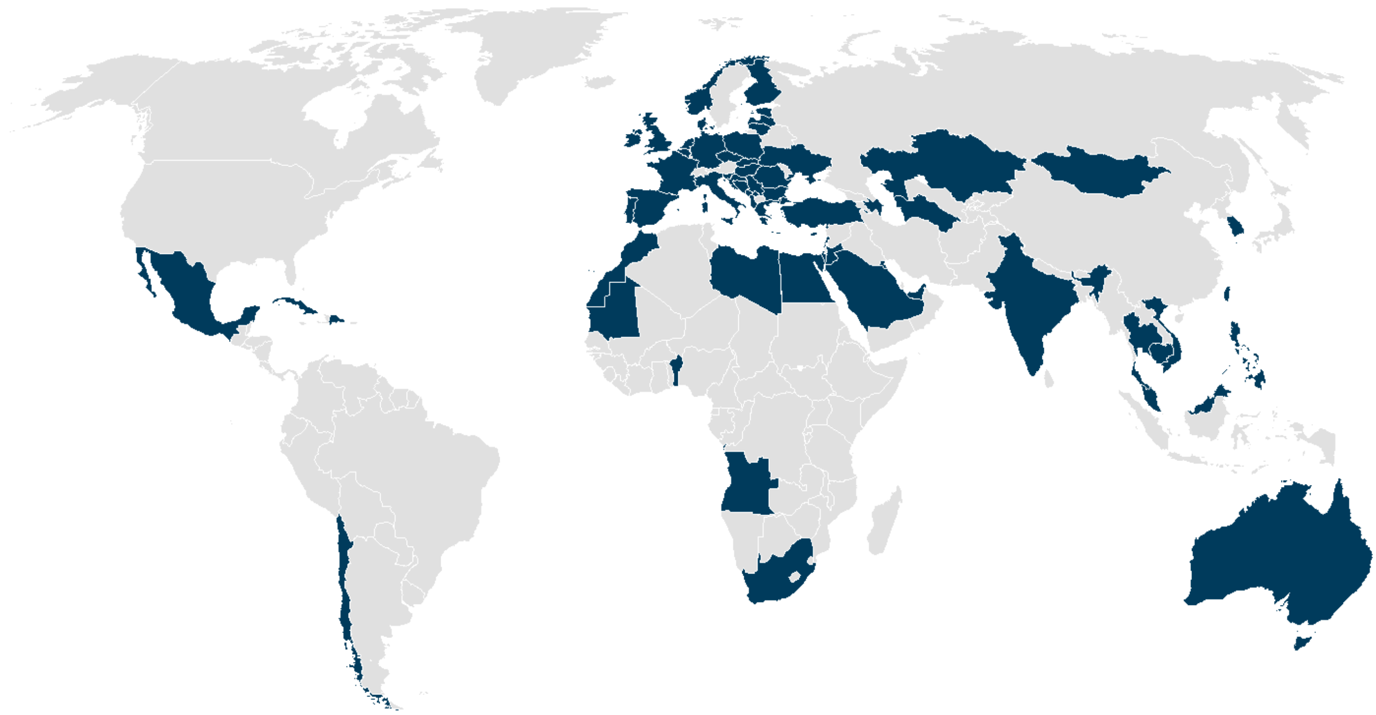
Revenue:



## VILVI GROUP'S SALES BY MARKETS

In 2024, exports took place to **more than 60 countries**, but the most important export markets of VILVI Group continue to be Poland, Netherlands, Italy, Germany, Saudi Arabia.

**Export markets:**

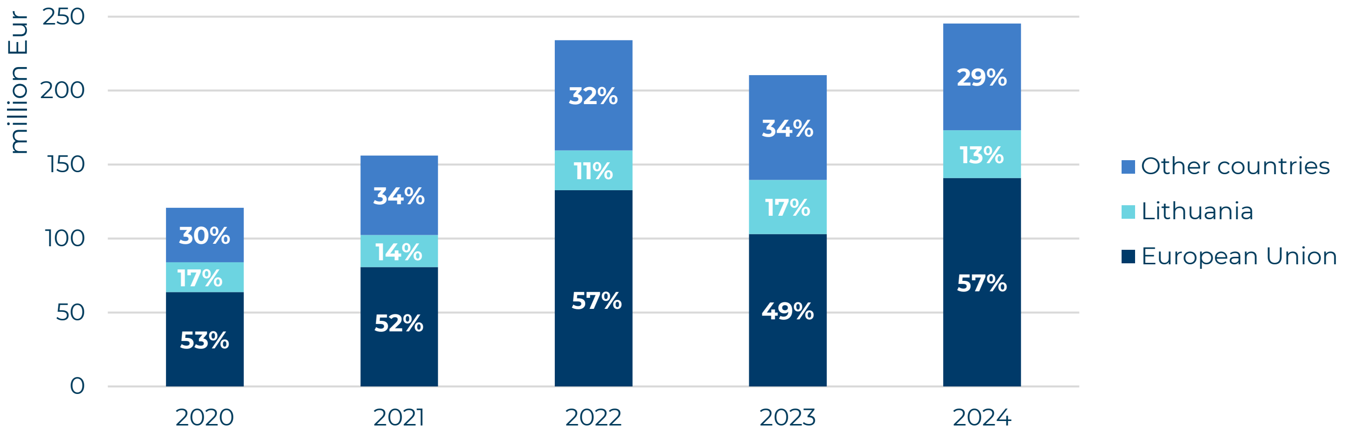


The last five years have been very active in looking for new markets, so in 2024, significant attention was focused on analysing existing markets to assess and forecast potential sales growth in these regions.

**Sales revenues by markets, thousand EUR:**

| | 2020 | 2021 | 2022 | 2023 | 2024 | *Change in 2024/2023* | *Change in 2023/2022* |
|---|---|---|---|---|---|---|---|
| **European Union** | 63,745 | 80,647 | 132,771 | 103,079 | 141,037 | ***36.8%*** | ***-22.4%*** |
| **Lithuania** | 20,234 | 21,748 | 26,751 | 36,624 | 32,246 | ***-12.0%*** | ***36.9%*** |
| **Other countries** | 36,894 | 53,650 | 74,561 | 70,833 | 72,146 | ***1.9%*** | ***-5.0%*** |
| **Total revenue** | **120,873** | **156,045** | **234,083** | **210,536** | **245,429** | ***16.6%*** | ***-10.1%*** |

In 2024, VILVI Group's sales revenue in export markets increased by 22.6% compared to 2023. Exports accounted for 86.9% of the Group's total sales in 2024 This is 4 p.p. higher than in 2023.




The growth in sales income both in the European Union and other foreign countries is attributed to the increased global demand for dairy products, especially milk fats. The structure of sales regions and sales channels remained stable, sufficiently diversified, and not subject to risks from economic or political influences.

In 2024, sales in Lithuania decreased by 12.0% compared to the previous year. This was influenced by both the decrease in the pricing of fresh dairy products in the country and the smaller volumes of products sold.

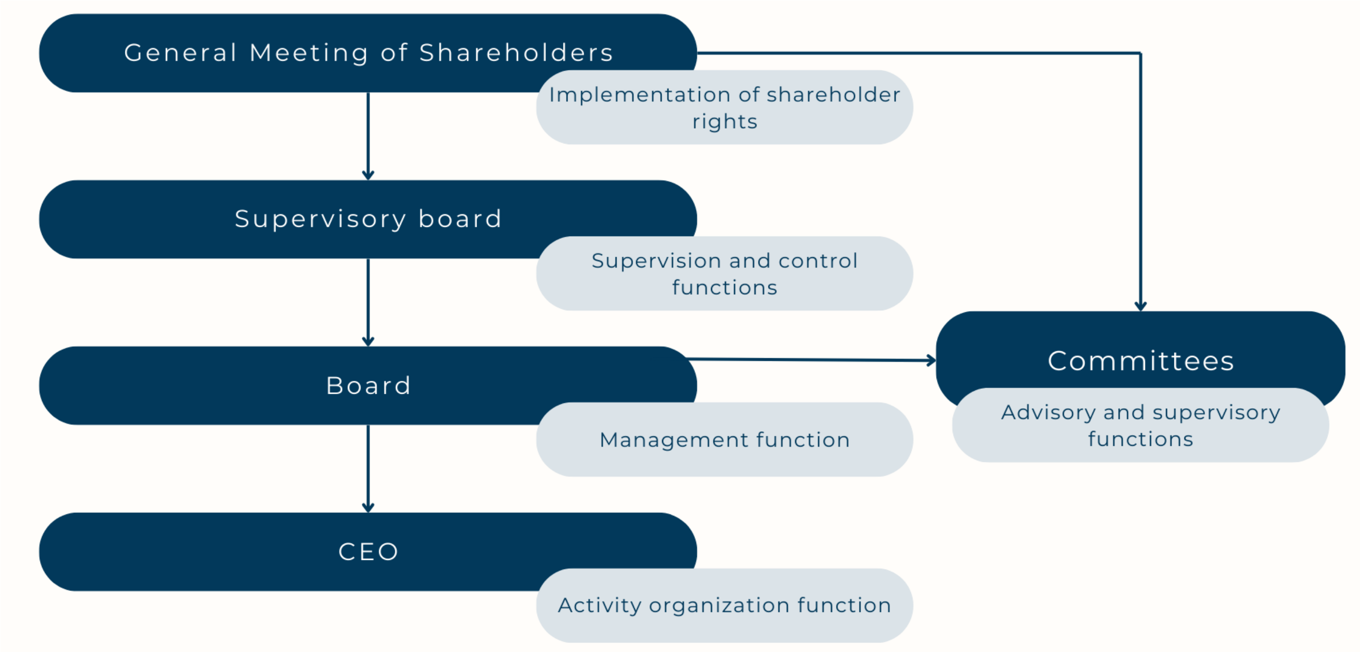
In 2024 and 2023, no products were exported to countries subject to EU sanctions.

# GOVERNANCE



# MANAGEMENT MODEL

## Management bodies of VILVI GROUP's parent company Vilkyškių pieninė AB




### General Meeting of Shareholders

The General Meeting of Shareholders is the highest body of the parent company, which makes decisions based on the Law on Companiesof the Republic of Lithuania and the company's articles of association. *More in p. 23.*

### Supervisory board

The Supervisory board is a collegial supervisory body of the Company, which represents the shareholders and performs the functions of supervision and control of the Company's activities. The Supervisory board of Vilkyškių pieninė AB consists of 3 members, elected for a four-year term. The Supervisory board is elected by the General Meeting of Shareholders. More in p. 24-25.

### Board

The Board is a collegial management body of the Company, which performs the function of company management. The Board of Vilkyškių pieninė AB consists of 6 Board members. The Supervisory board elects the members of the Board for a four-year term. More in p. 26-29.

### Committees

The Supervisory board forms the Appointments and Remuneration Committee and approves the committee's regulations. The General Meeting of Shareholders elects members of the Audit Committee and approves the regulations of the Audit Committee. More in p. 30.

### CEO

The head of the Company is the CEO, who organizes the company's activities, hires and fires employees, concludes and terminates employment contracts with them, acts on behalf of the company and unilaterally concludes transactions, except for the cases provided by the Company's articles of association and legal acts. In his/her activities, the CEO is guided by laws, other legal acts, the company's articles of association, the decisions of the General Meeting of Shareholders, the decisions of the Supervisory board and the Board. The CEO is elected and dismissed by the company's Board.

**Management bodies of subsidiaries: Kelmės pienė AB, Kelmės pienas UAB, Modest AB and Baltic Dairy Board SIA:**

- General Meeting of Shareholders
- Board
- Head of the Company

The sole management body of Pieno logistika AB is the director.

## AUTHORIZED CAPITAL STRUCTURE AND SHAREHOLDERS

| Įmonės pavadinimas | Type of shares | Number of shares | Nominal value of 1 share, EUR | Total nominal value, EUR | Largest shareholders owning and controlling more than 5% of the authorized capital |
|---|---|---|---|---|---|
| **Vilkyškių pieninė AB** | Ordinary registered shares | 11,943,000 | 0.29 | 3,463,470 | Swisspartners Versicherung AG Zweigniederlassung Österreich – 60,4%*; Multi Asset Selection Fund – 17,0%. |
| **Kelmės pieninė AB** | Ordinary registered shares | 2,457,070 | 0.29 | 712,550 | Vilkyškių pieninė AB – 100%. |
| **Modest AB** | Ordinary registered shares | 5,617,118 | 0.29 | 1,628,964 | Vilkyškių pieninė AB – 99.7%. |
| **Pieno logistika AB** | Ordinary registered shares | 371,333 | 0.29 | 107,687 | Kelmės pienas UAB – 59.0%, |
| **Kelmės pienas UAB** | Ordinary registered shares | 2,500 | 1.00 | 2,500 | Kelmės pieninė AB – 100%. |
| **Baltic Dairy Board SIA** | Ordinary registered shares | 777,778 | 1.00 | 777,778 | Vilkyškių pieninė AB – 100%. |

**Information about significant and directly or indirectly controlled Company-held stock packages:**

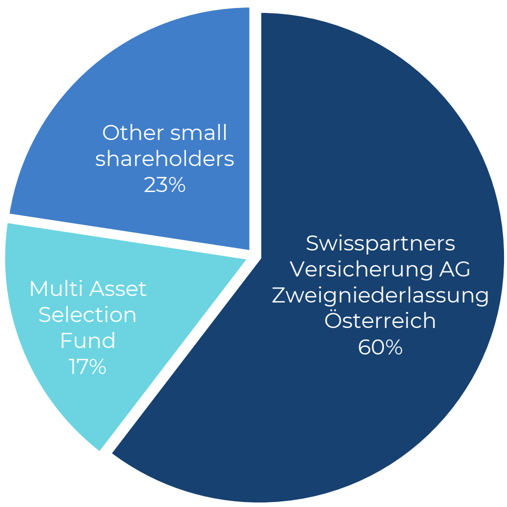
* As of 31 December 2024, G. Bertašius did not have shares in Vilkyškių pieninė AB, but he owns 60.4% of the votes in the General Meeting of Shareholders (a joint life insurance policy was concluded in the insurance company Swisspartners Versicherung AG Zweigniederlassung Österreich, which has taken over ownership rights to 7,213,680 shares of Vilkyškių pieninė AB).

**Vilkyškių pieninė AB shareholder structure in 2024:**

The total number of shareholders on 31/12/2024 was 1,844.

Distribution of shareholders of Vilkyškių pieninė AB by legal entity:

- **18.5**% natural persons
- **81.5**% legal entities




**The Company has never acquired or transferred its own shares.**

# GENERAL MEETING OF SHAREHOLDERS AND SHAREHOLDER RIGHTS

The shareholders of Vilkyškių pieninė AB exercise their rights during the General Meeting of Shareholders.

Notices about the convening of the General Meeting of Shareholders, issues to be resolved at the meeting and decisions of the General Meeting of Shareholders are published on the company's website *General Meeting of Shareholders – VILVI GROUP*. Meetings are also reported on the Nasdaq Vilnius stock exchange and in the electronic publication by the Centre of Registers.

All shareholders have been provided with equal opportunities to access the information stipulated by law and to participate in decision-making on matters within the competence of the general meeting of shareholders.

During the reporting period, the Company's shareholders **had equal** rights (property and non-property), provided for by laws, other legal acts and the Company's articles of association. Neither shareholder had any special control rights. During the reporting period, the Company's management bodies created suitable conditions for the implementation of shareholders' rights. There are no restrictions on voting rights in the Company.

**Shareholders have the following non-property rights:**

- To participate and vote in General Meetings of Shareholders;
- To receive information about the Company, as stipulated in Part 1 of Article 18 of the Law on Companies of the Republic of Lithuania;
- To apply to the court with a claim for compensation for damage to the Company caused by the Company's manager not performing or improperly performing his/her duties, as well as in other cases established by law;
- Other non-property rights provided for by law.

**Shareholders have the following property rights:**

- To receive a share of the Company's profit (dividend);
- To receive a share of the liquidated Company's assets;
- To receive shares for free if the authorized capital is increased from the Company's funds, except for the exceptions established by the Law on Companies;
- With the pre-emption right to purchase shares or convertible bonds issued by the Company, except for the case when the General Meeting of Shareholders decides to revoke this right for all shareholders in accordance with the procedure established by the Law on Companies;
- To transfer all or part of the shares to the ownership of other persons in accordance with the procedure established by the Law on Companies;
- Other property rights provided for by law.

## Competence of the General Meeting of Shareholders

- Changing the articles of association of the parent company;
- Electing and recalling the members of the Supervisory board of the parent company, determining the remuneration for the independent members of the Supervisory board;
- Making a decision on the approval of the Remuneration Policy;
- Approval of the annual financial statements of the parent company and the set of annual consolidated financial statements of the Group;
- Approval of the parent company's management report and the Group's consolidated management report
- Adoption of a decision on the distribution of profit (losses) and on the allocation of dividends for a period shorter than the financial year;
- Making a decision on the establishment, use, reduction and destruction of reserves;
- Making a decision on increasing or decreasing the authorized capital of the parent company;
- Adoption of decisions on restructuring, reconversion, reorganization, liquidation of the parent company;
- Making a decision on the acquisition of the company's own shares;
- Selecting and recalling an auditor or an audit firm to audit a set of annual financial statements, setting the terms of payment for audit services.

## SUPERVISORY BOARD

The Supervisory board is a collegial body of the Company, represents the shareholders and performs the functions of supervision and control of the Company's activities. The supervisory board is elected by the General Meeting of Shareholders for four years. The Supervisory board elects the chairman of the Supervisory board from among its members.

**Members of the supervisory board:**

|  |  |  |
|---|---|---|
| **Algimantas Lekevičius**<br>Chairman of the Supervisory board<br>Term until 28/04/2027 | **Marijana Juškienė**<br>Member of the Supervisory board<br>Term until 28/04/2027 | **Martynas Bertašius**<br>Member of the Supervisory board<br>Term until 28/04/2027 |
| **Education**<br>higher education, engineer | **Education**<br>higher education, engineer - mathematician | **Education**<br>higher education, economics |
| **The main workplace:**<br>Šiaulių bankas AB (company code 112025254) Head of the Issuer Accounting Group, Financial Markets Department | | **The main workplace:**<br>Head of Sports and Health Supplements Department at Vilkyškių pieninė AB |
| **Participation in the management of other companies:**<br>Chairman of the Užupis Community Senate | Does not participate in the management of other companies | **Participation in the management of other companies:**<br>Manager and actual member of ŪKB RELI (company code 306286230) |
| **Owned share of the company's capital and votes as of 31-12-2024, %**<br>2000 vnt./0.02% | - | - |

**The main functions and competences of the Supervisory board:**

- Consideration and approval of the operating strategy of the parent company and Group companies, as well as analysis and evaluation of information on the implementation of the operating strategy, presentation of this information to the ordinary General Meeting of Shareholders;
- Electing and recalling the Board members;
- Adoption of decisions on transactions with related parties, as stipulated in Part 2 of Article 37 of the Law on Companies of the Republic of Lithuania
- Supervision of the activities of the Board and the manager;
- Giving comments and proposals for the annual financial statements, the profit (loss) allocation draft, and the management report to the general meeting of shareholders;
- Submitting proposals to the Board and the company's manager to revoke their decisions that contradict laws and other legal acts, the company's articles of association or the decisions of the General Meeting of Shareholders;
- Providing feedback and proposals on the draft Remuneration Policy and the draft remuneration report to the eneral Meeting of Shareholders;
- The Supervisory board also examines other issues within its competence, specified in the articles of association of the parent company and the Law on Companies of the Republic of Lithuania.

### Supervisory board's activities in 2024

In 2024, four supervisory board meetings took place. The meetings met the quorum requirements set by regulations. During the meetings, the annual financial statements for 2023 and the profit (loss) allocation draft were reviewed, and comments and proposals for the ordinary general meeting of shareholders were given, issues regarding the involvement of the board in sustainability policy were discussed, as well as the Audit Committee's 2024 action plan, and the board's actions concerning the implementation of European Parliament and Council Directive (EU) 2023/970 in 2023 were reviewed and approved.

All committee members attended the meetings.

### MATRIX OF SUPERVISORY BOARD MEMBERS' COMPETENCIES:

| | Algimantas Lekevičius | Marijana Juškienė | Martynas Bertašius |
|---|---|---|---|
| **Area of Competence** | **Securities Market** | **Risk management** | **Marketing** |
| **Experience:** | | | |
| Setting Long-term Strategic Goals | + | | |
| Analysis of Financial/Sustainability Reports | + | + | + |
| Brand Value Creation | | | + |
| Business Activity Monitoring | + | + | |
| **Competence:** | | | |
| Human Resources Management | + | + | + |
| Risk Identification and Mitigation Strategy Development | + | + | + |
| Business Process Management | + | + | + |

Vilkyškių pieninė AB Supervisory board members have extensive experience in management, making them competent to oversee the activities of the Company's board and manager, as well as analyze the Company's strategic goals.

| Indicator | Value |
|---|---|
| The gender ratio of the supervisory board members of the parent company. | **1:3** |
| Percentage of independent supervisory board members of the parent company | **67%** |

# BOARD

The Board is a collegial management body of the Company. The Board of Vilkyškių pieninė AB consists of 6 Board members. Members of the board are elected for a four-year term in accordance with the procedure established by the Law on Companies of the Republic of Lithuania. The chairman of the Board is elected by the Board from among its members for a four-year term.

The Company does not have rules governing the election of the members to the Board of the Company. In its activities, the Company is guided by the Law on Companies of the Republic of Lithuania, the Company's Articles of Association and other legal acts. The members of the Board have not authorized other persons to perform the functions assigned to the competence of the Board.

**The Board considers and approves the following:**

- The management structure of the company and the positions of employees;
- Positions to which employees are recruited by tender procedure;
- The Board elects and dismisses the CEO, determines working conditions and remuneration, following the Remuneration Policy, as established in Article $37^3$ of the Law on Companies of the Republic of Lithuania;
- Other matters as provided by the Law of the Republic of Lithuania on Companies and the Company's Articles of Association.

**Other functions of the Board:**

- Determines the information that is considered the company's commercial (production) secret and confidential information;
- Analyzes and evaluates the material provided by the company's CEO about the organization of the company's activities, financial condition, performance results, etc.;
- Analyzes and evaluates the drafts of the company's annual financial statements, the profit (loss) allocation draft, and the remuneration policy draft, and, after approving them, submits them along with comments and proposals to the general meeting of shareholders.
- Analyzes and evaluates the project of the decision on the allocation of dividends for a period shorter than the financial year and for its adoption the compiled set of interim financial statements, which, together with feedback and proposals on them and the company's interim report, are submitted to the Supervisory board and the General Meeting of Shareholders;
- Resolves other issues stipulated in the company's articles of association.

### Activities of the company's Board in 2024

In 2024, Vilkyškių pieninė AB Board meetings were held regularly according to the established schedule. In 2024, twelve regular board meetings took place. All Board meetings had the quorum required by legal acts. The Board approved the Company's prepared 2023 audited 12-month financial statements and the 2024 three-, six-, and nine-month interim financial statements and annual report, convened the ordinary general meeting of shareholders and proposed the 2023 profit allocation draft for approval at the general meeting of shareholders.

During the ordinary Board meetings, development plans were discussed, the progress of the Baltic Dairy Board SIA cheese factory project was reviewed, and issues related to granting/extending loans and other ongoing matters were addressed.

## MEMBERS OF THE BOARD OF VILKYŠKIŲ PIENINĖ AB

| Name, Surname | Education | Information about the main workplace and participation in the management of other companies: | Available share of the company's capital and votes as of 31-12-2024, % |
|---|---|---|---|
| <br>**Gintaras Bertašius**<br>Chairman of the Board<br>Term until 28/04/2026 | higher education, engineer - mechanic | **The main workplace:**<br>CEO of Vilkyškių pieninė AB<br>**Participation in the management of other companies:**<br>Chairman of the Board of Modest AB, Kelmės pieninė AB, Kelmės pienas UAB and Baltic Dairy Board SIA. | As of 31 December 2024, G. Bertašius had no shares in AB Vilkyškių pieninė, but he owns 60.4% of the votes at the General Meeting of Shareholders (a joint life insurance policy was concluded with the insurance company Swisspartners Versicherung AG Zweigniederlassung Österreich, which has taken ownership rights to 7,213,680 shares of Vilkyškių pieninė AB). |
| <br>**Vilija Milaševičiutė**<br>Member of the Board<br>Term until 28/04/2026 | higher education, finance and credit | **The main workplace:**<br>Director of Economics and Finance of Vilkyškių pieninė AB<br>**Participation in the management of other companies:**<br>Member of the Board of Modest AB, Kelmės pieninė AB, Kelmės pienas UAB and Baltic Dairy Board SIA. | 9,588 pcs./0.08% |
| <br>**Linas Strėlis**<br>Member of the Board<br>Term until 28/04/2026 | higher education, economics | **The main workplace:**<br>Director of Biglis UAB (company code 133688345)<br>**Participation in the management of other companies:**<br>Member of the Board of Umega AB (company code 126334727), Investicija kubu UAB (company code 305818634), Raudona saulė UAB (company code 302865867), East West Agro AB (company code 300588407), Lords LB Baltic Opportunity Fund (company code 306484707) and Galinta UAB (company code 134568135). | - |

## MEMBERS OF THE BOARD OF VILKYŠKIŲ PIENINĖ AB

| Name, Surname | Education | Information about the main workplace and participation in the management of other companies: | Available share of the company's capital and votes as of 31-12-2024, % |
|---|---|---|---|
| <br>**Sigitas Trijonis**<br>Member of the Board<br>Term until 28/04/2026 | higher education, engineer – mechanic | **The main workplace:**<br>Director of the Investment Projects Department of Vilkyškių pieninė AB<br>**Participation in the management of other companies:**<br>Does not participate in the management of other companies | 425,607 pcs./3.56% |
| <br>**Rimantas Jancevičius**<br>Member of the Board<br>Term until 28/04/2026 | higher education, zootechnician | **The main workplace:**<br>Director of Raw Material Purchase of Vilkyškių pieninė AB<br>**Participation in the management of other companies:**<br>Does not participate in the management of other companies | 357,370 pcs./2.99% |
| <br>**Andrej Cyba**<br>Member of the Board<br>Term until 28/04/2026 | higher education, business administration and management | **The main workplace:**<br>CEO of Ymmalu UAB(company code 305765142)<br>**Participation in the management of other companies:**<br>CEO of PEF GP1 UAB (company code 302582709), PEF GP2 UAB (company code 302582716), Piola UAB (company code 120974916), LAMA Capital UAB (company code 306178639), V3 Installation Solutions UAB (company code 124100519), Vokė-III UAB (company code 120959622), Business Development Manager of INVL Asset Management UAB (company code 126263073), Chairman of the Board of FMĮ INVL Financial Advisors UAB (company code 304049332), Member of the Board of Baltic Dairy Board SIA, Chairman of the Supervisory board IPAS INVL Asset Management (company code 40003605043) and AS INVL atklātais pensiju fonds (company code 40003377918), Member of the Board and Chairman of the Audit Committee of „AUGA group" (company code 126264360). | - |

## MATRIX OF BOARD MEMBERS' COMPETENCIES:

| | Gintaras Bertašius | Rimantas Jancevičius | Vilija Milaševičiutė | Sigitas Trijonis | Linas Strėlis | Andrej Cyba |
|---|---|---|---|---|---|---|
| **Area of Competence** | Strategic manage-ment | Main raw material procurement management | Financial manage-ment | Technology implementa-tion and innovation | Business develop-ment and sales | Organizational development and risk management |
| **Experience:** | | | | | | |
| Long-term business strategy creation and implementation | + | + | + | + | + | + |
| Establishing the company's mission, vision, and values | + | + | + | + | | + |
| Development and execution of capital raising strategies | + | | + | | + | + |
| Analysis and optimization of business processes | + | + | + | + | | + |
| Market analysis and identification of competitive advantages | + | + | | | + | + |
| Setting and pursuing sustainability goals | + | | | | | + |
| Risk Identification and Mitigation Strategy Development | + | + | + | | | + |
| **Competence:** | | | | | | |
| Finance management | + | | + | | | + |
| Strategy formation | + | | | | + | + |
| Investment analysis and assessment | + | | + | + | + | + |
| Change and risk management | + | | | | | + |
| Increasing operational efficiency | + | | | | | |
| Optimization of raw material procurement processes | | + | | | | |
| Sustainability management: | | | | | | |
| - Environmental protection | | | | + | | |
| - Human resources, safety, and health | + | | | | | |
| - Sustainable financing | | | + | | | + |
| - Accountability | | | + | | | |
| - Monitoring of impacts, risks, and opportunities | + | + | + | + | | + |

| **Indicator** | **Value** |
|---|---|
| Ratio of female to male board members of the Parent Company | **1:6** |
| Percentage of independent board members of the Parent Company | **33%** |
| Executive board members of the Parent Company | **4** |

| | |
|---|---|
| Non-executive board members of the Parent Company | **2** |

# COMMITTEES

## Appointment and Remuneration Committee

Members:

- Chairman - **Birutė Butkienė** (ŪKB Šilgaliai Agro accountant),
- **Giedrė Krinicina** (Vilkyškių pieninė AB employee),
- **Živilė Žymantaitė** (Vilkyškių pieninė AB employee).

All members are not leading employees of the administration, they do not participate in the authorized capital of the Company.

Forms and approves the regulations of the committee – **Supervisory board**

**Functions of the committee:**

- rovides management bodies with assistance in all matters related to the appointment of candidates to the positions of the Company's manager or other managerial employees;
- Recommends to the Board candidates for other Board committees;
- Collects, analyzes and processes all information related to the Company's employee hiring policy;
- Assesses the possible conflicts of interest of each managing employee of the Company;
- Provides assistance to governing bodies in all matters related to the determination of salaries for management personnel;
- Resolves other issues necessary for the proper performance of the Committee's functions.

**Activities of the Appointment and Remuneration Committee in 2024**

In 2024, two committee meetings were held, during which the salaries of the Company's employees were reviewed, recommendations regarding the company's internal regulations and remuneration policy, as well as recommendations regarding a candidate for the position of Business Development and Growth Director, were provided. Additionally, in 2024, the European Parliament and Council Directive (EU) 2023/970 on wage transparency was reviewed, and an implementation plan for the directive was discussed and proposed.

All committee members participated in the meetings.

## Audit Committee

Members:

- Chairman **Aušra Lobinienė** (Head of Internal Audit Service of Tauragė Credit Union),
- **Vilma Morkaitienė** (Bonus modus UAB senior Accountant)
- **Sigita Montvilaitė** (Vilkyškių pieninė AB employee).

All members are not leading employees of the administration, they do not participate in the authorized capital of the Company.

Forms and approves the regulations of the committee **- General Meeting of Shareholders.**

**Functions of the committee:**

- Monitors the process of preparing the Company's financial statements;
- Provides management bodies with recommendations related to the selection of an audit firm;
- Monitors the effectiveness of the company's internal control, risk management and internal audit systems;
- Monitors the audit process;
- Monitors how the auditor and the audit firm adhere to the principles of independence and objectivity;
- Performs other functions provided for by legislation;
- Immediately informs the head of the Company about the information provided to the Audit Committee by the audit company about problematic issues that arose during the audit, especially when significant internal control deficiencies related to financial statements are identified.

**Activities of the Audit Committee in 2024**

In 2024, three committee meetings were held, during which the Company's 2023 financial statements, the 2023 annual report, and the 2023 profit (loss) allocation were discussed and approved, and the 2024 budget was discussed.

Recommendations were made regarding the selection of the auditing companies for the corporate group. The risk management systems for sales to various countries were reviewed, and the 2024 audit activity plan was discussed.

## KEY MANAGERS

| | Education/ Area of Competence | Information about participation in the management of other companies: | Available share of the company's capital and votes as of 31-12-2024, % |
|---|---|---|---|
| <br>**Gintaras Bertašius**<br>CEO | higher education, engineer - mechanic<br><br>**Area of Competence:**<br>- strategic management | Chairman of the Board of Vilkyškių pieninė AB, Modest AB, Kelmės pieninė AB, Kelmės pienas UAB and Baltic Dairy Board SIA. | No shares owned/60.40% |
| <br>**Vilija Milaševičiutė**<br>Director of Economics and Finance | higher education, finance and credit<br><br>**Area of Competence:**<br>- finance<br>- risk management | Member of the Board of Vilkyškių pieninė AB, Modest AB, Kelmės pieninė AB, Kelmės pienas UAB and Baltic Dairy Board SIA. | 9,588 pcs./0.08% |
| <br>**Sigitas Trijonis**<br>Director of the Investment Projects Department | higher education, engineer - mechanic<br><br>**Area of Competence:**<br>- technology implementation<br>- innovation | Member of the Board of Vilkyškių pieninė AB. | 425,607 pcs./3.56% |
| <br>**Rimantas Jancevičius**<br>Director of Raw Material Purchase | higher education, zootechnician<br><br>**Area of Competence:**<br>- main raw material procurement management | Member of the Board of Vilkyškių pieninė AB. | 357,370 pcs./2.99% |
| <br>**Vaidotas Juškys**<br>Executive Director | higher education, information technologies<br><br>**Area of Competence:**<br>- commercial activities | Does not participate in the management of other companies. | 23,536 pcs./0.20% |

## KEY MANAGERS

| | Education/ Area of Competence | Information about participation in the management of other companies: | Available share of the company's capital and votes as of 31-12-2024, % |
|---|---|---|---|
|  **Arvydas Zaranka** Production Director | higher education, dairy technology<br>**Area of Competence:**<br>- production<br>- corporate governance | Director of Kelmės pieninė AB, member of the Board of Modest AB. | 1,933 pcs./0.02% |
|  **Rita Juodikienė** Director of Management and Quality | higher education, business management<br>**Area of Competence:**<br>- quality, human resources, procurement, sustainability and environmental management | Member of the Board of Kelmės pieninė AB and Kelmės pienas UAB. | 2,175 pcs./0.02% |
|  **Paulinas Stanaitis** Director of Transport and Logistics | higher education, management and business administration<br>**Area of Competence:**<br>- Transportation and Logistics | Does not participate in the management of other companies. | - |
|  **Jolita Valantinienė** Director of Kelmės pienas UAB | higher education, management and business administration<br>**Area of Competence:**<br>- production<br>- corporate governance | Director of Pieno logistika AB. | - |
|  **Matas Pozingis** Director of Modest AB | higher education, management and business administration<br>**Area of Competence:**<br>- production<br>- corporate governance | Does not participate in the management of other companies. | - |

# GOVERNANCE PRINCIPLES

## Governance based on respect and fundamental human rights

VILVI Group management is based on fundamental human rights and respect for others. We follow these principles when managing company processes and communicating both with people within the Group and with business partners and other stakeholders.

### Ethical employment provisions

In order for all employees to clearly understand the principles of respectful communication, the Code of Ethical Employment was approved, which sets out the natural human rights respected by the Group, emphasizing the intolerance of discrimination, disrespectful or inhumane behavior.

We apply the principles of ethical employment that we apply to all of our stakeholders. We also inform our business partners and suppliers about the principles of ethical employment that are important to us. We aim not to have business relations with partners who do not comply with our established provisions.

Ethical principles of activity and equality and a respectful approach to every person are also applied when it comes to shareholders who have equal rights (property and non-property), provided for in laws, other legal acts and the company's articles of association. No shareholder has any special control rights that can confer privileges. All shareholders have the same rights.

More information in the Sustainability Statement, page 84-95.

**These provisions are established by:**

Code of Ethical Employment

### Business ethics and intolerance to bribery and corruption

The Code of Ethical Business was approved, which sets out the main principles and priorities of our activities and the kind of behavior that we identify as undesirable in our Group.

We do not tolerate any acts of corruption, including bribery and kickbacks, we promote honest business and transparent cooperation with state institutions and other interested parties. Transparent, honest and open business activities are one of the most important elements of an impeccable business reputation and success.

We keep honest records, and follow a transparent salary policy. We ensure transparency in the procurement we organize and require potential and existing suppliers to act transparently and fairly.

We sell our products in accordance with the principle of transparency, we do not participate in transactions that ask for bribes or offer to act in a non-transparent manner. We have clearly stated the principles of our activities and cooperation in the Code of Ethical Business and familiarized our partners and suppliers with it, we also constantly remind our employees what behavior or agreements are intolerable and what threats may arise when communicating with stakeholders both in Lithuania and abroad.

The Group has decided to be politically neutral and not to provide any financial support to political parties, groups or politicians.

More information in the Sustainability Statement, page 104-106.

**These provisions are established by:**

Code of Ethical Business

All key policies and codes are publicly available on the Group's website so that all stakeholders are aware of our ethical employment principles (https://vilvigroup.lt/politikos/).

*We also inform our partners and suppliers both in Lithuania and abroad about the responsible approach to people and the environment in order to create an honest and responsible environment for business development towards people and nature – a responsible supply chain is ensured.*

## DIVIDENDS

In 2012, Vilkyškių pieninė AB approved a dividend policy. Excerpt from the provisions of the dividend policy:

Dividends and amount of dividends

The Law on Companies of the Republic of Lithuania stipulates that the dividend is a share of the profit allocated to the shareholder, proportional to the nominal value of the shares owned by the shareholder.

1. During the General Meeting of Shareholders, the Company's shareholders cannot make a decision to pay out dividends if: 1) the Company is insolvent; 2) the distributed result of the financial year is negative; 3) the Company's equity capital is lower or, after paying dividends, would become lower than the Company's authorized capital and the amount of reserves.

2. The Company's Board should propose the amount of dividends to the General Meeting of Shareholders depending on the Company's audited net profit of the relevant financial year.

3. If the Company operates profitably, the Board of the Company allocates a certain part of the income to the amount of dividends, as determined in point 2.6, and reinvests the remaining income in order to increase the Company's capitalization.

4. The Company pays dividends in cash.

5. The Board of the Company has determined the amount of dividends based on the Company's consolidated net profit of the previous year. The determined amount of dividends must be at least 25% of the Company's consolidated net profit for the previous year, but not more than the Company's annual consolidated net profit.

6. The Company reserves the right to deviate from the dividend amount criteria by disclosing the reasons for such deviation.

**Payment of dividends by Vilkyškių pieninė AB in the last years:**

| | 2020 (for 2019) | 2021 (for 2020) | 2022 (for 2021) | 2023 (for 2022) | 2024 (for 2023) |
|---|---|---|---|---|---|
| **Dividends (EUR)** | - | 955,440 | 2,388,600 | 3,164,744 | 3,702,330 |
| **Dividends per share (EUR)** | - | 0.08 | 0.20 | 0.265 | 0.31 |
| **Number of shares** | 11,943,000 | 11,943,000 | 11,943,000 | 11,943,000 | 11,943,000 |

Payment of dividends in other VILVI GROUP companies:

**Kelmės pienas UAB:**

- In 2024 (for 2023) paid out dividends of EUR 2.0 million;
- In 2023 (for 2022) paid out dividends of EUR 1.2 million.

**Payment of dividends by Kelmės pieninė AB in the last years:**

| | 2020 (for 2019) | 2021 (for 2020) | 2022 (for 2021) | 2023 (for 2022) | 2024 (for 2023) |
|---|---|---|---|---|---|
| **Dividends (EUR)** | 5,651,261 | 7,371,210 | 3,931,312 | 1,523,383 | 8,992,876 |
| **Dividends per share (EUR)** | 2.30 | 3.00 | 1.60 | 0.620 | 3.66 |
| **Number of shares** | 2,457,070 | 2,457,070 | 2,457,070 | 2,457,070 | 2,457,070 |

Modest AB, Pieno logistika AB and Baltic Dairy Board SIA have not paid dividends in the past 5 years.

# OTHER INFORMATION ABOUT MANAGEMENT

**Links to the applicable Corporate Governance Code and all necessary information about corporate governance practices:**

The Company's annual statements, which include the audited financial statements and the management report, are published on the Company's website, VILVI GROUP and on the Nasdaq Vilnius stock exchange website Vilkyškių pieninė | Trading— Nasdaq Baltic Exchange (nasdaqbaltic.com).

**Information on transactions with related parties**

During 2024, the company did not have transactions with related parties that would meet the criteria specified in Article $37^2$ of the Law on Companies. More detailed information on transactions with related parties and financial relationships with company managers is provided in Note 28 of the financial statements for 2024.

**Deviations from the provisions of the applicable Corporate Governance Code**

Information on non-compliance with the provisions of the Corporate Governance Code is provided in clauses 1.8 of the Governance Code page 126.

**Diversity policies apply to the election of the company's manager, members of the management and supervisory bodies**

The Company does not have a diversity policy for the election of the manager, management and supervisory bodies. When nominating candidates for the members of the Company's management bodies, they are not discriminated against due to age, gender, education or professional experience. The Company does not set any restrictions for individuals to apply due to gender or age. The main criterion for selecting members of management bodies is the competence of the candidate.

**Agreements between shareholders**

The Company does not have data on mutual agreements between shareholders. In 2024, the Companies have not entered into agreements with members of their bodies or employees that will provide for compensation if they resign or are dismissed without reasonable cause or if their employment ends due to a change in control of the issuer. During the reporting period, there were no harmful transactions that did not meet the goals of the Company or the Group, normal market conditions, violated the interests of shareholders or other groups of persons and had or may have a negative impact on the Company's activities or performance results in the future.

**Main features of the internal control and risk management systems of the Company and the Group of companies in relation to the compilation of the consolidated set of financial statements.**

The Company's Chief Accountant and Finance Department regularly review the International Financial Reporting Standards (IFRS) adopted in the European Union in order to ensure timely implementation of all changes in the financial statements, analyze transactions significant to the Group's and the Company's activities, ensure correct and timely collection of information, and periodically inform the Company's management about the progress of the financial statements.

The Audit Committee supervises the preparation of the set of consolidated financial statements, internal control and financial risk management systems, and compliance with the legal acts regulating the compilation of the set of consolidated financial statements.

**Events after the reporting period**

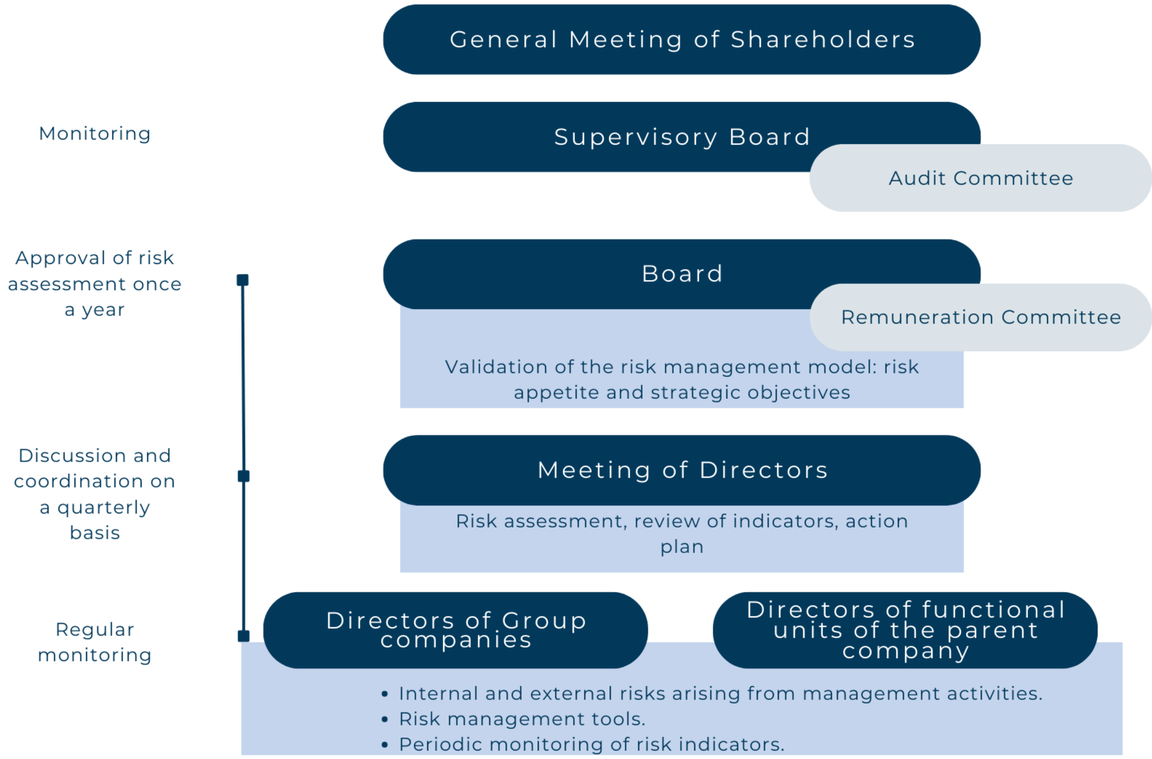
VILVI Group's subsidiary, Vilkyškių pieninė AB entered into a claim assignment agreement with Šiaulių bankas AB and the deed of transfer and acceptance of the documents was signed on 24 February 2025. The claim consists of unpaid obligations of Marijampolės pieno konservai UAB and Lukšių pieninė UAB to the bank, and it is secured by the assets of these companies and other additional guarantees.

The transaction does not have any significant impact on the financial situation of Vilkyškių pieninė AB as the claim was acquired using the Company's own funds, is appropriately secured against credit risk, and the Company plans to generate returns from these funds consistent with similar debt capital transactions. The invested funds also do not affect the Company's assets or its competitive position in the market.

## RISK MANAGEMENT

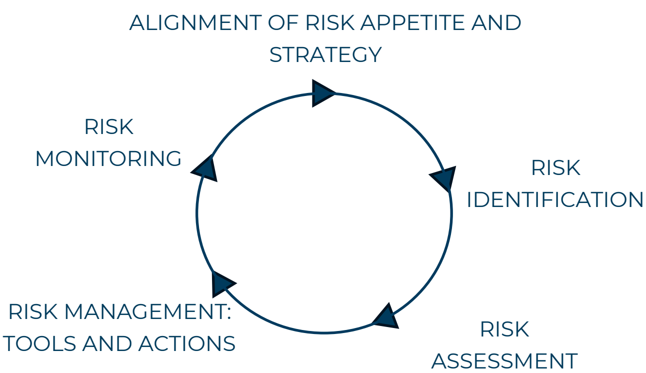
Risk management is an integral part of the Group's activities. We identify, analyse and assess risk in the context of the Group's objectives, activities and external environment. The approval of the Group's overall risk management model is the responsibility of the Board, while the supervision is the responsibility of the Meeting of Directors.

### RISK MANAGEMENT MODEL




The Group applies the Committee of Sponsoring Organisations of the Treadway Commission (COSO) internal control and risk management model. The risk management process covers all Group entities as well as functions and is continuously reviewed, assessing the Group's risk appetite and strategic objectives, and aligned to market conditions and changes in the Group's business. We carry out regular monitoring of risk management in the Group. On a quarterly basis, the Meeting of Directors reviews internal and external risks, assesses risk indicators, and identifies risk management measures as appropriate.

### Stages of risk management:




### Risk management objectives:

- To ensure the functioning of the Group.
- To manage the impact of risks on the Group's objectives.
- To ensure the Group's reputation.
- To protect the stakeholders' interests.

### Types of risks:

- *Strategic*- affecting the Group's strategic objectives;
- *Financial* -affecting the Group's financial performance;
- *Operational (business)* - affecting the efficient operation of the Group.

### Types of risks:

- by period: short-term (0–1 years), medium-term (1–4 years), long-term (>5 years);
- by source: internal and external
- by ESG area: E (Environment) – affecting the environment; S (Social) – affecting social factors and their management; G (Governance) – affecting the area of governance.

## 1. STRATEGIC RISKS

| RISK FACTORS | SOURCE OF RISK | SOURCE TYPE (internal/ external) | PERIOD (short-term, medium-term, long-term) | IMPACT ON THE STRATEGY / AREA OF IMPACT | RISK MANAGEMENT | ESG TYPE: E / S / G |
|---|---|---|---|---|---|---|
| *Risk of non-completion, untimely completion of strategic investment projects* | *Unforeseen external circumstances, issues in project management.* | *Internal/ external* | *medium-term* | *FINANCE* | - *A new Investment Projects Division has been created to manage investment projects, and project management expertise is being developed.*<br>- *Regular monitoring of the project implementation plan and emerging risks is carried out.*<br>- *External professionals, consultants are used as needed.* | |
| *Supply chain risks* | *Spikes in the prices of raw materials and energy resources affect the cost of production. Seasonality of raw material supply, insufficient raw material quantity, supply chain compliance with sustainability requirements.* | *external* | *long-term* | *FINANCE* | - *Regular monitoring of price fluctuations.*<br>- *Diversification of sources of strategic raw materials.*<br>- *Technological solutions have been put in place to diversify the energy resources used.*<br>- *Supply chain risk management model.* | |
| *Dependence on a branch or large customers* | *Changes in the industry, changes in customer spending power, competition.* | *internal* | *long-term* | *FINANCE* | - *Regular market monitoring.*<br>- *Diversification of businesses.*<br>- *Diversification of the customer portfolio.* | |
| *Risk of non-sale of products* | *Fluctuations in demand and price, fluctuations in demand and price caused by unfair competition.* | *external* | *long-term* | *FINANCE* | - *Regular market monitoring.*<br>- *Diversification of businesses.*<br>- *Diversification of the customer portfolio.*<br>- *Loyal customer database.* | |
| *Climate change transition risks* | *Growing production increases greenhouse gas emissions and the pace of GHG emission reductions is too slow due to dependence on technological solutions.* | *internal* | *long-term* | *FINANCE/ COMPLIANCE* | - *Environmental policy, legal compliance.*<br>- *Regular monitoring, impact assessment, pollution monitoring programmes.*<br>- *Deployment of low-impact technologies.* | E |
| *Climate change transition risks* | *Ongoing military conflicts and geopolitical tensions can affect trade restrictions, tariff increases, raw materials and logistics costs.* | *external* | *long-term* | *FINANCE* | - *Supply chain diversification*<br>- *Diversification of businesses.*<br>- *Diversification of the customer portfolio.* | G |
| *Business ethics risks* | *Dishonesty, corruption and bribery can affect reputation, share price and customer confidence.* | *internal* | *medium-term* | *ORGANISATION/ REPUTATION* | - *Policies and procedures for ethical conduct*<br>- *Education*<br>- *Confidential and anonymous reporting is possible.* | G |
| *Compliance risks* | *Unmanageable accountability to stakeholders, compliance with EU regulation, national law and legislation.* | *internal* | *long-term* | *ORGANISATION/ REPUTATION* | - *Timely and regular reporting to stakeholders.*<br>- *Assigned responsibilities and planning* | E,S,G |

## 2. FINANCIAL RISKS

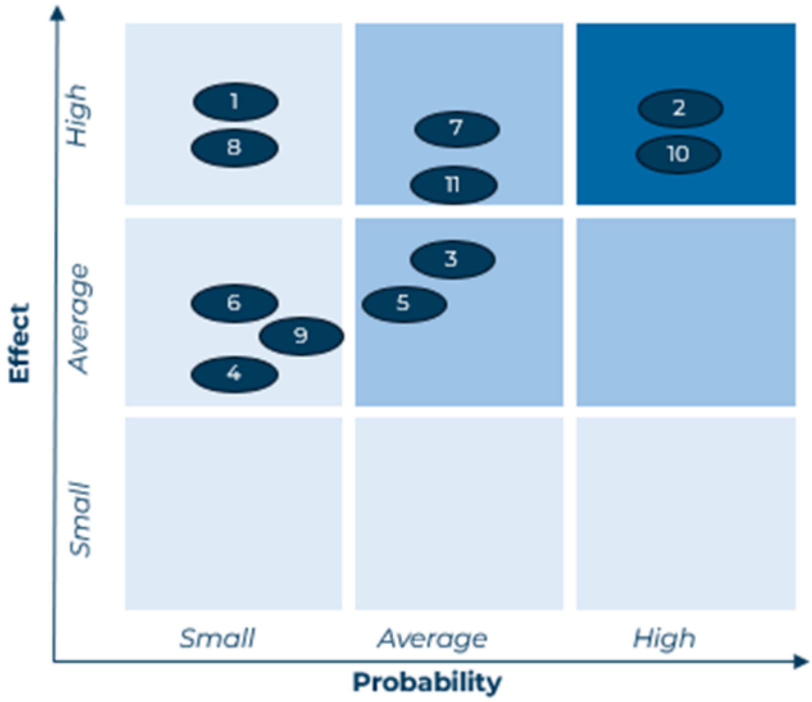
| RISK FACTORS | SOURCE OF RISK | SOURCE TYPE (internal/ external) | PERIOD (short-term, medium-term, long-term) | IMPACT ON THE STRATEGY / AREA OF IMPACT | RISK MANAGEMENT | ESG TYPE: E / S / G |
|---|---|---|---|---|---|---|
| Financial liquidity risk | The risk that the Group and the Company may not be able to meet their financial obligations when due. | internal | long-term | - | - Sufficient cash and cash equivalents flow or be financed through an adequate credit facility.<br>- Maintenance of a balance between continuity of funding and flexibility. | |
| Credit risk | The Group and the Company's trading activities involve the sale of products and services with deferred payment terms, which may expose customers to the risk of non-payment of the Group's and the Company's receivables from the sale of products and services. | external | long-term | - | - The application of credit limit principles, which determine the amounts of credit to be granted to customers and the types of collateral involved, such as: limits, guarantees, insurance.<br>- Insurance for foreign buyers.<br>- Customer credit risk assessment. | |
| Market risk | Changes in market prices, e.g. foreign exchange rates and interest rates, affect the Group's and Company's results or the value of financial instruments held. | external | long-term | - | - Management of foreign exchange rates. | |

## 3. OPERATIONAL RISKS

| RISK FACTORS | SOURCE OF RISK | SOURCE TYPE (internal/ external) | PERIOD (short-term, medium-term, long-term) | IMPACT ON THE STRATEGY / AREA OF IMPACT | RISK MANAGEMENT | ESG TYPE: E / S / G |
|---|---|---|---|---|---|---|
| *Product quality and safety risks* | *Inadequate assessment and management of risk factors (biological, chemical, physical). Information for drivers.* | *Internal* | *Long-term* | *FINANCE* | - *Food safety, quality and management standards are in place and regularly updated.*<br>- *Regular staff training and competency maintenance.*<br>- *Regular internal and external audits* | *S* |
| *Attraction and retaining of workers* | *Population decline in the region, shortage of highly skilled workers.* | *Internal/ External* | *Long-term* | *ORGANISATION/ FINANCE* | - *Close cooperation with organisations and research institutions.*<br>- *Motivational tools for searching within the organisation.*<br>- *Competence development training.*<br>- *Loyalty incentives.*<br>- *Assessment of the market relevance of working conditions and employee welfare, remuneration policy, the remuneration system and its continuous improvement.* | *S* |
| *Safety and health risks* | *Risk of accidents, absence due to sickness. Failure to control occupational risks, safety and health violations.* | *Internal* | *Long-term* | *ORGANISATION* | - *An Occupational Health and Safety Policy is in place, and regular health and safety briefings and training are provided.*<br>- *Regular assessment of occupational risks.*<br>- *Reduction of ergonomic, chemical and other risks through technological measures and internal programmes.* | *S* |
| *Human rights violations: discrimination and failure to ensure equal opportunities* | *Inconsistency of staff behaviour with the Group's values and policies.* | *Internal* | *Long-term* | *ORGANISATION* | - *The Human Rights, Equal Opportunities, Violence and Harassment at Work Policies and their implementation procedures are approved.*<br>- *Staff training.*<br>- *Confidential and anonymous reporting is possible.* | *S* |
| *Risk of negative environmental impacts* | *Risk of environmental pollution due to the consumption and release of large quantities of natural resources, potential technology failures. Inadequate separation of waste streams, too slow waste reduction rates* | *Internal* | *medium-term* | *ORGANISATION/ REPUTATION* | - *The necessary monitoring programmes, procedures and practices are in place.*<br>- *Employee education.* | *E* |
| *IT security risks* | *Physical and software data insecurity, cyber-attacks* | *External* | *Long-term* | *ORGANISATION/ REPUTATION* | - *An IT Security Policy is approved.*<br>- *The GDPR is approved.* | *G* |

| | | | | | | |
|---|---|---|---|---|---|---|
| | | | | | - Continuous improvement of physical and software data security.<br>- External consultants are brought in as needed. | |
| Digitisation risks | Slow digitisation processes due to lengthy procurement of software and technology solutions, delays in deployment. | Internal | Medium-term | ORGANISATION | - Implementation of data automation solutions.<br>- Structural changes are being implemented to speed up deployment processes. | S |
| Business continuity risk | Regulatory compliance, climate change-induced extremes, uncertainty caused by political and other unrest (e.g. pandemics, mobilisation, civil protection, etc.) | Internal/ External | Long-term | ORGANISATION/ FINANCE | - Business Continuity Plans are approved. | S, G |
| Physical risks of climate change | Deterioration of factors affecting activities due to climate change: environmental degradation (air, water, soil pollution), water degradation/scarcity, climate warming. | External | Long-term | ORGANISATION/ FINANCE | - Regular monitoring programmes for environmental factors. | E |
| Climate change transition risks | Financial and human resource requirements for adaptation to climate change: deployment of low-emission technological measures, resources for ongoing impact assessment and mitigation. | External | Long-term | ORGANISATION/ FINANCE | - Continuous assessment of the organisation's sustainability.<br>- Continuous monitoring of EU and Lithuanian law and action planning.<br>- A new Investment Projects Division has been created to manage innovation projects, including the management of low-carbon technology projects.<br>- Regular monitoring of mitigation results. | G |
| Compliance risk | Untimely reporting, unfavourable and unplanned regulatory changes, supply chain sustainability management. | Internal/ External | Medium-term | ORGANISATION/ REPUTATION | - Regular reporting according to plan.<br>- Confirmed responsibilities for the provision of information.<br>- Confirmed responsibilities for different areas of activity.<br>- Information management and risk assessment at Group level.<br>- Regular monitoring of customer requirements.<br>- Implementation of sustainability actions within the Group.<br>- Raising sustainability requirements for the supply chain. | E, S, G |

## Operational risk map of VILVI Group

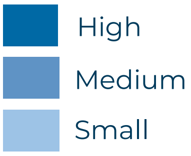



**VILVI Group main operational risks:**

1. Produce quality and safety
2. Attraction of and retaining of staff
3. Safety and health risks
4. Human rights violations: discrimination and failure to ensure equal opportunities
5. Risk of negative environmental impacts
6. IT security risks
7. Digitisation risks
8. Business continuity risk
9. Physical risks of climate change
10. Climate change transition risks
11. Compliance risks

**RISK MARKING**

**By risk level:**




Risks with low probability and low impact are excluded from the risk map.

**Criteria for the Group's main risks:**

– has a significant financial impact;

– high probability of risk.

**Risks in ESG areas are marked**:

# REMUNERATION





### General information

Vilkyškių pieninė AB remuneration report has been prepared for the reporting financial period of 2024, which coincides with the calendar year. The preparation of the remuneration report (hereinafter - the Report) was guided by the provisions of the Law of the Republic of Lithuania on the Reporting by Undertakings and Groups of Undertakings, VILVI Group's employee Remuneration Policy (hereinafter - the Remuneration Policy) and other legal acts. The Remuneration Policy of VILVI Group companies' employees was approved at the General Meeting of Shareholders on 28 April 2023. The Remuneration Report contains information on the remuneration of each member of the management and supervisory bodies, provides information on other types of (not) received benefits, other data.

## Principles of remuneration determination

The members of the Board of the Company may be paid bonuses, which are allocated according to the procedure established by legal acts by the decision of the General Meeting of Shareholders of the Company. After the General Meeting of Shareholders adopts a decision on the payment of royalties, the share of royalties attributable to a specific member of the Board is determined by the decision of the Board, taking into account the contribution of a specific member of the Board to the Company's activities.

The remuneration for the head of the company – the CEO is determined by the decision of the Board of the Company. When determining the amount of salary, the level of payment of managers of companies of similar size is evaluated, taking into account the level of the position, as well as the manager's personal competence, experience, knowledge and abilities.

VILVI Group's remuneration for top-level managers, II-level managers, middle-level managers and other employees consists of two main parts: fixed and variable. Incentive payments may also be made. The company's employees are paid:

– fixed part of remuneration (FPR) - the employee's basic or hourly monthly monetary wage established in the employment contract,

– variable part of remuneration (VPR) - additional monetary remuneration of the employee, determined taking into account the quality and results of work performance, the goals set for the company and the individual goals of the employee achievement, level of competences and compliance with the values of the Company and the Group of Companies.

– other benefits (OB) – other possible benefits given to employees as incentives.

## Board members' remuneration for the year 2023 – 2024

Two members of the Board of Vilkyškių pieninė AB do not work in the company and four members of the Board are employed under employment contracts. All members were not paid any fixed or additional remuneration for their work on the Board during the year 2024. Board members working under an employment contract received salary only on the basis of employment relations. The wages calculated and paid during 2024 correspond to the amounts provided for in the Remuneration Policy approved by the Company.

**Annual salary before taxes of the Board members working under an employment contract, thousand EUR**

| Name, surname, position | 2023 | | | 2024 | | |
|---|---|---|---|---|---|---|
| | Fixed salary | Variable salary | Total | Fixed salary | Variable salary | Total |
| **Gintaras Bertašius,** CEO | 115,2 | - | **115,2** | 126,9 | - | **126,9** |
| **Vilija Milaševičiūtė,** Director of Economics and Finance | 72,2 | 12,8 | **85,0** | 83,7 | 9,9 | **93,6** |
| **Sigitas Trijonis,** Director of the Investment Projects Department | 72,7 | 12,3 | **85,0** | 76,7 | 10,0 | **86,7** |
| **Rimantas Jancevičius,** Director of Raw Material Purchase | 72,3 | 12,1 | **84,4** | 83,5 | 10,2 | **93,7** |

The CEO and members of the Board did not receive any remuneration from the companies belonging to the Corporate Group. The salary was paid according to the procedure, scope and terms stipulated in the employment contract, no other financial benefits were received in 2024, including no shares or other transactions concluded for the benefit and interests of the managers. During the reporting period, no guarantees or sureties were given to the members of the Board, the head of the company, no assets or other property rights were transferred.

Remuneration for the activity in the **Supervisory board, in Audit and Nomination and Remuneration Committees** is paid to a non-attached member, however, it is included into remuneration for attached members and additional remuneration is not paid. The amounts of annual remuneration for the activity in the Company to the members of the Company are provided for in Annex of Remuneration Policy.

### Remuneration of employees of the parent company and Group companies

The wage fund of the Corporate Group in 2024 was equal to EUR 23,851 thousand (2023 – EUR 19,108 thousand).

**Average monthly salary before taxes of the employees of Vilkyškių pieninė AB, EUR:**

| Staff group | 2020 | | 2021 | | 2022 | | 2023 | | 2024 | |
|---|---|---|---|---|---|---|---|---|---|---|
| | Number of employees | Average wage | Number of employees | Average wage | Number of employees | Average wage | Number of employees | Average wage | Number of employees | Average wage |
| **Managers** | 21 | 4,198 | 19 | 4,565 | 20 | 5,029 | 22 | 5,478 | 26 | 6,039 |
| **Specialists** | 155 | 1,338 | 147 | 1,506 | 150 | 1,777 | 150 | 2,038 | 161 | 2,078 |
| **Workers** | 283 | 948 | 274 | 1,059 | 292 | 1,253 | 252 | 1,507 | 213 | 1,859 |
| **Total:** | **459** | **1,228** | **440** | **1,365** | **462** | **1,581** | **424** | **1,884** | **400** | **2,183** |

**Average monthly salary before taxes of the employees of VILVI Group, EUR:**

| Staff group | 2020 | | 2021 | | 2022 | | 2023 | | 2024 | |
|---|---|---|---|---|---|---|---|---|---|---|
| | Number of employees | Average wage | Number of employees | Average wage | Number of employees | Average wage | Number of employees | Average wage | Number of employees | Average wage |
| **Managers** | 29 | 3,997 | 30 | 4,261 | 30 | 4,799 | 31 | 5,240 | 37 | 5,796 |
| **Specialists** | 301 | 1,311 | 310 | 1,434 | 310 | 1,711 | 319 | 1,961 | 361 | 2,064 |
| **Workers** | 500 | 924 | 527 | 1,020 | 544 | 1,209 | 569 | 1,435 | 540 | 1,650 |
| **Total:** | **830** | **1,166** | **867** | **1,281** | **884** | **1,508** | **919** | **1,746** | **938** | **1,958** |

One of the companies of the Group operates in Latvia, where the salary calculation system differs from Lithuania. In Latvia, the amount of taxes deducted from the employee's salary is lower than in Lithuania and the employer's contributions are higher than the employee's salary.

In the period of 2024, the remuneration paid to the members of the Board of Vilkyškių pieninė AB and the employees corresponded to the principles, bases and conditions approved in the Remuneration Policy. The members of the company's Audit Committee and Remuneration Committee were not paid any fixed or additional remuneration for their work on the committees.

# SUSTAINABILITY STATEMENT

## SUSTAINABILITY REVIEW

*We have been working towards a meaningful goal for many years, but 2024 is the year of change, when a clearer direction for increasing positive impacts and reducing negative impacts is provided in the double materiality assessment. It is the results of the Double Materiality Assessment that will continue to dictate the strategic directions towards a more sustainable organization.*

*In this Statement, topics of significance to the VILVI GROUP (hereinafter referred to as the Group) in the areas of environmental, social and governance (ESG) are highlighted. The information on the relevant processes, policies, actions, performance indicators and targets for each sustainability theme of the Group are provided, and the greatest challenges we face to change in each area or part of the value chain are revealed.*

*We understand that as we raise our expectations to reach more consumers around the world, and increase our production capacity as a result, our responsibilities in all areas of the ESG, as well as the risks of GHG emissions and negative impacts, are growing. We are consistently developing a sustainability governance model to manage these risks responsibly and aim to integrate the management of impacts, risks and opportunities into the management of the Group successfully.*

*Our objectives and priorities remain substantially unchanged after performing the Double Materiality Assessment, and we are pleased that this assessment only allows us to make them more personalized.*

### *SUSTAINABLE DEVELOPMENT GOALS OF THE VILVI GROUP*

*We have joined the initiative of the United Nations Sustainable Development Goals (SDG): https://unglobalcompact.org/sdgs for a several years. From the 17 points identified as the world's greatest sustainability challenges, we have selected those areas where we believe a positive impact can be made, to turn negative impacts into positive ones or at least significantly reduce them. The set goals become our daily impetus to find sustainable solutions.*


*Long-term direction in the areas of ESG of the Group:*

| **ENVIRONMENTAL PROTECTION** | |
|---|---|
| **To decrease environmental impacts by reducing GHG emissions, using natural resources responsibly and efficiently, increasing circularity and reducing waste.**<br>**To ensure management of air and water pollution.**<br>**To aim for responsible use of extracted raw materials.** | *For more information see page 58, section "Environment".* |
| **SOCIAL ENVIRONMENT** | |
| **To ensure the well-being of employees.**<br>**To strengthen the communities in which we operate.**<br>**To increase the access to products and provide a safe and quality product for a consumer.** | *For more information see page 84, section "Social environment".* |
| **GOVERNANCE** | |
| **To operate with transparency, fostering and cultivating a culture of responsible business.**<br>**To ensure a whistleblowing and whistleblower protection.**<br>**To manage relationships with suppliers, in order to achieve a resilient and efficient supply chain.** | *For more information see page 103, section "Governance".* |

For comments, questions or other information regarding sustainability disclosures, please contact: sustainability@vilvi.eu.

# ESRS 2 GENERAL INFORMATION

## BP-1 General basis for preparation of sustainability statements

This section provides “Vilkyškių pieninė” AB (hereinafter referred to as VILVI Group or the Group) consolidated information on sustainability matters (hereinafter referred to as the Sustainability Statement) for the year 2024, prepared in accordance with the European Union Corporate Sustainability Reporting Directive (CSRD), the Law on Corporate and Group Reporting (LCGR), the European Sustainability Reporting Standards (ESRS), and forms an integrated part of the 2024 consolidated management report (hereinafter referred to as the Management Report). VILVI GROUP submits the sustainability report in accordance with the ESRS starting from the reports published in 2025 for the 2024 financial year. The information presented in this report covers the period from January 1, 2024, to December 31, 2024, and aligns with the scope of the financial reporting. The sustainability report also includes an assessment of compliance with the EU Taxonomy Regulation.

The Sustainability Statement has been prepared on a consolidated basis at the level of the Group. The scope of the Statement is the same as the scope of the financial statements - the Statement covers both the parent company, “Vilkyškių pieninė” AB, and the subsidiaries controlled by the parent company directly and indirectly. Unless otherwise stated, the material topics of the Sustainability Statement cover all companies of the Group and detailed sustainability information for each Group is not prepared.

This Statement covers the main value chain of the Group (own operations), including the impacts, risks and opportunities (*further on – IRO’s)* identified in our activities and those of our suppliers, partners and customers (upstream and downstream). The preparation of the Sustainability Statement in accordance with ESRS gives it a clearer structure and expands the scope of disclosures than was previously the case. In submitting the Sustainability Statement, the Group has not used the exemption not to disclose specific classified information on intellectual property, know-how, innovation performance or operational developments, as there was no need to do so.

The activities of the Group are divided into different business segments, for more information on the business segments see page 16, section "VILVI GROUP Operating segments". Sustainability disclosures are not segmented - individual business segments do not affect the sustainability objectives or actions of the Group due to the similarity and synergies between the segments (cheese and cheese products, fresh dairy products, dry dairy products, industrial cream). The business segments are inextricably linked to each other in order to create the highest possible value, for more information on the business model of the Group, see page 51, section "Strategy, business model and value chain".

List of phased-in  disclosure requirements:

In accordance with the list of phased-in requirements set out in Appendix C of ESRS 1, the Group takes advantage of the exemption and does not present the information in the Sustainability Statement of the year 2024:

| Disclosure requirement | Information |
|---|---|
| **SBM-1, 40 (b)** | a breakdown of total revenue, as included in its financial statements, by significant ESRS sectors; |
| **SBM-1, 40 (c)** | a list of additional significant ESRS sectors; |
| **SBM-3, 48 (e)** | the anticipated financial effects of the undertaking’s material risks and opportunities on its financial position, financial performance and cash flows over the short-, medium- and long-term, including the reasonably expected time horizons for those effects; |
| **SBM-3, 48 (f)** | information about the resilience of the undertaking's strategy and business model regarding its capacity to address its material impacts and risks and to take advantage of its material opportunities; |
| **E1-9** | anticipated financial effects from material physical and transition risks and potential climate-related opportunities; |
| **E2-6** | anticipated financial effects from pollution-related impacts, risks and opportunities; |
| **E3-5** | anticipated financial effects from water and marine resources-related impacts, risks and opportunities; |
| **E4-6** | anticipated financial effects from biodiversity and ecosystem-related impacts, risks and opportunities; |

| | |
|---|---|
| **E5-6** | anticipated financial effects from resource use and circular economy-related impacts, risks and opportunities; |
| **S1-7** | characteristics of non-employee workers in the undertaking's own workforce. |

BP-2 **Disclosures in relation to specific circumstances**

The information shall be provided for the calendar year ending 31st of December, 2024. Unless otherwise stated, facts and figures are given for the date indicated (e.g. number of employees, other indicators). The Statement includes disclosures of the year 2024 for which limited assurance has been provided, comparative information for earlier periods is not provided. If required, data for previous years can be found in the Annual Report of the Group of the year 2023.

Annual Report of the VILVI GROUP of the year 2023

Significant errors were made in the sustainability report for 2023:

– The measurement units for GHG emissions were incorrectly stated. When presenting Scope 1 and Scope 2 GHG emissions, the measurement units were indicated as "thousand t CO2 equiv.", whereas they should have been "t CO2 equiv."

– The OpEx indicator for non-taxonomy activities according to the taxonomy, as well as the total OpEx for taxonomy-aligned and non-taxonomy activities, were incorrectly calculated.

– The taxonomy-aligned activity "Freight road transport services (6.6)" was incorrectly reported – the Group did not carry out this activity in 2024.

In accordance with guidelines of ESRS and EFRAG (*European Financial Reporting Advisory Group*), the Double Materiality Assessment was carried out in 2024 by the Group, which forms the basis for the structure and disclosures in this Statement (for more information, see page 54. The Statement now discloses information about significant IRO's related to ESG factors of the Group, under the ESRS topics. The Statement does not disclose information on the impacts of ESG that were assessed as less significant for the Group in the Double Materiality Assessment. The EU Taxonomy disclosures are now provided in the Environmental section. The Statement does not provide additional information required by other legislation or other reporting standards.

The Group decided to invest in the construction of a cheese factory in Latvia and began initial factory design work in 2024. The scope of the 2024 sustainability report – including the assessment of impacts, risks, and opportunities – incorporates the new factory's scope based on the project progress as of 2024. Once the factory becomes operational, it is planned to update the double materiality assessment to include the scope of the operating factory.

The definition of time periods used in the Sustainability Statement aligns with those defined in the ESRS:

| **Definition of the period** | ***ESRS-defined period/ Applicable period for disclosing sustainability information of the Group*** |
|---|---|
| **Short-term period** | *Reporting period* |
| **Medium-term period** | *From the end of the reporting period to five years* |
| **Long-term period** | *Longer than 5 years* |

Information from external sources was used to calculate scope 3 GHG emissions for the indicators related to upstream and downstream parts of the supply chain, see page 68 for more details on the use of information. For the presentation of indicators, uncertainty and error information and planned actions to improve accuracy are identified in the information provided where relevant.

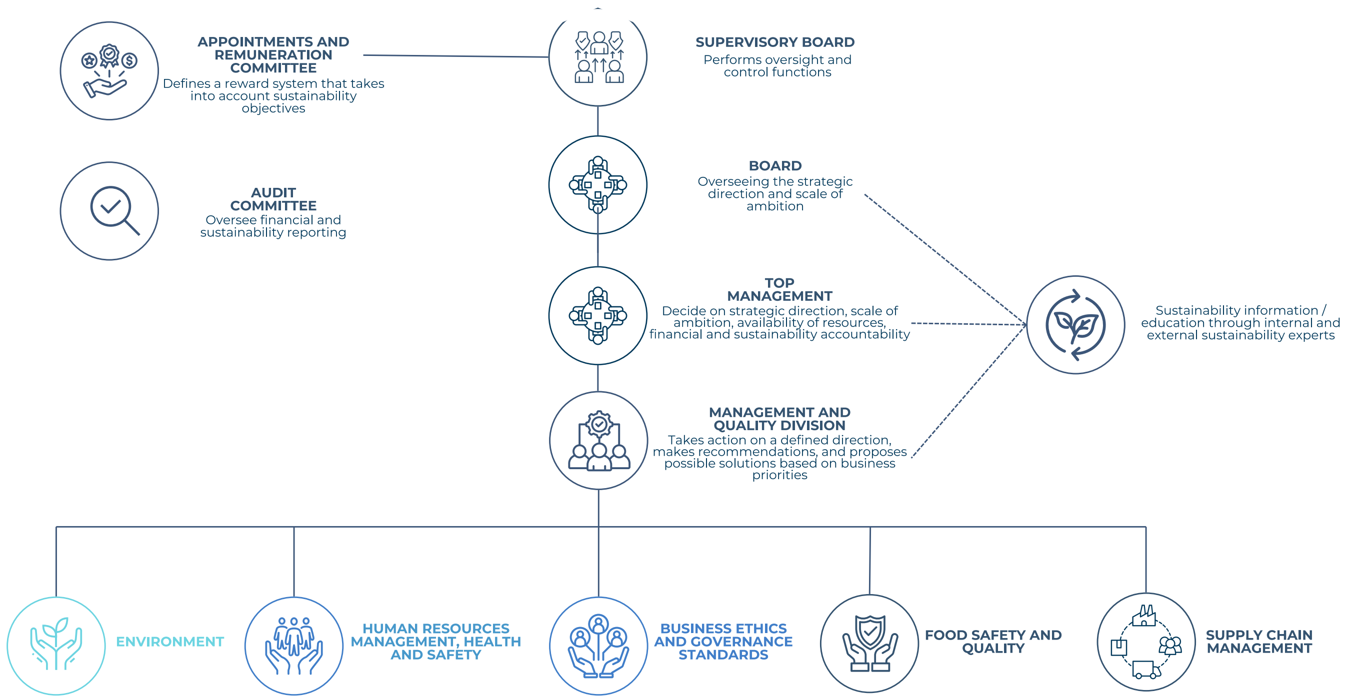
List of disclosure requirements incorporated by reference:

| **ESRS disclosure requirement** | | **Reference** |
|---|---|---|
| **Group strategy, business segments, markets and customer groups** | SBM-1 | See page 6, 16-19. |
| **Governing bodies and their composition** | GOV-1 | See page 21, 23-32. |
| **Competences of the governing bodies and senior management** | GOV-2 | See page 25, 29. |
| **Statement on due dilligence** | GOV-4 | See page 108-109. |
| **List of data points that derive from EU legislation** | IRO-2, ETAS 2 | See page 110-114. |

## GOV-1 GOV-2 The role of the administrative, management and supervisory bodies and Information provided to and sustainability matters addressed by the undertaking's administrative, management and supervisory bodies

Sustainability decisions are now gradually being integrated into the strategy and decision-making processes of the Group. Sustainability issues are increasingly being addressed in the relevant governance bodies to ensure full integration into the strategy and operations of the Group in the future. Below, a diagram of sustainability decision-making and sustainability-related responsibilities within the Group is shown.

**SUSTAINABILITY DECISION-MAKING**




- **The Group Board** oversees the direction of the Group and decides on the scale of the sustainability ambition of the Group;
- **The Audit Committee** assists the Board in overseeing accountability - financial and sustainability reporting;
- **The Nomination and Remuneration Committee** helps to integrate sustainability requirements into the remuneration system and the assessment of management competences;
- The sustainability strategy and objectives are set by **the senior management**, which is responsible for the key issues of sustainability integration in the day-to-day management of the Group. The senior management of the Group is responsible for managing impacts, risks and opportunities directly.
- The planning and implementation of sustainability actions is entrusted to **the Governance and Quality Unit of the Group**, with responsibility for overseeing IRO's, employee engagement, and the inclusion of consumer and client opinions in impact management and monitoring targets assigned to the Head of the Unit. This Unit manages the core sustainability functions - environment, human resource management, health and safety, achieving business ethics and governance standards, food safety and quality, supply chain management. The sustainability function is managed, supervised and controlled by
- the **Unit of Sustainable Operations** within the Governance and Quality Unit.

Composition of the management bodies by gender and independence, as well as concentrated sustainability competencies:

| | **Supervisory Board** | | **The Group Board** | | **The Nomination and Remuneration Committee** | | **The Audit Committee** | |
|---|---|---|---|---|---|---|---|---|
| | Women | Men | Women | Men | Women | Men | Women | Men |
| **Members of the governing body by gender, % (units)** | 33,33 (1) | 66,66 (2) | 14 (1) | 86 (6) | 100 (3) | 0 (0) | 100 (3) | 0 (0) |
| **Proportion of independent members, %** | 67 | | 33 | | All members are not executive administrative | | All members are not executive administrative employees and | |

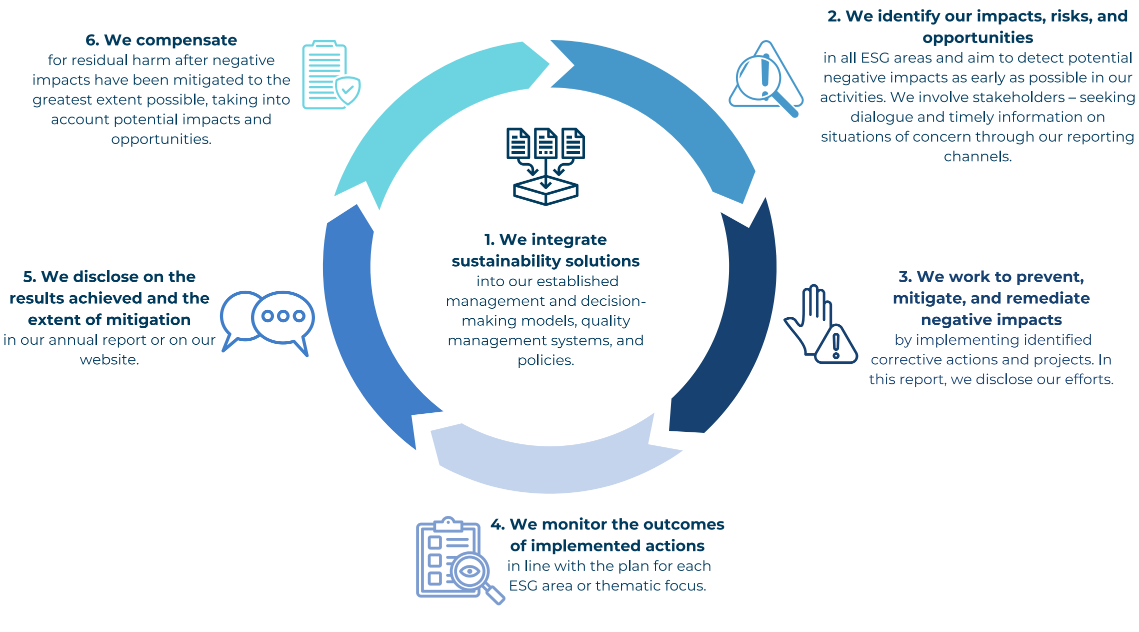
| | | | | |
|---|---|---|---|---|
| | | | employees and do not participate in the Company's statutory capital. | do not participate in the Company's statutory capital. |
| **Sustainability competence concentrated** | | | | |
| **- Environment** | | Director of the Investment Projects Unit | | |
| **- Human resources, health and health** | | AB „Vilkyškių pieninė“ General Director | | |
| **- Sustainable financing** | | Finance Director, independent member | | |
| **- Accountability** | | Finance Director | | |
| **- Oversight of IRO’s** | All members | All members | All members | All members |
| **Analysis and approval of sustainability reports** | All members | All members | | |

The Articles of Association of the company and the governing bodies do not yet contain specific information on responsibility for IRO’s, and no specific control measures are in place, which is planned to be integrated gradually into the governance of the Group.

In 2024, the senior management, heads of units, specialists and staff representatives were actively involved in the Double Materiality Assessment process, and in the year 2025 it is planned to set impact management goals to develop an oversight model for monitoring the sustainability targets, with clear responsibilities for monitoring the tracking of the targets, both for the governing bodies and for the senior management. The results of the Double Materiality Assessment were presented to the Group Board. The Group Audit Committee and the Board approved the Sustainability Statement prior to its publication.

External experts are used for education to raise sustainability competence at all levels: a sustainability session was held at the Board in 2024, and the Senior Management was actively involved in the Double Materiality Assessment process. We aim to cultivate green skills at all levels of the specialization.

We aim to follow this model of integrated sustainability management in our planning and implementation of sustainability actions, and are integrating it into all sustainability-related activities gradually.




## GOV-3 Integration of sustainability-related performance in incentive schemes

The Group does not currently have an incentive mechanism linked to sustainability.

## GOV-4 Statement on due diligence

The information is provided in the appendix, see pages 108-117.

## GOV-5 Risk management and internal controls over sustainability reporting

The Sustainability Unit works regularly with other units - finance, production, HR, technical, procurement, quality and others, in order to ensure the sustainability function and accountability. This unit is responsible for managing sustainability data and preparation of the Sustainability Statement.

Sustainability risks are managed on a Group-wide basis, as part of the overall risk management model (see page 36 for more details). We assess the risks associated with incomplete or inconsistent sustainability reporting, including risks related to data accuracy and human error in consolidating data from different systems. The risk of too slow digitization is included in the strategic risks of the Group and the aim is to manage its impact and increase the pace of digitization. The Sustainability Unit is responsible for collecting sustainability data and tracking indicators. Data is collected on a quarterly or annual basis, depending on the significance of the data. To ensure the quality of the data, the methodology is defined by internal processes, policies or procedures, validation and responsibilities of the data are collected, stored and evaluated at Group level. The specialists responsible for the data are responsible for assessment of the quality of the data collected and for implementing appropriate control measures.

## SBM-1 Strategy, business model and value chain

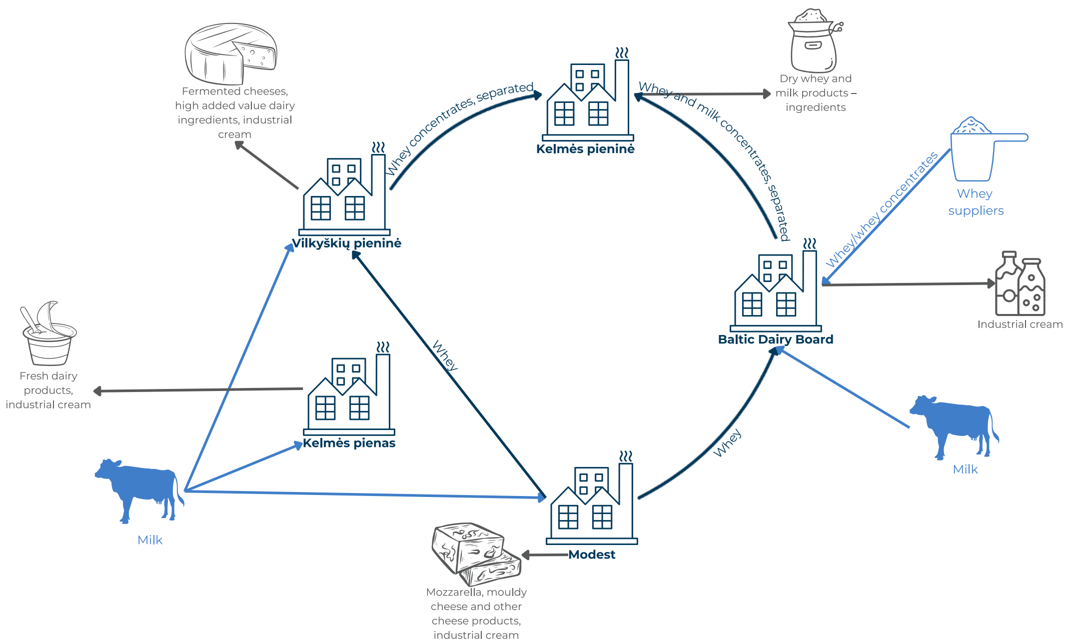
The vision of the Group is to make higher quality dairy products and ingredients more accessible around the world to give people more opportunities to enjoy them wherever they are, whereas, the meaningful purpose is at the heart of the strategy of the Group. Sustainability continues to be progressively integrated into the strategy of the Group, with synergies and recycling of raw materials being one of the key aspects of the business model.

All business segments of the Group belong to sectors with a high climate impact (NACE code 105100); therefore, net income from sectors with a high climate impact can be found in the "Consolidated and the parent company's separate financial statement", page 164, in the line "Revenue."

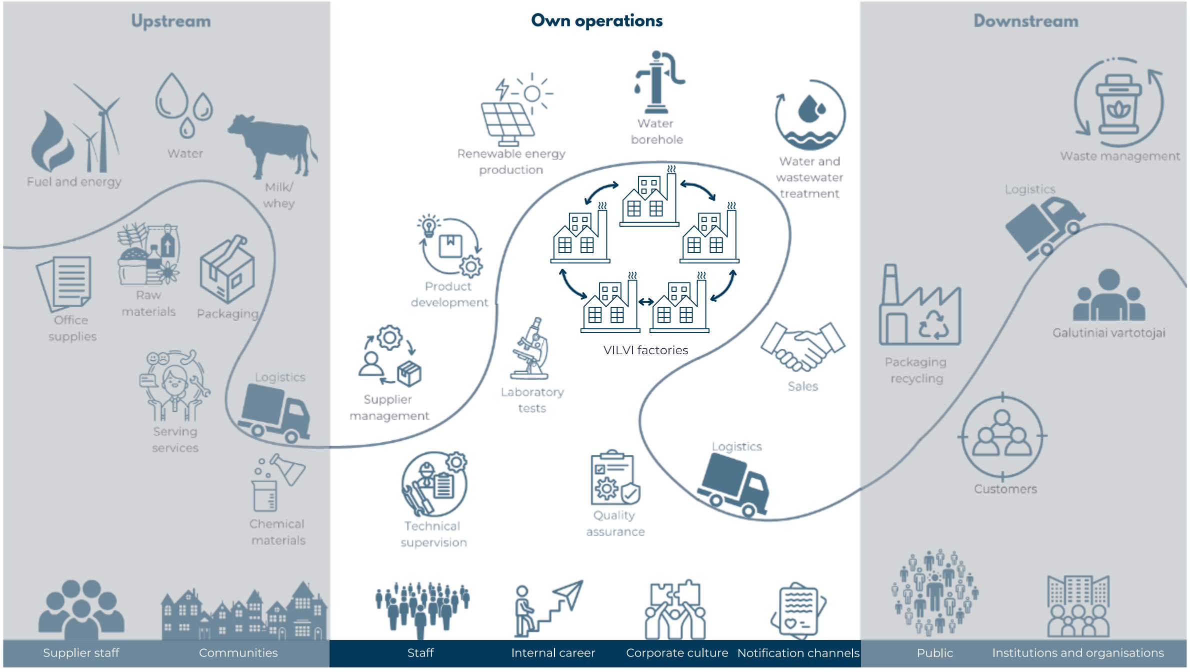
Business model

The Group aims to create the greatest possible value from a drop of milk through its business model while leaving behind as little pollution as possible. This is achieved by creating a cycle that is as closed as possible—where what could become waste or a residual product in one factory is utilized and becomes the primary raw material for another Group factory.

In the cheese production process of AB "Vilkyškių pieninė" and AB "Modest," the residual product is whey. This whey is broken down within the Group's companies and becomes the main raw material for AB "Kelmės pieninė." At this factory, whey protein concentrate and permeate are dried into powder form, becoming an important product for athletes' nutrition (Whey Protein Concentrate) or a key ingredient in the confectionery and feed industries (permeate). In this way, most of the Group's factories are interconnected in their operations.



The value chain of the Group is extremely broad, with more than 600 direct suppliers at the upstream end and more than 170 customers in more than 60 countries worldwide. Detailed information on the IRO's in each part of the value chain is provided in the relevant sections of the Sustainability Statement.




SBM-1 42a **Inputs**

In terms of sustainability and ESRS, the main inputs of the Group are raw materials (milk, whey, other raw materials), energy and fuels, chemicals, water, packaging, office supplies, and services provided to support operations. The communities of the operating places are the source of the existing and potential employees of the Group, and the employees of the suppliers are the basis for the operations of the suppliers. We collect and store the relevant data (sustainability and quality certifications, GHG emissions) by actively managing our supplier database using a supplier risk assessment model.

SBM-1 42b **Outputs**

In terms of sustainability and ESRS, the main outputs of the Group are the products produced by the Group. The value created by the Group for its employees, investors, business customers, end-users and other stakeholders is in terms of wages and salaries, earnings before interest and tax, and reduced GHG emissions.

The comprehensive income of the Group is presented in page 164, section "Consolidated and the parent company's separate financial statement". The Group does not operate in the gas, coal and oil production sectors.

The information in accordance with paragraphs 40(b) (allocation of the amount of revenue by material sector) and (c) (the list of additional material sectors in the ESRS) of ESRS 2 SBM-1 is not disclosed and is subject to the option of disclosure to be phased-in.

## SBM-2 Interests and views of stakeholders

The Group has a wide range of stakeholders, both internally and externally:

- Affected Stakeholders are natural and legal persons, organizations or groups whose interests are or could be affected positively or negatively by the activities of the Group or its direct business relationships along the value chain.
- The main users or readers of the Sustainability Statement are existing and potential investors, lenders and other creditors (including asset managers, credit institutions, insurance companies), as well as other users of the Sustainability Statement, including business and social partners of the Group, civil society and non-governmental organizations, the government sector, analysts and academics.

Below is a list of the key stakeholders of the Group. These stakeholders have been involved in the Double Materiality Assessment and we are actively seeking their views and taking them into account when assessing the significance, risks and opportunities of impacts. In the future, the development of a regular dialogue with key stakeholders to ensure that their views are relevant to the conduct or updating the Double Materiality Assessment and to ensure due diligence will be implemented gradually.

| Stakeholder | Communication channels | Stakeholder interests | Objectives of the Group | *Affected stakeholder/ user of the Sustainability Statement* |
|---|---|---|---|---|
| **National regulatory authorities** | Participation in legislative debates, consultations with public authorities, contact through associations, performance audits, media communication, quarterly and annual reports. | Consistent compliance with legal requirements, control and monitoring of activities, evaluation of reports, transparent dialogue. | Transparent dialogue, compliance with laws and regulations. | *User of the* Sustainability Statement |
| **Financial institutions** | Quarterly and annual reports, one-to-one meetings and consultations, media briefings. | Keeping of responsibilities, transparent financial and operational performance, long-term growth and stability, risk management, commitment to and achievement of more sustainable performance. | Transparent dialogue, reporting on results and sustainability objectives/ outcomes. | *User of the* Sustainability Statement |
| **Shareholders and investors** | Quarterly and annual reports, one-to-one meetings and consultations, press releases, electronic investor information via dedicated sections of the website | Transparent financial and operational performance, long-term growth and stability, risk management, and commitment to and delivery of more sustainable performance. | Ensuring long-term investor confidence, generating financial returns, communicating results in a timely and transparent manner, and improving the sustainability performance of the organization. | *Affected stakeholder*<br><br>*User of the* Sustainability Statement |
| **Management** | Communication through electronic channels (intranet, email, social networks), regular meetings and open discussions. | Creating Group value in the long term, product development prospects, commitments to more sustainable operations and their implementation. | Promotion of engagement of the management and motivation for sustainability change, building competence and loyalty, and enhancing of management of green skills | *Affected stakeholder*<br><br>*User of the* Sustainability Statement |
| **Employees** | Communication through electronic channels (intranet, email, social networks), regular meetings and open discussions, training and competence development programs, employee satisfaction and engagement surveys, internal events and team building activities. | Fair remuneration, good and safe working conditions, clear communication of objectives of the company, opportunities for development and career progression, work-life balance, creating meaningful activities. | Promotion of engagement of employees and motivation, decreasing the turnover of the staff, building long-term cooperation and development of green skills. | *Affected stakeholder*<br><br>*User of the* Sustainability Statement |
| **Competitors** | Marketing communication, media communication, quarterly and annual reports. | Respect, honest, transparent and ethical business, compliance with laws and regulations. | Fair and ethical competition, compliance with laws and regulations. | *User of the* Sustainability Statement |
| **Business customers** | Regular meetings (exhibitions, conferences, events),<br><br>Satisfaction surveys, electronic communication of (newsletters, website, social networks), direct | High product quality, transparent and complete information on composition and origin, responsiveness to demand, fast service, competitive pricing, | Ensuring of the supply of safe and quality products, building trust in the brand, strengthening customer loyalty, responding to market changes and needs, and | *Affected stakeholder*<br><br>*User of the* Sustainability Statement |

| | | | | |
|---|---|---|---|---|
| | contacts, visits to the manufacturing places, surveys. | responsible and sustainable practices, product innovation, sustainable supply chains. | communicating the sustainability performance of the organization. | |
| **Suppliers (of goods and services)** | Contract negotiations, regular supplier meetings, quality audits and assessments, electronic communication, surveys. | Reasonable pricing of goods and services, assured delivery and payment, accessible, accurate and up-to-date information, quality assurance of goods and services, effective cooperation, supply chain that meets sustainability standards. | Long-term and reliable partnerships, quality and safe raw materials, sustainable supply chains, risk management. | *Affected stakeholder*<br>*User of the* Sustainability Statement |
| **Suppliers of raw materials (milk, food additives, other raw materials)** | Contract negotiations, one-to-one meetings, quality audits and assessments, electronic communication, surveys. | Reasonable prices, stable demand and payment. | Long-term and reliable partnerships, quality and safe raw materials, sustainable supply chains. | *Affected stakeholder*<br>*User of the* Sustainability Statement |
| **End users** | Marketing communication, media communication. | Product safety and quality, variety and availability, a complete nutrition, social responsibility (transparency and reduce of environmental impact). | Positive image and credibility, consistent communication on sustainability efforts. | *Affected stakeholder*<br>*User of the* Sustainability Statement |
| **Communities** | Public events and initiatives for communities, partnerships with local organizations, information messages on sustainability activities, support for social and cultural projects. | Responsibility for the environment and local people, reduce of air and water pollution, safe neighborhoods, contributing to community development and well-being, transparent operations and communication, reduce of environmental impacts. | Increase of the contribution to the well-being of the local community by the company, contributing to environmental, social and cultural projects, ensuring safe neighborhoods, reduce of environmental impact, raising of awareness of sustainability efforts. | *Affected stakeholder*<br>*User of the* Sustainability Statement |
| **Media** | Events, meetings, answers to queries, press releases. | Transparency, accountability and dialogue. | Positive image and credibility, consistent communication on sustainability efforts. | *User of the* Sustainability Statement |
| **Non-governmental organizations** | Community events, media communication, quarterly and annual reports. | Cooperation, transparency, accountability, reduce of environmental impacts. | Positive image and credibility, consistent communication on sustainability efforts, dialogue. | *User of the* Sustainability Statement |
| **Scientific institutions** | Individual appointments, joint projects, academic events, careers fairs, media communication. | Collaboration, sharing experiences, career opportunities, investment in research. | Attracting potential employees, synergies between business and science for innovation, positive image, partnerships. | *Affected stakeholder*<br>*User of the* Sustainability Statement |

IRO-1

## Double materiality assessment

For the first time, an assessment of the non-financial materiality of the ESG aspects was carried out in 2022, in order to highlight the sustainability aspects that form the basis for the sustainability priorities of the Group. With the introduction of the CSRD and ESRS, the Double Materiality Assessment is the basis for sustainability reporting, and therefore the Double Materiality Assessment was carried out in 2024, in accordance with the EFRAG Guidance on the Double Materiality Assessment. An assessment process was developed and followed step by step:

1. **Identification of the environmental and social impacts** of the Group. The task was implemented by using the ESRS themes and impacts assessed in 2022, as well as scientific and industrial information to compile the list of impacts.
2. **Assessment of the environmental and societal impacts** of the Group (from inside the organization to outside), arising both from within the organization and along the value chain. Assessment of actual/ potential, negative/ positive environmental and human impacts in the short, medium and long term. Significance was assessed using the ESRS sub-topics, assessing both impacts arising from within the company and along the value chain. In particular, negative impacts and their magnitude, scope, irreversibility and likelihood were considered, and positive impacts and their magnitude and scope were considered, where relevant. This identifies which impacts are significant.

Thresholds applied:

- the extent and coverage of the impact is rated on a scale of 0 to 5 (from "No impact" to "Absolute" or "Global");
- irreversibility - on a scale from 0 to 5 (from "Very easily remediable" to "Irreversible/ irreversible");
- the likelihood of exposure was rated on a scale of 0 to 5 (from "not likely" to "several times a day").

This impact assessment involves all stakeholders. The assessment of upstream and downstream impacts of the value chain has benefited from the internal information of the Group and the involvement of specialists with close links to the relevant participants in the value chain. External stakeholders were interviewed through a broad stakeholder survey. In the future, it is planned to involve external experts in the development of the evaluation methodology, in order to obtain a more detailed assessment by external experts.

3. **Assessing financial impact**, risks and opportunities (from outside to inside of the organization). The starting point for assessing financial materiality is the risks or opportunities that affect, or could reasonably be expected to affect, the financial position of the entity, financial performance, cash flows, access to finance or capital value in the short, medium and long term. Based on the results of the materiality assessment, risks and opportunities have been identified by assessing the possible scenarios that are expected to be most likely to occur, or the potential financial impact from the situations with the lowest probability. Risks and opportunities that could occur as a result of past events as well as future events have been assessed. The assessment is not limited to matters that are within the control of the entity, but also considers risks and opportunities associated with business relationships not included in the financial statements. The periods evaluated have been divided into short (up to 1 year), medium (1 to 5 years) and long (more than 5 years) periods, as the effects and actions, risks and opportunities may manifest themselves differently in different periods. The general requirements section of the Sustainability Statement provides the rationale for the discrepancy between the assessment periods and the periods defined in the ESRS.

The identification of risks and opportunities has led to an assessment of which are material for disclosure purposes. The assessment is based on two criteria:

- The potential magnitude of the financial impact, determined on the basis of appropriate thresholds ranging from 0 to 5 (from "no impact" to "critical impact");
- Likelihood of occurrence, on a scale of 0 to 3 (from "not likely" to "very likely").

An impact is considered financially significant if:

- actually has, or can reasonably be expected to have, a material financial effect on the results of the company of operations, financial position, financial performance, cash flows, access to finance or capital value in the short, medium and long term;

Applied financial materiality thresholds:

| Materiality | Impact/consequence | Financial materiality thresholds |
|---|---|---|
| Critical | Possible suspension of operations | >3% of turnover |
| Significant | Major operational disruptions, requiring significant efforts to manage | 1-3% of turnover |
| Important | Notable operational disruptions, requiring efforts to manage | 0.5-1% of turnover |
| Informative | Minor operational disruptions | 0.1-0.5% of turnover |
| Minimal | Operations are not disrupted and proceed as usual | Up to 0.1% of turnover |
| No impact | No impact | - |

- the omission, misstatement or concealment of this information could reasonably be expected to influence the judgements that major users of general-purpose financial statements make on the basis of the Sustainability Statement of the company.

Compared to the materiality assessment in 2022, this assessment was broader and deeper, involving stakeholders, revealing not only impacts but also risks and opportunities, and assessing financial materiality. The results are not comparable with the previous materiality assessment due to differences in the methodologies used. In the future, when repeating the Double Materiality Assessment, the Sustainability Statement will include a comparison of the results of the impact, risk and opportunity assessment.

The Sustainability Statement will provide a comparison of the results of the assessment of impacts, risks and opportunities by repeating the Double Materiality Assessment.

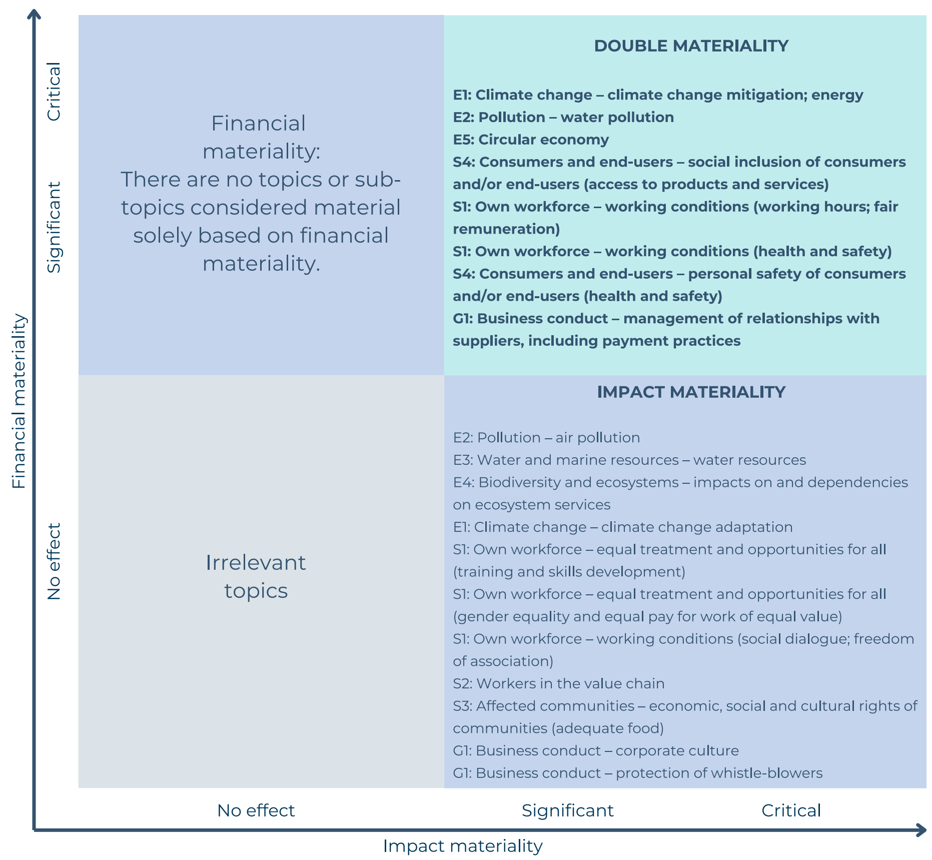
A sustainability issue becomes significant if it meets the criteria for one or both of the two types of significance (impact and financial). A detailed description of the material topics is provided for each topic in accordance with the ESRS requirements. This Double Materiality Assessment is of particular importance to the Group as it has assessed the IRO's across all potential topics at a Group level and has identified one specific governance disclosure. The results of the Double Materiality Assessment were approved by the Group's Board.

## IRO-2 **Disclosure requirements in ESRS covered by the undertaking's sustainability statement**

A list of disclosures and datapoints required by other EU legislation is provided in Appendix, on page 108.

## SBM-3 **Material impacts, risks and opportunities and their interaction with strategy and business model**

As part of the Double Materiality Assessment, the Group has identified its significant environmental and social impacts and assessed risks and opportunities. The topics, sub-topics (sub-sub-topics) that are significant to the Group in terms of impact or impact and financial significance are disclosed.




The most significant material impacts, risks and opportunities are concentrated in the businesses of the Group. Impacts, risks and opportunities identified as significant to the Group on a double materiality basis, as well as information on the management of significant sustainability issues, are disclosed in the thematic standards, indicating the type of impact (positive/ negative) and the location of the impact in the value chain. Impacts reported are factual unless otherwise stated.

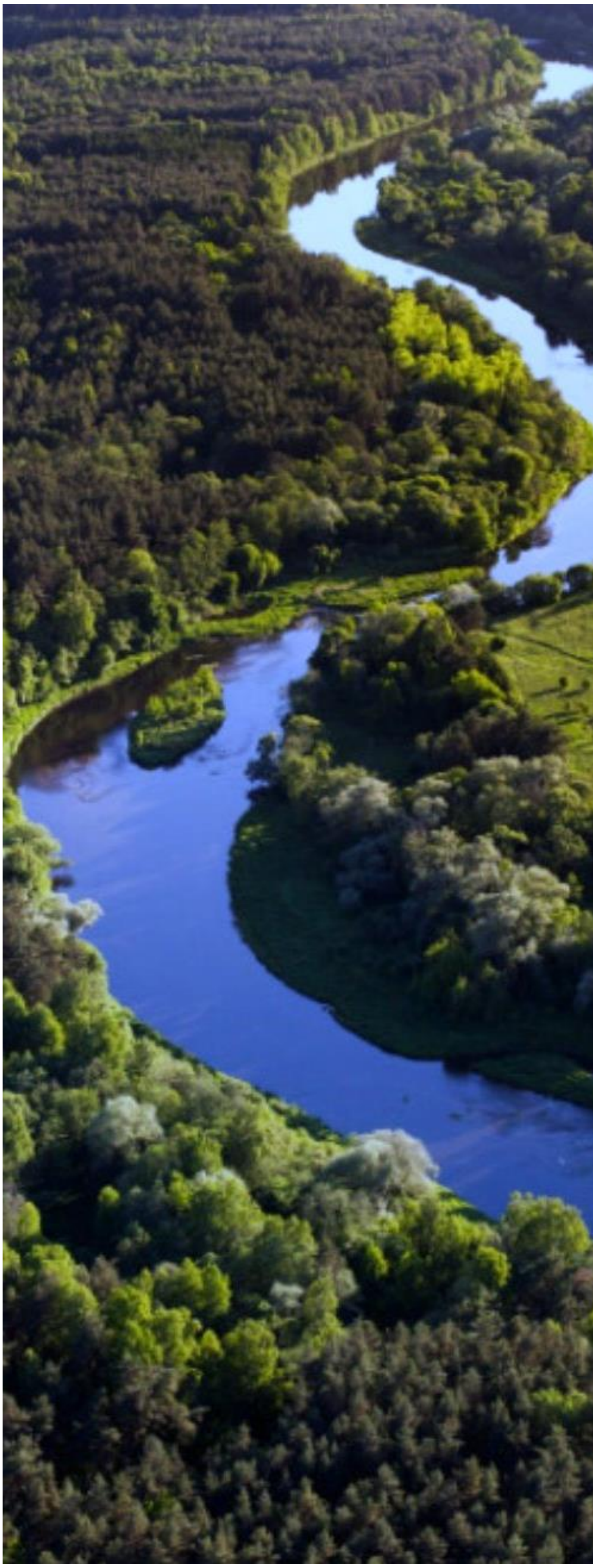
In accordance with minimum disclosure requirements, the Group cannot disclose information on the topic of Value Chain Workers (S2), as it has not yet adopted a relevant policy, implemented corresponding actions, or set targets in this area. This is aimed to be addressed during 2025. Additionally, the Group has not conducted a resilience analysis with respect to climate change or a comprehensive assessment of climate scenarios. This is planned to be carried out during 2025-2026.

During the double materiality assessment, no indications were identified of a potential financial impact on the current financial position, financial performance, or cash flows due to significant risks and opportunities. No significant risks or opportunities were identified that would pose a risk of requiring substantial adjustments to the asset and balance sheet values in the financial statements for another annual reporting period. The Group utilized the option of phased-in disclosure and did not provide information on the anticipated financial impact of significant risks and opportunities on the Group's financial position, financial performance, and cash flows in the short, medium, and long term.

Sustainability aspects are integrated into the business model of the Group, but are not yet fully integrated into the strategy and management of the Group - this is being done gradually, see page 49 for more details. This materiality assessment provides the basis for both the disclosures under CSRD and ESRS and the subsequent sustainability strategy of the Group and action plans in its own operations and value chain. The Double Materiality Assessment provides a clearer direction of the Group towards a more sustainable organization in each of the ESG areas.

# ENVIRONMENT





## TAXONOMY OVERVIEW

The valuation of taxonomy eligible economic activities is revealed by the Group. The Taxonomy Regulation (EU) 2020/852, Delegated Acts (EU) 2021/2139, (EU) 2021/2178, (EU) 2023/2486 are being actively studied, the ongoing activities are being analyzed, and the aim is to increase the taxonomy indicators.

The main activity of the Group is dairy processing, but food production is not covered by Delegated Act (EU) 2021/2178 or the additional Delegated Acts published in 2022.

When analyzing the activities of the Group, evaluation of them is implemented through this process:

- identifying the taxonomic activities of the Group;
- carrying out a technical assessment of each activity - whether it meets the technical criteria and the criteria for making a significant contribution to mitigation and/or adaptation objectives;
- assessing whether the activity causes significant harm to other environmental objectives;
- assessing the enforcement of minimum safeguards;
- making a final assessment of operational compliance;
- calculating taxonomic indicators for each activity.

Documents referred to:

- Taxonomy Regulation (EU) 2020/852
- Delegated Act (EU) 2021/2139
- Delegated Act (EU) 2021/2178
- Delegated Act (EU) 2024/2486

**The main principles of accounting policies:**

In 2024, the Group has set three key performance indicators for the Taxonomy:

- Revenue is external revenue in accordance with International Financial Reporting Standards, which corresponds to consolidated sales in the statements of comprehensive income of "Vilkyškių pieninė" AB.
- Long-term investments (CAPEX under Taxonomy) is the increase in the value of property, factories and equipment and intangible assets before depreciation, amortization and impairment during the previous financial year, acquisition of assets managed under lease right.
- The increase is the investment during the financial year (net of any government grants received). The number of long-term investments disclosed in the consolidated financial statements excludes increases due to business combinations and asset retirement obligations, but includes advances and prepayments.
- Operating expenses (OPEX according to the Taxonomy) means the direct non-capitalized costs of research and development, building improvements, short-term leases, maintenance and repairs, and any other direct costs associated with the day-to-day maintenance of property, plant and equipment by the undertaking or by the third party from which the services are purchased, and which is necessary for the continuous and efficient operation of such assets.

*Double counting:*

All disclosed indicators under the Taxonomy avoid double counting, as each indicator is attributed to different activities. Intra-group transactions are eliminated where necessary to avoid double counting. The activities of the Group are assessed against the climate change mitigation objective and are therefore disclosed only against this objective.

Internal reporting systems and processes are continuously improved to adapt to Taxonomy reporting requirements.

**List of taxonomic activities of the Group:**

*"CCM" - Climate Chane Mitigation; "CCA"– Climate Change Adaptation.*

| Activities | Taxonomy code | Description of activities for mitigation of climate change | Group activities corresponding to the description |
|---|---|---|---|
| **Electricity generation using solar photovoltaic technology** | **CCM 4.1** / CCA 4.1 | Construction or operation of electricity generating installations using photovoltaic solar technology. | Installation and operation of solar power plants. |
| **Construction, extension and operation of water collection, treatment and supply systems** | **CCM 5.3** | Construction, extension and operation of centralized wastewater systems, including collection (sewerage network) and treatment. | Construction of primary wastewater treatment plants. |
| **Collection and transport of non-hazardous waste in source segregated fractions** | **CCM 5.5** | The separate collection and transportation of non-hazardous waste of a single type or grouped together for the purpose of preparing it for re-use or recycling. | Collection and preparation of non-hazardous waste for reuse or recycling. |
| **Transport by motorbikes, passenger cars and light commercial vehicles** | **CCM 6.5** / CCA 6.5 | The purchase, financing, hire, leasing and operation of vehicles in categories M1, N1 covered by Regulation (EC) No 715/2007 of the European Parliament and of the Council or category L (two- and three-wheel vehicles and quadricycles). | Group vehicles - acquisition and operation of electric vehicles. |
| **Construction of new buildings** | **CCM 7.1** | The development of residential and non-residential construction by mobilizing the financial, technical and physical means to develop projects for subsequent sale, as well as the construction of completed residential or non-residential buildings on own account with a view to their sale, or their construction for remuneration or on the contract. | Construction of new buildings. |
| **Renovation of existing buildings** | **CCM 7.2** / CCA 7.2 | Construction and civil engineering work or preparation for it. | Renovation of buildings |
| **Installation, maintenance and repair of charging stations for electric vehicles in buildings (and parking spaces adjacent to buildings)** | **CCM 7.4** / CCA 7.4 | Installation, maintenance and repair of charging stations for electric vehicles in buildings and in parking spaces near buildings | Installing charging stations for electric cars. |
| **Acquisition and ownership of buildings** | **CCM 7.7** / CCA 7.7. | Buying and using of the real estate. | Acquisition and use of buildings. |
| **Professional services related to energy performance of buildings** | **CCM 9.3** | Professional services related to the energy performance of buildings. | Purchased energy performance measurement services |

The list of activities includes taxonomic activities that were carried out in 2024.

The main objective of the Group is to contribute to mitigation of climate change, and therefore, identification, measurement and disclosure of our activities is performed in line with this objective. The objective of climate change adaptation is not fully assessed and is disclosed as not meeting the criteria.

## Revenue under the Taxonomy Regulation:

*"CCM" - Climate Change Mitigation; "CCA"– Climate Change Adaptation.*
*"Y" - Yes/taxonomic activity meeting the criteria; "N" - No/taxonomic activity not meeting the criteria;*
*"N/EL" is not eligible, taxonomy-not-eligible activity in relation to the objective concerned; "TA" is a taxonomic activity, the "-" criterion does not apply.*

| **Revenue under the Taxonomy Regulation** | | | | | | | | | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | 2024 Financial year | | 2024 Financial year | | | | | | DNSH criteria | | | | | | | | | |
| Economic activities under the Taxonomy Regulation | Taxonomic activity code | Revenue | Revenue share | Climate change mitigation | Climate change adaptation | Water | Pollution | Circular economy | Biodiversity | Climate change mitigation | Climate change adaptation | Water | Pollution | Circularity | Biodiversity | Minimum Safeguards | Proportion of Taxonomy-aligned or eligible revenue 2023 | Category Enabling activity | Category transitional activity |
| | | Thousand EUR | % | Y, N, N/EL | Y, N, N/EL | Y, N, N/EL | Y, N, N/EL | Y, N, N/EL | Y, N, N/EL | Y/N | Y/N | Y/N | Y/N | Y/N | Y/N | Y/N | % | E | T |
| **A. Taxonomy-eligible activities** | | | | | | | | | | | | | | | | | | | |
| **A.1 Environmentally sustainable activities (Taxonomy-aligned)** | | | | | | | | | | | | | | | | | | | |
| Collection and transport of non-hazardous waste in source segregated fractions | **CCM** 5.5 | 12,39 | 0,01 | Y | N | N/EL | N/EL | N/EL | N/ EL | - | Y | - | - | Y | - | Y | 0,02 | - | - |
| **A.1 Total** | | **12,39** | **0,01** | | | | | | | | | | | | | | **0,02** | | |
| *of which Enabling* | | 0 | 0 | | | | | | | | | | | | | | 0 | | |
| *of which Transitional* | | 0 | 0 | | | | | | | | | | | | | | 0 | | |
| **A.2 Taxonomy-eligible but not environmentally sustainable activities (not Taxonomy-aligned activities)** | | | | | | | | | | | | | | | | | | | |
| **A.2 Total** | | **0** | **0** | | | | | | | | | | | | | | **0** | | |
| **Revenue of Taxonomy-eligible activities (A.1+A.2)** | | **12** | **0,01** | | | | | | | | | | | | | | **0,02** | | |
| **B. Taxonomy non-eligible activities** | | | | | | | | | | | | | | | | | | | |
| *Revenue of Taxonomy-non-eligible activities* | | 245.417 | 99,99 | | | | | | | | | | | | | | 99,98 | | |
| Total (A+B) | | 245 426 | 100 | | | | | | | | | | | | | | 100 | | |

## Capital expenditure (Taxonomy CAPEX) according to the Taxonomy Regulation:

*"CCM" - Climate Change Mitigation; "CCA"– Climate Change Adaptation.*
*"Y" - Yes/taxonomic activity meeting the criteria; "N" - No/taxonomic activity not meeting the criteria;*
*"N/EL" is not eligible, taxonomy-not-eligible activity in relation to the objective concerned; "TA" is a taxonomic activity, the "-" criterion does not apply.*

| **CAPEX under the Taxonomy Regulation** | | | | | | | | | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | 2024 Financial year | | Substantial contribution criteria | | | | | | DNSH criteria | | | | | | | | | |
| Economic activities under the Taxonomy Regulation | Taxonomic activity code | Revenue | Revenue share | Climate change mitigation | Climate change adaptation | Water | Pollution | Circular economy | Biodiversity | Climate change mitigation | Climate change adaptation | Water | Pollution | Circularity | Biodiversity | Minimum Safeguards | Proportion of Taxonomy-aligned or eligible CAPEX 2023 | Category Enabling activity | Category transitional activity |
| | | Thousand EUR | % | Y, N, N/EL | Y, N, N/EL | Y, N, N/EL | Y, N, N/EL | Y, N, N/EL | Y, N, N/EL | Y/N | Y/N | Y/N | Y/N | Y/N | Y/N | Y/N | % | E | T |
| **A. Taxonomy-eligible activities** | | | | | | | | | | | | | | | | | | | |
| **A.1 Environmentally sustainable activities (Taxonomy-aligned)** | | | | | | | | | | | | | | | | | | | |
| Electricity generation using solar photovoltaic technology | **CCM 4.1** / CCA 4.1 | 319,02 | 0,82 | Y | N | N/EL | N/EL | N/EL | N/EL | - | Y | - | - | Y | Y | Y | 0 | - | - |
| Construction, extension and operation of water collection, treatment and supply systems | **CCM 5.3** | 0 | 0 | Y | N | N/EL | N/EL | N/EL | N/EL | - | Y | Y | Y | - | Y | Y | 0 | - | - |
| Collection and transport of non-hazardous waste in source segregated fractions | **CCM 5.5** | 0 | 0 | Y | N | N/EL | N/EL | N/EL | N/EL | - | Y | - | - | Y | - | Y | 0 | - | - |
| Transport by motorbikes, passenger cars and light commercial vehicles | **CCM 6.5** / CCA 6.5 | 269,18 | 0,69 | Y | N | N/EL | N/EL | N/EL | N/EL | T | Y | - | Y | Y | - | Y | 0,90 | - | - |
| Construction of new buildings | **CCM 7.1** | 0 | 0 | Y | N | N/EL | N/EL | N/EL | N/EL | - | Y | Y | Y | Y | Y | Y | 0 | - | - |
| Renovation of existing buildings | **CCM 7.2** / CCA 7.2 | 0 | 0 | Y | Y | N/EL | N/EL | N/EL | N/EL | - | Y | Y | Y | Y | - | Y | 0 | - | T |
| Installation, maintenance and repair of charging stations for electric vehicles in buildings (and parking spaces adjacent to buildings) | **CCM 7.4** / CCA 7.4 | 9,76 | 0,03 | Y | N | N/EL | N/EL | N/EL | N/EL | Y | Y | - | - | - | - | Y | 0,01 | E | - |
| Acquisition and ownership of buildings | **CCM 7.7** / CCA 7.7. | 0 | 0 | Y | Y | N/EL | N/EL | N/EL | N/EL | - | Y | - | - | - | - | Y | 0 | - | - |
| Professional services related to energy performance of buildings | **CCM 9.3** | 0 | 0 | Y | N | N/EL | N/EL | N/EL | N/EL | - | Y | - | - | - | - | Y | 0 | - | - |
| **A.1 Total** | | **597,96** | **1,54** | | | | | | | | | | | | | | **1,05** | | |
| *of which Enabling* | | 9,76 | 0,03 | | | | | | | | | | | | | | 0 | | |
| *of which Transitional* | | 0 | 0 | | | | | | | | | | | | | | 0 | | |
| **A.2 Taxonomy-eligible but not environmentally sustainable activities (not Taxonomy-aligned activities)** | | | | | | | | | | | | | | | | | | | |
| Electricity generation using solar photovoltaic technology | **CCM 4.1** / CCA 4.1 | 0 | 0 | TA | TA | N/EL | N/EL | N/EL | N/EL | | | | | | | | 0 | | |
| Construction, extension and operation of water collection, treatment and supply systems | **CCM 5.3** | 200,84 | 0,52 | TA | TA | N/EL | N/EL | N/EL | N/EL | | | | | | | | 0 | | |
| Collection and transport of non-hazardous waste in source segregated fractions | **CCM 5.5** | 0 | 0 | TA | TA | N/EL | N/EL | N/EL | N/EL | | | | | | | | 0 | | |

| | | | | | | | | | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Transport by motorbikes, passenger cars and light commercial vehicles | **CCM 6.5** / CCA 6.5 | 91,49 | 0,24 | TA | TA | N/EL | N/EL | N/EL | N/EL | | | | | | | | 0,70 | | |
| Construction of new buildings | **CCM 7.1** | 5.797,94 | 14,94 | TA | TA | N/EL | N/EL | N/EL | N/EL | | | | | | | | 9,78 | | |
| Renovation of existing buildings | **CCM 7.2** / CCA 7.2 | 689,09 | 1,78 | TA | TA | N/EL | N/EL | N/EL | N/EL | | | | | | | | 3 | | |
| Installation, maintenance and repair of charging stations for electric vehicles in buildings (and parking spaces adjacent to buildings) | **CCM 7.4** / CCA 7.4 | 0 | 0 | TA | TA | N/EL | N/EL | N/EL | N/EL | | | | | | | | 0 | | |
| Acquisition and ownership of buildings | **CCM 7.7** / CCA 7.7. | 159,79 | 0,41 | TA | TA | N/EL | N/EL | N/EL | N/EL | | | | | | | | 0 | | |
| Professional services related to energy performance of buildings | **CCM 9.3** | 0 | 0 | TA | TA | N/EL | N/EL | N/EL | N/EL | | | | | | | | 0 | | |
| **A.2 Total** | | **6 939,15** | **17,88** | | | | | | | | | | | | | | **13,48** | | |
| **CAPEX of Taxonomy-eligible activities (A.1+A.2)** | | **7 377,32** | **19,01** | | | | | | | | | | | | | | **14,53** | | |
| **B. Taxonomy non-eligible activities** | | | | | | | | | | | | | | | | | | | |
| *CAPEX of Taxonomy-non-eligible activities* | | 31 429,68 | 80,99 | | | | | | | | | | | | | | 85,47 | | |
| Total (A+B) | | 38 807 | 100 | | | | | | | | | | | | | | 100 | | |

## Operating costs (Taxonomy OPEX) according to the Taxonomy Regulation:

*"CCM" - Climate Change Mitigation; "CCA"– Climate Change Adaptation.*
*"Y" - Yes/taxonomic activity meeting the criteria; "N" - No/taxonomic activity not meeting the criteria;*
*"N/EL" is not eligible, taxonomy-not-eligible activity in relation to the objective concerned; "TA" is a taxonomic activity, the "-" criterion does not apply.*

| **OPEX under the Taxonomy Regulation** | | | | | | | | | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | 2024 Financial year | | Substantial contribution criteria | | | | | | DNSH criteria | | | | | | | | | |
| Economic activities under the Taxonomy Regulation | Taxonomic activity code | Revenue | Revenue share | Climate change mitigation | Climate change adaptation | Water | Pollution | Circular economy | Biodiversity | Climate change mitigation | Climate change adaptation | Water | Pollution | Circularity | Biodiversity | Minimum Safeguards | Proportion of Taxonomy-aligned or eligible OPEX 2023 | Category Enabling activity | Category transitional activity |
| | | Thousand EUR | % | Y, N, N/EL | Y, N, N/EL | Y, N, N/EL | Y, N, N/EL | Y, N, N/EL | Y, N, N/EL | Y/N | Y/N | Y/N | Y/N | Y/N | Y/N | Y/N | % | E | T |
| **A. Taxonomy-eligible activities** | | | | | | | | | | | | | | | | | | | |
| **A.1 Environmentally sustainable activities (Taxonomy-aligned)** | | | | | | | | | | | | | | | | | | | |
| Electricity generation using solar photovoltaic technology | **CCM 4.1** / CCA 4.1 | 0 | 0 | Y | N | N/EL | N/EL | N/EL | N/EL | - | Y | - | - | Y | Y | Y | 0 | - | - |
| Construction, extension and operation of water collection, treatment and supply systems | **CCM 5.3** | 0 | 0 | Y | N | N/EL | N/EL | N/EL | N/EL | - | Y | Y | Y | - | Y | Y | 0 | - | - |
| Collection and transport of non-hazardous waste in source segregated fractions | **CCM 5.5** | 123,09 | 2,23 | Y | N | N/EL | N/EL | N/EL | N/EL | - | Y | - | - | Y | - | Y | 3,93 | - | - |
| Transport by motorbikes, passenger cars and light commercial vehicles | **CCM 6.5** / CCA 6.5 | 5,14 | 0,09 | Y | N | N/EL | N/EL | N/EL | N/EL | T | Y | - | Y | Y | - | Y | 0,02 | - | - |
| Construction of new buildings | **CCM 7.1** | 0 | 0 | Y | N | N/EL | N/EL | N/EL | N/EL | - | Y | Y | Y | Y | Y | Y | 0 | - | - |

| | | | | | | | | | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Renovation of existing buildings | **CCM 7.2** / CCA 7.2 | 0 | 0 | Y | Y | N/EL | N/EL | N/EL | N/EL | - | Y | Y | Y | Y | - | Y | 0 | - | T |
| Installation, maintenance and repair of charging stations for electric vehicles in buildings (and parking spaces adjacent to buildings) | **CCM 7.4** / CCA 7.4 | 0 | 0 | Y | N | N/EL | N/EL | N/EL | N/EL | Y | Y | - | - | - | - | Y | 0 | E | - |
| Acquisition and ownership of buildings | **CCM 7.7** / CCA 7.7. | 0 | 0 | Y | Y | N/EL | N/EL | N/EL | N/EL | - | Y | - | - | - | - | Y | 0 | - | - |
| Professional services related to energy performance of buildings | **CCM 9.3** | 0 | 0 | Y | N | N/EL | N/EL | N/EL | N/EL | - | Y | - | - | - | - | Y | 0 | - | - |
| **A.1 Total** | | **128,23** | **2,32** | | | | | | | | | | | | | | **3,96** | | |
| *of which Enabling* | | 0 | 0 | | | | | | | | | | | | | | 0 | | |
| *of which Transitional* | | 0 | 0 | | | | | | | | | | | | | | 0 | | |
| **A.2 Taxonomy-eligible but not environmentally sustainable activities (not Taxonomy-aligned activities)** | | | | | | | | | | | | | | | | | | | |
| Electricity generation using solar photovoltaic technology | **CCM 4.1** / CCA 4.1 | 0 | 0 | TA | TA | N/EL | N/EL | N/EL | N/EL | | | | | | | | 0 | | |
| Construction, extension and operation of water collection, treatment and supply systems | **CCM 5.3** | 20,47 | 0,37 | TA | TA | N/EL | N/EL | N/EL | N/EL | | | | | | | | 0 | | |
| Collection and transport of non-hazardous waste in source segregated fractions | **CCM 5.5** | 6,64 | 0,12 | TA | TA | N/EL | N/EL | N/EL | N/EL | | | | | | | | 0,67 | | |
| Transport by motorbikes, passenger cars and light commercial vehicles | **CCM 6.5** / CCA 6.5 | 55,39 | 1,01 | TA | TA | N/EL | N/EL | N/EL | N/EL | | | | | | | | 0,07 | | |
| Construction of new buildings | **CCM 7.1** | 0 | 0 | TA | TA | N/EL | N/EL | N/EL | N/EL | | | | | | | | 0 | | |
| Renovation of existing buildings | **CCM 7.2** / CCA 7.2 | 102,85 | 1,87 | TA | TA | N/EL | N/EL | N/EL | N/EL | | | | | | | | 0 | | |
| Installation, maintenance and repair of charging stations for electric vehicles in buildings (and parking spaces adjacent to buildings) | **CCM 7.4** / CCA 7.4 | 0 | 0 | TA | TA | N/EL | N/EL | N/EL | N/EL | | | | | | | | 0 | | |
| Acquisition and ownership of buildings | **CCM 7.7** / CCA 7.7. | 0 | 0 | TA | TA | N/EL | N/EL | N/EL | N/EL | | | | | | | | 0 | | |
| Professional services related to energy performance of buildings | **CCM 9.3** | 0 | 0 | TA | TA | N/EL | N/EL | N/EL | N/EL | | | | | | | | 0,11 | | |
| **A.2 Total** | | **185,34** | **3,37** | | | | | | | | | | | | | | **0,85** | | |
| **OPEX of Taxonomy-eligible activities (A.1+A.2)** | | **313,57** | **5,69** | | | | | | | | | | | | | | **4,81** | | |
| **B. Taxonomy non-eligible activities** | | | | | | | | | | | | | | | | | | | |
| *OPEX of Taxonomy-non-eligible activities* | | 5 194,23 | 94,31 | | | | | | | | | | | | | | 95,19 | | |
| Total (A+B) | | 5 507,80 | 100 | | | | | | | | | | | | | | 100 | | |

ESRS E1

# CLIMATE CHANGE

## Significant sustainability-related IROs

Notation: 'OO' for Own Operations, 'VC' for Value Chain. The impacts indicated are actual unless otherwise stated (potential).

| Type of impact/ risk (location in the value chain) | Significant IROs | Period | Description |
|---|---|---|---|
| **Subtopic: climate change adaptation** | | | |
| **Risks (OO, VC)** | Acute and chronic climate-related physical events. | Medium, long term | Heat waves increase the need for cooling in both administrative and production areas, and both the Group and upstream value chain actors are exposed to these impacts (e.g. cooling of cattle housing).<br>Storms require the management of power outages to avoid loss of raw materials and production, ensure production stability and quality. Risks are also inherent in the upstream part of the value chain. |
| **Subtopic: climate change mitigation** | | | |
| **Negative effects (OO, VC)** | GHG emissions | Short, medium, long term | The use of non-renewable sources of electricity, the production of heat and steam, the use of refrigeration equipment and the use of fossil fuels all have a negative impact on climate change. |
| **Risks (OO)** | Transition risk | Medium, long term | With increasing pressure from the EU and the Republic of Lithuania to switch to renewable energy sources, the transformation of generation energy sources requires efficient alternatives to renewable energy sources and significant investments, which may affect the slow pace of transition. |
| **Subtopic: Energy** | | | |
| **Negative effects (OO, VC)** | Energy from non-renewable sources | Short, medium, long term | A large amount of electricity and fuels from non-renewable sources are used. |
| **Positive impact (OO)** | Energy from renewable sources | Short, medium, long term | Own solar power plants on the roofs of the factories allow us to generate part of the energy ourselves, thus reducing the negative impact of using energy from non-renewable sources. |

### IRO-1 Description of the processes to identify and assess material pollution-related impacts, risks and opportunities

The Group has assessed climate change IROs through a Double Materiality Assessment, but has not carried out a full assessment of climate scenarios. The Group used internal corporate information in the Double Materiality Assessment. The assessment of the impact of climate change on the organization in accordance with the recommendations of the TCFD is planned to be carried out during the year 2025. Information on climate change risks is disclosed in the overall risk assessment of the Group, page 36. More information about the processes for identifying and assessing IROs can be found on page 54.

### 2 ESRS SBM-3 Material impacts, risks and opportunities and their interaction with strategy and business model

Currently, the Group's strategy does not include integrated climate change-related goals, but this is planned to be done gradually.

## E1-1 Transition plan for climate change mitigation

The Group supports the Paris Agreement and is committed to work in order to keep global warming within 1.5 degrees Celsius. As a manufacturing industry, the Group contributes to climate change through its CO2 emissions from its operations (due to the consumption of large amounts of energy resources and its transport fleet), while on the other hand, our use of the raw material milk, supplied by the livestock sector, is also a significant source of GHG emissions. Climate change has been identified as significant area of impact, the energy and mitigation sub-topics are financially critical, the costs of adaptation are projected to increase significantly and this sub-topic may also become financially critical in the future.

The Group has not yet developed a transition plan and plans to do so between the years 2025 and 2026.

## E1-2 Policies related to climate change mitigation and adaptation

**The Environmental Policy** of the Group is the main policy guiding the environmental performance of the Group.

The Environmental Policy of the Group on climate change is defined as follows:

The Group's endorsement of the United Nations and other international organizations' initiative 'Business Ambition for 1.5 °C,' the Paris Agreement, and the EU's climate goals, which aim to limit global temperature rise to 1.5 °C by 2050 and achieve net-zero greenhouse gas emissions balance.

The Group's objectives related to climate change mitigation and adaptation:

- To achieve climate neutrality by 2050;
- To set Scope 1, 2, and 3 GHG emissions targets during 2025-2026 and have them validated by the Science Based Targets initiative (SBTi);
- To develop a transition plan during 2025-2026.

The main areas of impact related to climate change:

- Air pollution from greenhouse gases;
- Significant use of energy and natural resources;
- Generation of production waste, surface wastewater, and other waste during operations.

The policy outlines principles for reducing negative impacts:

- Reducing air pollution – consistently decreasing greenhouse gas and other air pollutant emissions by transitioning to renewable energy sources, implementing advanced heating, steam production, cooling, and transportation technologies, and managing odor dispersion. We assess each impact aspect, regularly conduct monitoring, and adapt the policy based on analysis results.
- Increase the efficiency of energy and natural resource use – apply the principle of prioritizing energy efficiency, implement solutions that reduce the consumption of electricity, fossil fuels, and water in both production and the supply chain.
- The Group purposefully implements the Environmental Policy, guided by the principles of responsibility, prevention, and continuous improvement. The implementation of the policy is based on a comprehensive analysis of activities, risk assessment, and a systematic approach to reducing environmental impact.

How do we exercise our business activity in the Environmental sector:

- we operate in compliance with all mandatory environmental legislation;
- we work with other stakeholders - business partners, public authorities, institutions and the communities in which we operate, in order to improve the environment;
- we review our environmental impact regularly, monitor and verify our performance, continuously improve our environmental policy and inform the society about our progress;
- we take actions to prevent pollution;
- we build competence of the staff and a responsible approach to protect the environment.

The Environmental Policy is approved by order of the Chief Executive Officer of the parent company of the Group and is mandatory for all employees of the Group. The Policy is publicly available on the website of the Group.

## E1-3 Actions and resources in relation to climate change policies

The biggest challenges of the Group in reducing GHG emissions and achieving climate neutrality by 2050 are the choice of climate-friendly energy and transport. The operations of the Group are extremely energy-consuming. Even the newest factories of the Group are designed for a specific type of energy, so the choice of more sustainable solutions has a significant financial impact on the operations of the Group.

Nevertheless, the Group is looking for solutions:

- From the year 2024, the factories of the Group ("Vilkyškių pieninė", "Kelmės pieninė" and "Modest") will have their own solar power plants on their roofs;
- The passenger car fleet is being renewed with electric cars, with 5 electric passenger cars purchased in 2024, representing 25% of the total passenger car fleet;
- Continuous use technologies are used to avoid power outages;
- Introducing heat exchange technologies to reduce the amount of electricity used;
- Finding new energy solutions to shift to cleaner energy sources;
- During the year 2025, energy efficiency measurements of buildings and decisions on the implementation of energy management measures are planned for all companies of the Group.

Although the Group does not currently have an approved transition plan, it is actively planning actions and making investments to reduce climate impacts and adapt to climate change. Following the completion of the construction of the new factory in Latvia and the achievement of planned production volumes, the adoption of science-based targets is planned. Since the Group does not have an approved transition plan, the results of achieving GHG emissions reduction targets are not measured – there is no possibility to measure how much GHG emissions have already been reduced or to specify how much and by what means they are expected to be reduced. The Group monitors the implementation of the environmental policy, collects and evaluates data on mitigation of climate change and assesses the effectiveness of the actions taken, in accordance with approved procedures.

In 2024, the Group did not allocate significant capital expenditures or operational expenditures for decarbonization measures. This is also reflected in the Taxonomy disclosures under the EC Delegated Regulation (EU) 2021/2178, page 59. There was no actual negative impact in 2024 that would require compensation for damages.

## E1-4 Targets related to climate change mitigation and adaptation

- Achieving climate neutrality by 2050.
- Set Scope 1, 2, and 3 GHG emissions targets during 2025-2026 and have them validated by the Science Based Targets initiative (SBTi).
- Develop a transition plan during 2025-2026.

The objectives were set and approved by the Group's top management.

## E1-5 Energy consumption and mix

The Group produces energy from natural gas and liquefied petroleum gas. Most of the natural gas and petroleum gas is used to produce steam used in technological processes. Until the year 2023, all the electricity purchased by the Group was green electricity, generated from renewable energy sources. Due to the significant price differential for green energy, a decision was taken to move away from renewable energy purchases in parallel with the development of the rooftop solar power projects of the Group. During the year 2024, the majority of the factories of the Group started to operate their own rooftop solar power plants and part of the electricity, which is purchased, is green again.

| Energy consumption and mix of types | Units | 2024 |
|---|---|---|
| 1. Fuel consumption of coal and coal products | MWh | Not applicable |
| 2. Consumption of crude oil and petroleum product fuel | MWh | 20 332 |
| 3. Natural gas fuel consumption | MWh | 43 729 |
| 4.Consumption of other fossil fuels | MWh | Not applicable |
| 5.Consumption of electricity, heat, steam and cooling from fossil fuels | MWh | 32 165 |
| *6.Total fossil energy consumption (sum of rows 1-5)* | MWh | 96 226 |
| *Share of fossil energy in total energy consumption* | % | 91 |
| 7.Nuclear fuel consumption | MWh | Not applicable |
| Share of nuclear energy in total energy consumption | % | Not applicable |

**Information about calculation:**

<u>Data collection:</u> data collection is the responsibility of the corporate energy specialists of the Group and is collected, compiled and verified in accordance with approved procedures. The data is based on purchase invoices and consumption meters (where available). Consolidated data is

| | | | |
|---|---|---|---|
| 8.Consumption of renewable fuels, including biomass (which also includes industrial and municipal waste of biological origin, biogas, hydrogen from renewable sources, etc.) | MWh | Not applicable | published annually in the Sustainability Statement. |
| 9.Consumption of electricity, heat, steam and cooling from renewable sources | MWh | 8 593 | Direct energy sources: direct energy consumption includes all the energy produced by the Group from natural gas and liquefied petroleum gas, which is consumed by the Group for its own use and produces in its boiler houses. |
| 10.Consumption of non-fuel renewable energy produced by the company itself | MWh | 504 | Indirect energy sources: indirect energy sources include purchased energy such as grid electricity and grid heat. |
| 11.Total renewable energy consumption | MWh | 9 097 | Energy production from non-renewable sources: consumption of natural gas and liquefied petroleum gas (LPG) to produce steam and thermal energy. |
| Share of renewable energy in total energy consumption | % | 9 | Renewable energy: electricity generated from own solar power plants. |
| Total energy consumption (sum of rows 6 and 11) | MWh | 105 323 | |
| Energy production by the Group | | | |
| Energy production from non-renewable sources | MWh | 64 062 | |
| Renewable energy production | MWh | 504 | |

| Energy intensity by net income | Units | 2024 | |
|---|---|---|---|
| Energy intensity (total energy consumption divided by net income) | MWh/ Million Eur. | 429 | Energy intensity: total energy consumption of the Group divided by the net income of the Group (EUR). |

## E1-6 Gross Scopes 1, 2, 3 and Total GHG emissions

| GHG emissions | Units. | |
|---|---|---|
| Scope 1 GHG emissions | | |
| Total of Scope 1 GHG emissions | t $CO_2$ eq. | 18 010 |
| Percentage of Scope 1 GHG emissions covered by regulated emissions trading schemes | t $CO_2$ eq. | Not applicable |
| Scope 2 GHG emissions | t $CO_2$ eq. | |
| Indirect emissions (Scope 2) (location-based) | t $CO_2$ eq. | 5 275 |
| Indirect issues (volume 2) (market-based) | t $CO_2$ eq. | 11 783 |
| Scope 3 GHG emissions | t $CO_2$ eq. | |
| Total of Scope 3 GHG emissions | t $CO_2$ eq. | 432 737 |
| Purchased goods and services (C1) | t $CO_2$ eq. | 404 314 |
| Capital goods (C2) | t $CO_2$ eq. | 4 601 |
| Fuel and energy related activities (C3) | t $CO_2$ eq. | 4 411 |
| Upstream transportation and Distribution (C4) | t $CO_2$ eq. | 3 046 |
| Waste generated in operations (C5) | t $CO_2$ eq. | 209 |
| Business travel (C6) | t $CO_2$ eq. | 56 |
| Employee commuting (C7) | t $CO_2$ eq. | 830 |
| Upstream Leased Assets (C8) | t $CO_2$ eq. | Included in Scope 1 and Scope 3 Category C1. |
| Downstream transportation and Distribution (C9) | t $CO_2$ eq. | 6 156 |
| Processing of Sold Products (C10) | t $CO_2$ eq. | 9 095 |
| Use of Sold Products (C11) | t $CO_2$ eq. | Not applicable |
| End-of-life Treatment of Sold Products (C12) | t $CO_2$ eq. | 19 |
| Downstream Leased Assets (C13) | t $CO_2$ eq. | Not applicable |
| Franchises (C14) | t $CO_2$ eq. | Not applicable |
| Investments (C15) | t $CO_2$ eq. | Not applicable |
| Total of GHG emissions (location-based) | t $CO_2$ eq. | 456 022 |
| Total of GHG emissions (market-based) | t $CO_2$ eq. | 462 530 |
| GHG emissions other than Scope 1-3 | t $CO_2$ eq. | Not applicable |
| GHG intensity | | |
| Total GHG emissions (location-based) per unit of net income | t $CO_2$ eq./ Million Euros | 1 858 |
| Total GHG emissions (market-based) per unit of net revenue | t $CO_2$ eq./ Million Euros | 1 885 |

**Information of calculation:**

The consolidated Group GHG emissions report has been prepared in accordance with the Greenhouse Gas Protocol (hereinafter - GHG Protocol) (The Greenhouse Gas Protocol: A Corporate Accounting and Reporting Standard - Revised Edition, WRI/WBCSD) (hereinafter – GHG Protocol) and is aligned with the requirements of the ESRS. The emission factors used for calculations are sourced from Lithuania's National Inventory Report (NIR), the United Kingdom's Department for Environment, Food and Rural Affairs (DEFRA), the Waste and Resources Action Programme (WRAP), and other qualified emission factor databases. Secondary data are used for calculations, as primary data from suppliers are not currently available (0 percent of the data used is obtained from suppliers). In the GHG emissions calculation methodology, relevant pollution factors (Emission Factors (EF)) are selected and applied to convert activity data into the amount of GHG emissions released. Pollution factors are chosen for the assessed period. Relevant Global Warming Potential (GWP) indicators are selected, using the Intergovernmental Panel on Climate Change (IPCC) Fifth Assessment Report: Climate Change (5AR).

All greenhouse gases were assessed: $CO_2$, $CH_4$, $N_2O$, HFCs, PFCs, $SF_6$, which are converted into $CO_2$ equivalent. The Group's operations do not use biofuels, so biogenic emissions are not separately evaluated. All Group companies and activities are included in the calculations, with GHG accounting covering Scope 1, Scope 2, and relevant Scope 3 categories (disclosed in the table). The parent company's GHG emissions account for 15 percent of the Group's total emissions (assessed using the location-based method). The Group determines organizational boundaries in accordance with the operational control principle. When collecting baseline activity data, their level of detail, quality, and reliability were analyzed, and opportunities for improvement were sought. Following the calculations, it is planned to implement necessary measures to ensure data quality and completeness.

Scope 1 Emissions: direct GHG emissions from sources owned by the Group. Scope 1 GHG emissions consist of emissions from energy production using natural gas and liquefied petroleum gas, fuel for transportation, and air conditioning and refrigeration processes. Data sources used for emission calculations: company financial accounting documents (invoices, meter readings, internal accounting systems). Emissions were calculated based on activity data by multiplying the consumed quantity by the corresponding emission factors specified in national sources.

Scope 2 Emissions: indirect GHG emissions arising from the production of purchased electricity and thermal energy. Emissions were calculated based on activity data by multiplying the purchased energy quantity by the corresponding emission factors, specified in national or international sources. Emissions determined using the location-based method are calculated based on the average emission factor of the country of operation. The market-based method takes into account purchased green electricity. Contractual instruments and guarantees of origin are used for electricity purchases, confirming the acquisition of green electricity produced from renewable energy sources, which accounts for 29 percent of all purchased energy and 26 percent of Scope 2 emissions (when assessed using the location-based method). Data sources used for emission calculations: company financial accounting documents (invoices, meter readings, internal accounting systems).

Scope 3 Emissions: emissions from activities that the Group does not own or control. These are emissions generated from all raw materials, goods, and services purchased by the Group (C1), including the lifecycle of long-term tangible assets (C2) (Cradle to gate), their transportation and distribution (C4), the production and transportation of fuel and fuels (C3), the management of waste and wastewater generated during operations (C5), business travel (C6), employee commuting to/from work (C7), assets leased for own use (C8) (included in Scope 1 and Scope 3 Category C1), downstream transportation and distribution of sold products (C9), processing of sold intermediate products (C10), and the management of packaging released to the market (C12).

Data sources used for emission calculations: company financial accounting documents (invoices, internal accounting systems), which specify the quantities of raw materials, products, and services purchased and/or consumed over the year, as well as the quantities of waste/wastewater generated. In the calculations, the main raw material – milk – purchased in 2024, amounting to 351,607.40 tons, was recalculated based on fat and protein content. Additional data were obtained during preliminary calculations and assessments (including employee commuting to/from work, transportation distances, or the processing of intermediate products). Emissions were calculated by multiplying activity data by the corresponding emission factors specified in national or international sources.

Emissions were calculated based on activity data by multiplying the consumed quantity by the corresponding emission factors specified in national sources.

The methodology applied for calculating Scope 3 emissions:

- Average data method and spend-based method (C1);
- Average data method (C3, C7, C10);
- Spend-based method (C2, C4);
- Method based on waste/wastewater type, quantity, and management method, and spend-based method (C5);
- Method based on distance and hotel stays (C6);
- Distance-based method (C9);
- Method based on quantity generated, packaging type, and management method (C12).

Leased assets (for own use) (C8): The Group leases premises and equipment to meet its own needs, and the electricity, thermal energy, and fuel associated with their operation, which the Company purchases and consumes during its activities, are included and accounted for in Scope 1 GHG calculations.

Lease-related expenses (EUR) include payments for services as operating expenses and are therefore accounted for in Scope 3 Category C1. In accordance with the GHG Protocol, indirect GHG emissions related to leasing are not separately assessed due to their predicted insignificant quantity, but they are included in Scope 3 Category 1 and calculated using the spend-based method.

Use of Sold Products (C11):

During the consumption of dairy products produced by the group, greenhouse gas emissions (GHG) are not directly emitted. The group causes indirect emissions during the use phase through the storage and consumption of its dairy products. Since, according to the GHG Protocol, reporting emissions from the indirect use phase is optional, this category is presented as not applicable.

Categories C13, C14, and C15 are not applicable, as these activities are not carried out.

The assessment of Scope 3 GHG emissions is less reliable due to the complex nature of data collection/calculation, the assumptions made, and significant uncertainty. During the assessment, most suppliers did not have calculated related emissions, making it impossible to obtain information about their specific GHG emissions from primary sources. For these reasons, an spend-based method was used, which has a lower level of accuracy compared to other methods.

GHG Emissions Intensity:

- Total GHG emissions (location-based method) (t $CO_2$ eq.) / Group net revenue (million EUR);
- Total GHG emissions (market-based method) (t $CO_2$ eq.) / Group net revenue (million EUR).

The GHG emissions calculation methodology is planned to be expanded and improved to enhance the quality of Scope 3 data by directly involving members of the initial and final value chain. The GHG emissions calculator used for the calculations has not been validated by an external party.

## E1-7 GHG removals and GHG mitigation projects financed through carbon credits

Not performed by the Group.

## E1-8 Internal carbon pricing

Not performed by the Group.

## E1-9 Anticipated financial effects from material physical and transition risks and potential climate-related opportunities

The Group does not disclose information using the option of phased-in disclosure.

# ESRS E2 POLLUTION

### Significant sustainability-related IROs

Notation: 'OO' for Own Operations, 'VC' for Value Chain. The impacts indicated are actual unless otherwise stated (potential).

| Type of impact/ risk (location in the value chain) | Significant IROs | Period | Description |
|---|---|---|---|
| **Subtopic: pollution of air** | | | |
| **Negative effects (OO, VC)** | Air pollution and odors | Short, medium, long term | Air pollution from energy production (steam production in own boilers), transport, and possible odors have a negative impact on the environment.<br>Air pollution upstream and downstream in the supply chain - raw material production, transport, has a negative impact on the environment. |
| **Risks (OO, VC)** | Air pollution incidents | Short, medium, long term | Potential air pollution, incidents due to technical failures that need to be managed. The same risks are possible in the upstream part of the value chain. |
| **Subtopic: pollution of water** | | | |
| **Negative effects (OO)** | Industrial wastewater | Short, medium, long term | The production process generates industrial wastewater, the treatment of which has to be ensured either with the methods used by company (“Vilkyškių pieninė” AB, “Modest“ AB, “Baltic Dairy Board“ SIA) or by the wastewater treatment plants of the city (“Kelmės pienas” AB, “Kelmės pieninė” AB, “Modest“ AB). This has a negative impact on the environment |
| **Negative effects (VC)** | Load on urban treatment plants | Short, medium, long term | The production process generates large volumes of wastewater, which are discharged to municipal wastewater treatment plants ("Kelmės pienas” AB, "Kelmės pieninė” AB) in companies where the wastewater is not treated in their own treatment plants. This has a negative impact on the environment. |

| | | | |
|---|---|---|---|
| **Positive impact (OO, VC)** | Creation of secondary raw material | | Wastewater treatment plants generate secondary raw material (sludge), which is used to generate electricity and fertilizer ("Vilkyškių pieninė" AB, "Modest" AB). This has a positive impact on the environment. |
| **Risks (OO)** | Wastewater plant incidents | Short, medium, long term | Potential wastewater incidents due to technical failures that need to be managed. |

## IRO-1 Description of the processes to identify and assess material pollution-related impacts, risks and opportunities

The Group, as one of the largest dairy processing companies in Lithuania, generates both air and wastewater pollution. During production, air pollutants and odors are released into the air, and arriving transport continuously contributes to air pollution in the factory territories. Industrial wastewater is generated at all of the Group's factories. To measure the Group's actual pollution impact, compliance with the laws and regulations of the Republic of Lithuania (LR) is followed, and monitoring programs approved by the companies are implemented. More information is provided in the pollution indicators calculation methodology, on page 73. When assessing risks and opportunities related to pollution from the Group's operations, reliance is placed on the information and expertise of technical department specialists, forecasted production volumes, and their potential impact on pollution risks. To determine the impact, risks, and opportunities in the initial and final parts of the Group's value chain, publicly available information sources, as well as data from suppliers and business clients, are used.

Significant impacts have been assessed in the Double Materiality Assessment of the Group, for more information see page 54-57. On the topic of pollution, the Group used internal Group information, including inventory and monitoring information on pollution sources and information from the surrounding population and suppliers.

## E2-1 Policies related to pollution

The Environmental Policy of the Group is the main policy that guides the environmental performance of the Group.

**The Environmental policy of the Group in the field of pollution is defined as follows:**

Key impact areas:

- Air pollution – emissions of greenhouse gases and other pollutants due to the use of non-renewable electricity resources, thermal energy and steam production, refrigeration equipment use, fossil fuel use, transportation, and potential odors.
- Waste and wastewater generation – Large quantities of waste and wastewater are generated during the production process.

The efforts of the Group and operating principles in the field of pollution:

- Reduce air pollution – consistently reduce emissions of greenhouse gases and other air pollutants by transitioning to renewable energy sources, implementing advanced heating, steam production, refrigeration, and transportation technologies, and managing odor dispersion. We assess each impact aspect, regularly conduct monitoring, and adapt the policy based on analysis results.

The Environmental Policy is approved by the order of the Chief Executive Officer of the parent company of the Group and is mandatory for all employees of the Group. The policy is publicly available on the website of the Group.

How do we exercise our business in the Environmental field:

- We comply with all applicable legal requirements, international standards, and voluntarily undertaken commitments in the field of environmental protection.
- We regularly assess the environmental impact of our operations, identify key risks, and implement measures to reduce, avoid, or eliminate negative impacts.
- We adhere to the mitigation hierarchy principle and strive to minimize the Group's operational impact on the environment and ecosystems as much as possible. When it is not possible to completely avoid or mitigate impacts, we consider potential impact compensation and environmental restoration measures that align with the biodiversity 'no net loss' principle and, where applicable, achieve a net positive impact through pollution prevention, damage-reducing technologies, and, if necessary, impact compensation or environmental restoration measures.

- Reduce waste and wastewater quantities – aim to optimize the production process and prevent waste generation, ensuring safe, responsible, and environmentally friendly management of waste and wastewater at all stages of operations.
- Safely use chemical substances – apply the precautionary principle when using chemical substances, avoid hazardous compounds, seek alternatives, and implement safe handling solutions.
- We follow the principle of not disturbing protected areas and preserving the integrity of species and habitats of high ecological value, and when this cannot be avoided, we implement all necessary impact mitigation and compensation measures.
- We ensure transparent communication, educate, and engage employees, partners, suppliers, and local communities in achieving environmental protection goals.

## E2-2 Actions and resources related to pollution

Air pollution management

”Vilkyškių pieninė” AB has an Integrated Pollution Prevention and Control (IPPC) permit. The IPPC permit was issued to the company based on its activities, which involve processing more than 200 tons of milk per day. The IPPC permit controls emissions of carbon monoxide, nitrogen, sulphur oxides, particulate matter, volatile organic compounds and other pollutants into the air in accordance with the values set in the permit.

“Kelmės pienas” UAB has a pollution permit for the management of ambient air pollution. The permit controls emissions of nitrogen oxides to ambient air.

Other companies of the Group are not required to hold emission permits. The companies of the Group carry out inventories of air pollution sources and measurements in accordance with national legislation.

The dry dairy factory of “Kelmės pieninė” AB produces loose, dusty products, so it is very important to minimize the release of particulates and pollutants into the air and environment. Air polluted with particulate matter from the dryers is routed to cyclones and discharged into the environment after being cleaned.

As “Pieno logistika” AB is a logistics company, transport emissions are counted towards the GHG emissions of the Group and no other air pollution is generated by the Group. All of the factories of the Group are equipped with air filters, which are regularly maintained.

“Baltic Dairy Board” SIA has an emission permit which controls emissions to air and pays a pollution tax.

All companies of the Group pay and account for pollution from mobile sources of air pollution based on fuel consumption.

Wastewater pollution management

The Group is actively implementing technological solutions for secondary water recovery, which also allows for a reduction in the volume and intensity of wastewater. It is not yet possible to account for the volume of recycled water, and the solution is planned to be implemented in 2025.

Wastewater from the production of “Vilkyškių pieninė” AB is treated in its own mechanical-biological treatment plants. Efficiency of wastewater treatment is up to 99%. An automatic effluent control system prevents excess sewage sludge from entering the environment with the treated effluent. In order to conserve water, reduce the volume of wastewater and pollutants released into the environment, wastewater treatment plants have been successfully installed to reuse water used in the production processes. They reduce the volume of wastewater by 30%. The project is partly financed by the EU. The treated wastewater is discharged into the natural environment in accordance with the pollution limits set in the IPPC permit.

Wastewater from the production of fresh dairy products at “Kelmės pienas” UAB is discharged to the treatment plant of “Kelmės vanduo” UAB.

Wastewater from the production of “Kelmės pieninė” AB is discharged to the wastewater treatment plant of “Tauragės vandenys” UAB.

Wastewater generated by production of “Modest” AB is discharged into the wastewater system of the city operated by “Tauragės vandenys” UAB. In 2024, primary wastewater treatment plants were installed in the common area of plants of “Kelmės pieninė” and “Modest” AB and became operational in Q4 of 2024. The purpose of the pre-treatment is to treat the wastewater before it is discharged into the sewerage system of “Tauragės vandenys” UAB.

All wastewater-generating companies of the Group monitor the pollutants discharged with wastewater.

"Baltic Dairy Board" SIA discharges treated wastewater into the natural environment. Pollutant concentrations are controlled and monitored in accordance with the standards set out in the pollution permit.

"Pieno logistika" AB is active in logistics, so this area is not relevant to the company.

"Vilkyškių pieninė" AB and "Modest" AB operate wastewater treatment plants that generate sludge. This is a residual product that becomes a secondary raw material in the supply chain and is sold for electricity generation in biogas plants and passed on to farms with management permits as a fertilizer. The risk of wastewater being discharged to urban treatment plants and adding to their load has also been assessed as part of the Double Materiality Assessment, which includes continuous monitoring of wastewater pollutants to meet regulatory targets.

## E2-3 Targets related to pollution

The Group conducts its operations in accordance with the laws and regulations of the Republic of Lithuania (LR) that govern the field of pollution. The Group aims to reduce wastewater intensity by decreasing water consumption, i.e., by implementing technological solutions for water reuse.

This is currently being actively pursued, but data on reused water are not yet being recorded. The amount of reused water is planned to begin being recorded in 2025, and accordingly, targets for reducing wastewater intensity will be set during 2025-2026.

## E2-4 Pollution of air, water and soil

| Emissions, ton/ year | "Vilkyškių pieninė" AB | "Modest" AB | "Kelmės pieninė" AB | "Kelmės pienas" UAB | "Baltic Dairy Board" SIA | Total: |
|---|---|---|---|---|---|---|
| **Carbon monoxide (CO)** | 1,99 | 1,78 | 2,12 | 0,55 | 0,39 | 6,83 |
| **Oxides of nitrogen ($No_x$)** | 2,65 | 2,38 | 2,83 | 1,40 | 0,53 | 9,79 |
| **Sulphur oxide ($SO_2$)** | 0 | 0,02 | 0,02 | - | 0 | 0,04 |
| **Particulate matter** | 0,03 | - | - | - | 0 | 0,03 |
| **Wastewater pollution** | | | | | | |
| **$BDS_{(7)}$** | 0,95 | 194,50 | 54,24 | 143,79 | 0,73 | 394,21 |
| **Drowning materials in suspension** | 0,26 | 100,97 | 6,5 | - | 1,07 | 108,80 |
| **Petroleum products** | 0,002 | - | - | - | - | 0,002 |
| **COD** | 9,41 | 60,49 | 142,54 | 206,29 | 6,15 | 364,39 |
| **In total phosphorus** | 0,11 | 2,06 | 2,31 | 2,83 | 0,13 | 7,44 |
| **In total nitrogen** | 1,75 | 7,21 | 3,68 | 7,38 | 0,68 | 20,70 |
| **Ammonium nitrogen** | 0,10 | - | - | 0,28 | - | 0,38 |
| **Fats** | 1,13 | 103,90 | 2,42 | 8,11 | - | 115,56 |

**Information of calculation:**

Air pollution:

Key indicators are disclosed, which are calculated according to the calculation methodologies set out in the inventories of air pollution sources. The indicators are given for those undertakings where measurements are made. "Pieno logistika" AB - the company performs a logistics function and has no stationary air pollution sources.

Laboratory measurements are regularly carried out and indicators are continuously recorded and monitored in accordance with the approved procedures of the Group and LR regulations and monitoring programs. Responsibility for tracking indicators is entrusted to technical specialists in each company of the Group.

Wastewater pollution:

Wastewater pollutants are calculated on the basis of wastewater analyses carried out in licensed laboratories and in accordance with the methodologies for calculating pollutants established by the Republic of Lithuania.

## E2-6 Anticipated financial effects from material pollution-related risks and opportunities

The Group does not disclose information using the option of phased-in disclosure.

# ESRS E3 WATER AND MARINE RESOURCES

## Significant sustainability-related IROs

Notation: 'OO' for Own Operations, 'VC' for Value Chain. The impacts indicated are actual unless otherwise stated (potential).

| Type of impact/ risk (location in the value chain) | Significant IROs | Period | Description |
|---|---|---|---|
| **Subtopic: Water resources/ water consumption** | | | |
| **Negative effects (OO, VC)** | Water consumption | Short, medium, long term | Significant quantities of water are consumed during the production processes by the Group, which has a negative impact on water resources. The upstream part of the value chain of the Group, the production of the necessary raw materials, is also subject to significant water consumption. |

## IRO-1 Description of the processes to identify and assess material water and marine resources-related impacts, risks and opportunities

The principal activity of the Group is milk processing. Due to the technological process, these activities consume large quantities of water. Significant impacts have been assessed in the Double Materiality Assessment of the Group, for more information see page 54-57. On the topic of water and marine resources, the Group used internal Group information, the parameters of the technological solutions applied and information from the surrounding population. To determine the impact, risks, and opportunities in the initial and final parts of the Group's value chain, reliance is placed on publicly available information sources, as well as data from suppliers and business clients.

## E3-1 Policies related to water and marine resources

**The Environmental Policy** of the Group is the main policy. guiding the Group's environmental performance.

The Environmental policy on water consumption of the "VILVI GROUP" is defined as follows:

Key impact areas:

– significant amounts of energy and natural resources are used.

The efforts of the Group and operating principles in the field of pollution:

– Increase the efficiency of energy and natural resource use – apply the principle of prioritizing energy efficiency, implement solutions that reduce the consumption of electricity, fossil fuels, and water in both production and the supply chain.

The Environmental Policy is approved by order of the Chief Executive Officer of the parent company of the Group and is mandatory for all employees of the Group. The policy is publicly available on the website of the Group.

How do we exercise our business in the Environmental field:

- We comply with all applicable legal requirements, international standards, and voluntarily undertaken commitments in the field of environmental protection.
- We regularly assess the environmental impact of our operations, identify key risks, and implement measures to reduce, avoid, or eliminate negative impacts.
- We adhere to the mitigation hierarchy principle and strive to minimize the Group's operational impact on the environment and ecosystems as much as possible. When it is not possible to completely avoid or mitigate impacts, we consider potential impact compensation and environmental restoration measures that align with the biodiversity 'no net loss' principle and, where applicable, achieve a net positive impact through pollution prevention, damage-reducing technologies, and, if necessary, impact compensation or environmental restoration measures.
- We follow the principle of not disturbing protected areas and preserving the integrity of species and habitats of high ecological value, and when this cannot be avoided, we implement all necessary impact mitigation and compensation measures.
- We ensure transparent communication, educate, and engage employees, partners, suppliers, and local communities in achieving environmental protection goals.

E3-2 **Actions and resources related to water and marine resources**

The dairy industry consumes large quantities of water, so the use of this resource is directly linked to the industry that is represented by the Group and is integral to its business model. The technology of dairy production means that the amount of water withdrawn is less than the amount of wastewater discharged, and the Group has already implemented technological solutions to save water: all the plants of the Group have Clean in Place (CIP) washing technologies, which allow water to be reused for equipment washing, and the implementation of a technology to treat permeate water so that it can be reused in the production processes will be completed in "Vilkyškių pieninė" AB by the year 2024. Data on water reuse are not yet available due to technological challenges. The Group aims to start recording water reuse in 2025, to assess the potential for further increases in reuse and to set targets.

"Vilkyškių pieninė" AB, "Kelmės pienas" UAB, "Baltic Dairy Board" SIA obtain their water from their own underground water borehole. Monitoring of boreholes is carried out in accordance with approved monitoring programs. The operation of the own boreholes does not affect the quantity or quality of water used by the surrounding population. Water is supplied to "Kelmės pieninė" AB and "Modest" AB by "Tauragės vandenys" UAB. "Pieno logistika" AB is engaged in logistics activities and is therefore not relevant for the company.

E3-3 **Targets related to water and marine resources**

The Group will assess the efficiency of secondary water use and the potential for further target setting in the year 2025.

E3-4 **Water consumption**

| Water consumption | Units | 2024 |
|---|---|---|
| **Total water consumption** | m3 | 878 952 |
| **Amount of water reused** | m3 | Not rated |
| **Water consumption in water risk areas, m3** | m3 | Not applicable |
| **Volume of stored water and change in storage** | m3 | Not applicable |
| **Water quantity to produce 1 ton of output** | m3 | 10 |
| **Water per unit of income** | m3/million EUR | 3 581 |

**Information of calculation:**

The source of water consumption data is the meter data and the water purchase documents when the water is supplied by an external supplier. Data collection is entrusted to the technical unit specialists under the guidance of an approved data management procedure.

Some of the water is reused, and technologies for water reuse are in place at each plant, but the amount of water reused was not recorded in 2024 and is planned to be disclosed in the report of the year 2025.

The operational sites of the Group are not located in water risk areas.

Water is not stored at the sites.

E3-5 **Anticipated financial effects from water and marine resources-related impacts, risks and opportunities**

The Group does not disclose information using the option of phased-in disclosure.

ESRS E4 
## BIODIVERSITY AND ECOSYSTEMS

### Significant sustainability-related IROs

Notation: 'OO' for Own Operations, 'VC' for Value Chain. The impacts indicated are actual unless otherwise stated (potential).

| Type of impact/ risk (location in the value chain) | Significant IROs | Period | Description |
|---|---|---|---|
| **Subtopic: Impacts on and dependence on ecosystem services** | | | |
| **Negative effects (VC)** | Extraction of ecosystem-dependent raw materials | Medium, long term | All of the main raw materials (milk, water, vegetable oil, cocoa, paper and wooden packaging) of the Group upstream in the value chain have/ may have negative impacts on ecosystems. |
| **Risks (OO)** | Dependence on raw | Medium, long | The irreplaceability of raw materials is an important operational |

| | | | |
|---|---|---|---|
| | materials whose extraction has an impact on ecosystems | term | risk. |
| **Risks (OO, VC)** | Increasing the burden of a more sustainable raw material price | Medium, long term | Rapidly tightening/ changing regulation at EU and national level has an impact on the search for substitutability of raw materials, increasing the rate of acquisition of certified raw materials, and thus the need for investment. High dependence on raw material price fluctuations. |

## IRO-1 Description of processes to identify and assess material biodiversity and ecosystem-related impacts, risks and opportunities

Although none of the sites of the Group are part of the EU's Natura2000 network of Special Protection Areas, the protection of biodiversity and ecosystems is an important topic for the Group. The potential direct negative impacts of the Group on biodiversity and ecosystems may arise from wastewater discharges, but impacts are managed through monitoring of the wastewater, through regular testing of the wastewater sludge, for more information please see page 72.

Dairy farming is an activity in which the extraction of the main raw material (milk) is intrinsically linked to ecosystems and their vitality. The Group also uses other raw materials in its operations that can have an impact on ecosystems: water, vegetable oil, cocoa, packaging paper or wood, etc.

Significant impacts have been assessed in the Double Materiality Assessment of the Group, for more information see page 54-57. The Group used internal company information and data from market, industry, customer and raw material certification systems to assess biodiversity and ecosystem impacts, risks and opportunities.

## E4-1 Transition plan and consideration of biodiversity and ecosystems in strategy and business model

The Group does not have a plan for biodiversity and ecosystems. A Double Materiality Assessment was carried out in 2024, which revealed the direction of the key themes, and further work will be done progressively to develop the transition plan and link it to the business strategy.

## ESRS 2 SBM-3 Material impacts, risks and opportunities and their interaction with strategy and business model

At present, the strategy of the Group does not integrate biodiversity and ecosystem objectives, but plans to do so gradually. Changing EU regulations and customer expectations are making this an increasingly important area and the Group is responding and planning its actions accordingly, see page 77.

## E4-2 Policies related to biodiversity and ecosystems

**Approved Group Environmental Policy in the Area of Biodiversity and Ecosystems Defines:**

Key impact areas:

- Impact on biodiversity, ecosystems, and animal welfare – the extraction of the Group's main raw materials (milk, water, vegetable oil, cocoa, paper and wooden packaging) at the beginning of the value chain.

The efforts and operating principles of the Group on biodiversity and ecosystems:

The Environmental Policy is approved by order of the Chief Executive Officer of the parent company of the Group and is mandatory for all employees of the Group. The policy is publicly available on the website of the Group.

The approved Group **Supplier Code of Conduct** defines requirements in the field of environmental protection:

- The supplier must comply with all environmental laws and regulations applicable to its operations.
- The supplier must actively strive to reduce its negative environmental impact and increase its positive impact – aiming for the control and reduction of GHG emissions, waste control and reduction, protection of water resources, use of renewable energy sources, energy efficiency, management of hazardous substances (storage, use, waste disposal), and circularity in the relevant areas of its operations. The supplier must have

- Protect ecosystems, biodiversity, and animal welfare – assess the impact of the supply of key raw materials (milk, water, vegetable oil, cocoa, wood, and paper) on nature, strive to source from responsible suppliers, adhere to the principles of species and habitat integrity, avoid deforestation, and prevent disturbance of protected areas.

How we aim to implement the Environmental Policy:

- We comply with all applicable legal requirements, international standards, and voluntarily undertaken commitments in the field of environmental protection.
- We regularly assess the environmental impact of our operations, identify key risks, and implement measures to reduce, avoid, or eliminate negative impacts.
- We adhere to the mitigation hierarchy principle and strive to minimize the Group's operational impact on the environment and ecosystems as much as possible. When it is not possible to completely avoid or mitigate impacts, we consider potential impact compensation and environmental restoration measures that align with the biodiversity 'no net loss' principle and, where applicable, achieve a net positive impact through pollution prevention, damage-reducing technologies, and, if necessary, impact compensation or environmental restoration measures.
- We aim to protect biodiversity, animal welfare, and natural ecosystems, particularly at the raw material extraction stage at the beginning of the value chain.
- We follow the principle of not disturbing protected areas and preserving the integrity of species and habitats of high ecological value, and when this cannot be avoided, we implement all necessary impact mitigation and compensation measures.
- We ensure transparent communication, educate, and engage employees, partners, suppliers, and local communities in achieving environmental protection goals.

an approved environmental policy and measure its impacts and risks.

- The supplier must make every effort to ensure that its activities do not harm soil, pollute water or air, emit harmful noise, deplete natural resources, threaten access to clean drinking water, hinder access to sanitation facilities, or adversely affect human health.

**Sustainable Purchasing Policy of the "VILVI GROUP":**

*Planned for adoption during the years 2025-2026.*

**Deforestation policy of the "VILVI GROUP":**

*Planned for adoption during the years 2025-2026.*

## E4-3 Actions and resources related to biodiversity and ecosystems

The main raw material of the Group is milk. Potential negative impacts on ecosystems along the value chain. The Group does not currently have any approved programs or specific requirements for farmers to try to manage soil impacts in this part of the supply chain. The Group plans to initiate such actions by 2030.

The purchasers of raw materials of the Group that are sensitive to biodiversity and ecosystems are cocoa and vegetable (palm) oil. These raw materials are more often sourced from regions where the extraction of the raw materials may have adverse impacts on biodiversity and ecosystems. The Group aims to manage these potential impacts in two ways:

1. The Group selects raw material suppliers only from countries in the European Union to ensure that suppliers are subject to the EU Deforestation Regulation (EUDR), which will prevent the importation of raw materials related to deforestation into the EU after the year 2021.

2. The Group aims to increase the use of certified, ecosystem-sensitive raw materials (cocoa, vegetable oil) to ensure that the raw material does not have negative impacts on the environment and people. In 2024, "Kelmės pienas" UAB was certified by the Rainforest Alliance and started using certified cocoa. RSPO certification will start to be implemented at the plants of the Group in the year 2025.

E4 ESRS Biodiversity and ecosystems is closely linked to E3 ESRS Water and marine resources - information on water and marine resources, respectively, is disclosed on page 75.

### E4-4 Targets related to biodiversity and ecosystems

| | |
|---|---|
| 1. Use of deforestation-related inputs. | 100% of the raw materials used by 2026 are EUDR compliant (the entry into force of the Deforestation Regulation has been postponed to 30/12/2025, so this is the deadline). |
| 2. Increasing the use of certified raw materials. | Palm oil - 50% use of RSPO-certified raw material until 2030.<br>Cocoa - use of Rainforest Alliance certified cocoa, setting targets by 2025.<br>The start of RSPO certification – 2025. |
| The objectives have been set and approved by the Group's top management. | |

### E4-5 Impact metrics related to biodiversity and ecosystems change

The negative impacts of the Group are in upstream value chain, not in all cases with primary suppliers (milk), and in many cases even with secondary raw materials suppliers, those extracting raw materials that can have an impact on ecosystems (cocoa, vegetable oil, etc.), and the Group does not have the ability to disclose measurable indicators.

### E4-6 Anticipated financial effects from biodiversity and ecosystem-related risks and opportunities

The Group does not disclose information using the option of phased-in disclosure.

## ESRS E5 RESOURCE USE AND CIRCULAR ECONOMY

### Significant sustainability-related IROs

Notation: 'OO' for Own Operations, 'VC' for Value Chain. The impacts indicated are actual unless otherwise stated (potential).

| Type of impact/ risk (location in the value chain) | Significant IROs | Period | Description |
|---|---|---|---|
| **Subtopic: resource inflows, including resource use** | | | |
| **Negative effects (OO, VC)** | Significant quantities of primary raw materials | Short, medium, long term | The Group uses large quantities of raw materials that come from virgin sources (e.g. packaging), which has a negative impact on the environment. |
| **Positive impact (OO)** | Creation/ use of secondary raw materials | Short, medium, long term | The Group successfully reuses the residual products generated in production for further production (in its business model), and the recycling has a positive environmental impact. |
| **Risks (OO)** | Changes in EU and national regulation | Medium, long term | Changing and rapidly tightening regulations on the use of secondary raw materials in packaging, on the recyclability of packaging, for which the packaging market is not prepared - a foreseeable supply shortage. |
| **Risks (OO, VC)** | Increasing price burden for more sustainable raw materials | Medium, long term | Rapidly tightening/ changing regulation at EU and national level affects the search for substitutability of raw materials, the need for investment, and the high dependence on raw material price fluctuations. |
| **Subtopic: resource outflows, including resource use** | | | |
| **Negative effects (OO, VC)** | Significant packaging quantities | Short, medium, long | The Group puts a large amount of packaging on the market, which has a negative impact on the environment, both in its own operations and in the |

| | | | |
|---|---|---|---|
| | | term | final part of the value chain. |
| **Positive effects (OO, VC)** | Measures to reduce food waste | Short, medium, long term | Reducing food waste is addressed at all stages of the product lifecycle, from maximum shelf life to consumer education. |
| **Subtopic: waste** | | | |
| **Negative effects (OO, VC)** | Generation of non-hazardous and hazardous waste | Short, medium, long term | Production activities generate non-hazardous and hazardous waste and have a negative impact on the environment. These impacts also occur upstream and downstream along the value chain. |
| **Positive effects (OO, VC)** | Residual product - secondary raw material for further production | Short, medium, long term | The residual product (whey) from the production of dairy products becomes a valuable raw material for other factories of the Group, and provides the basis for the production of other products.<br>Value is created at the end of the value chain by providing a residual product (whey) that becomes a feedstock for biogas plants (wastewater sludge) or a fertilizer. |
| **Positive effects (OO, VC)** | Measures to reduce food waste | Short, medium, long term | Reducing food waste is addressed at all stages of the product lifecycle, from maximum shelf life to consumer education. |
| **Risks (OO, VC)** | Changing customer requirements and regulation | Medium, long term | In the longer term, customer requirements and regulation may change, which will increase the need for investment in waste management and the development of waste-free systems. |

## IRO-1 Description of the processes to identify and assess material resource use and circular economy-related impacts, risks and opportunities

Significant impacts have been assessed in the Double Materiality Assessment of the Group, for more information see page 54-57. In the Double Materiality Assessment of the Use of Resources and Circular Economy, the Group used internal company information and data from the market, industry, customers, raw material certification schemes and consumer practices.

## E5-1 Policies related to resource use and circular economy

**The approved the Environmental Policy on Biodiversity and Ecosystems of the Group is defined as follows:**

Key impact areas:

- Waste and wastewater generation – large quantities of waste and wastewater are generated during the production process.
- Significant use of product packaging – the Group releases a large quantity of packaging into the market.

The Environmental Policy is approved by order of the Chief Executive Officer of the parent company of the Group and is mandatory for all employees of the Group. The policy is publicly available on the website of the Group.

The companies of the Group have adopted waste segregation procedures that set out mandatory waste segregation methods and responsibilities.

The efforts and principles of the Group in the circular economy:

**Sustainable Purchasing Policy of the Group:**

*Planned for adoption during the years 2025-2026.*

**Food Waste Policy of the of the Group:**

*Planned for adoption during the years 2025-2026.*

- Reduce waste and wastewater quantities – aim to optimize the production process and prevent waste generation, ensuring safe, responsible, and environmentally friendly management of waste and wastewater at all stages of operations.
- Responsibly manage packaging use – optimize packaging use, promote the selection of recyclable and sustainable materials, and apply circular economy principles to reduce environmental impact during both production and consumption stages.

## E5-2 **Actions and resources related to resource use and circular economy**

Circularity of the raw material

The circular economy and circularity are embedded in the business model and strategy of the Group, see page 51 for more information. The Group aims to create the maximum possible value from a drop of milk, which it can do by creating as closed a loop as possible, what could be a waste or residual product in one plant is used and becomes a basic raw material for another plant. In the cheese production process of "Vilkyškių pieninė" AB and "Modest" AB, the residual product is whey. The whey is broken down and becomes the main raw material for "Kelmės pieninė" AB. In this plant, whey protein concentrates and permeate are dried to powder form and become an important product in sports nutrition (Whey protein concentrate) or an important ingredient in the confectionery and feed industries (permeate). Most of the plants of the Group are interlinked in this way. "Kelmės pienas" AB gives whey to the electricity industry and to animal feed.

The Group has a number of good examples of how what could be considered a useless product or waste in one plant becomes a raw material in another plant or outside the Group. The above example of the circular model is one of the main ones, but there are many smaller examples in the activities of the Group, both in terms of the recycling of raw materials, where what could be considered as a discarded product is successfully used as a raw material for the production of a different product, e.g. the buttermilk left over from the production of fresh products is further used as a value-added raw material for the production of yoghurts, the part of the cheese left over from the cutting of cheese into the intended shape is used for the grating process, thus creating a new product, etc. One of the food safety objectives at each of the plants of the Group is to reduce food waste (see page 81 for more details). Water recycling and heat exchange projects are also part of this.

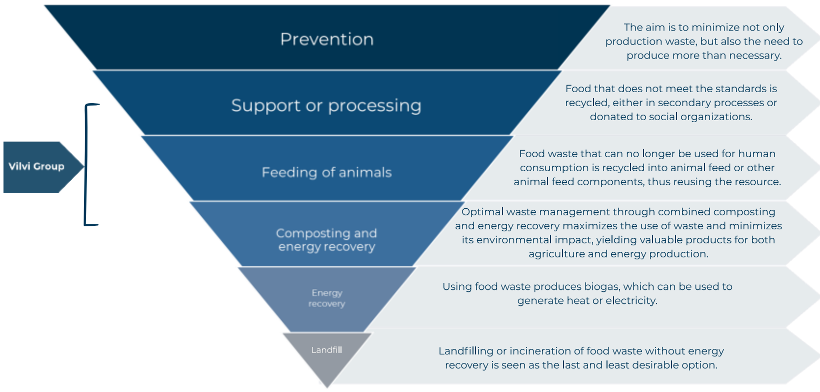
Packaging

The Group uses large quantities of packaging (buying already produced). EU regulation on packaging is changing rapidly, creating new risks. As an example, the upcoming regulation on the use of recycled material in food packaging is causing a wide debate on the side of both food producers and packaging suppliers. The use of secondary raw materials in food packaging is today not allowed by the legislation of the Republic of Lithuania, and in order to keep up with this EU requirement, it is necessary to change the legislative framework and to ensure the availability of such raw materials on the market. In order to manage such risks, the Group continuously monitors regulatory developments and actively communicates with packaging suppliers.

Finding more sustainable packaging solutions is a constant work in progress for the purchasing department. It is constantly looking for ways to reduce the use of plastic or paper by changing the material, size or thickness of the packaging. Solutions are being sought to replace existing combined packaging with mono-packaging. This is an area of constant interest and exploration, and one in which there is very close cooperation with packaging manufacturers and suppliers. The Group has developed a packaging strategy in the year 2024, which will include actions to increase the recyclability of packaging, the use of recycled material, to reduce the weight of packaging, to choose more favorable raw materials, and to continue its efforts to educate the consumer on packaging sorting and food (non)waste. The Group will disclose the change projects and the positive impacts generated annually in the Sustainability Statement.

In the companies of the Group, packaging generated during production is managed and accounted for in accordance with the environmental requirements set out in the Product, Packaging and Waste Accounting Information System - GPAIS. We pay particular attention to the conservation of natural resources and encourage consumers to sort their dairy packaging, with clear instructions on the packaging on how to do this correctly. We make sorting easier by marking the separation points of multi-layer packages on the packaging with perforations.

Implementation in the year 2024 of the changes required by the EU Single-Use Plastics Directive 2019/904/EU. The requirement that the beverage cap must be attached to the packaging has.




Reducing food waste is an important focus of the "VILVI GROUP" and is achieved through prevention, recycling and reuse of leftovers. The Group, in line with the principles of sustainability, is constantly looking for new ways and introducing technologies to reduce waste and recycle residual products more effectively. The Group strives to ensure that every production residue finds its purpose. Using the latest technologies such as process optimization and innovative recycling solutions, it ensures that food waste is kept to a minimum and resources are used as efficiently as possible.

This allows production residues to be integrated into new products or to be used in other areas after they are sold, such as biogas production or animal feed.

Quality, packaged but unmarketable products are sold to employees at a low price, providing additional benefits for employees and meeting the objective of reducing food waste. Consumable products are also donated to social organizations, contributing to the well-being of the community. These solutions help to reduce waste and create added value.

In 2024, the Group launched communications with employees and consumers to promote responsible and educational initiatives help to create a conscious attitude towards reducing food waste in both personal and professional life.

The importance of reducing food waste is also reflected in the pyramid above, which shows the hierarchy of food use, from prevention and support to social organizations to energy production or waste disposal. The Group aims to operate at the upper levels of the pyramid, prioritizing prevention, recycling and animal nutrition.

In the year 2024, the Group launched a communication campaign with employees and consumers to promote a responsible approach to the use of food leftovers. Educational initiatives help to create a conscious attitude towards reducing food waste in both personal and professional life.

Waste

The waste generated by the production of the Group is managed and accounted for in accordance with established environmental requirements in the product, packaging and waste accounting information systems - GPAIS and AIVIKS. Waste is segregated, temporarily stored, collected, transported and treated in such a way that it does not cause adverse effects on public health and the environment. All waste, including hazardous and chemical substances, is managed in accordance with the laws and regulations of the Republic of Lithuania. Each Group company has concluded contracts with waste handlers, and the companies have adopted a procedure for waste management (to be specified). The vast majority of whey is used in the downstream production processes of the Group. Only a small part of the whey is used for energy purposes, after sale to energy producing companies (with permits to do so).

## E5-3 Targets related to resource use and circular economy

| | |
|---|---|
| 1. Packaging recyclability | 100% Recycling of plastic and combined packaging in 2030 - 96% in 2024. |
| 2. Use of recycled plastics in packaging | Plastic contact-sensitive packaging* 7.5% in 2030, 40% in 2040<br>Disposable beverage packaging* 30% in 2030, 65% in 2040<br>Other plastic packaging 35% in 2030, 65% in 2040<br>* Recycling targets for food contact sensitive packaging are set by regulation, but implementation will depend directly on the availability of food contact-safe recycled plastic feedstock and further regulatory developments. |

The goals set by the Group packaging strategy working group have been approved by top management.

| E5-4 Resource inflows | Units | 2024 |
|---|---|---|
| **Total combined weight of products and technical and biological materials used during the reporting period** | t | 376 672 |
| **Of which, primary raw materials** | t | 260 426 |
| **Of which, processed raw materials** | t | 112 296 |
| **Of which packaging** | t | 3 950 |
| **Share of sustainably sourced raw materials (certification scheme)** | % | 6,7 (FSC, RA) |
| **Weight of secondary components, secondary intermediate products and secondary materials reused or recycled** | t | 102 998 |

**Information of calculation:**

Total gross weight of products and technical and biological inputs consumed during the reporting period: calculated from the information in internal databases of the Group, including: milk, whey, water, fuel, packaging, consumed by the Group. The data are consolidated at the Group level.

Primary raw materials: milk, salt.

Processed raw materials: whey, vegetable fats, food additives, fuel.

Packaging: the total weight of packaging consumed during the reference period.

The share of sustainably sourced raw materials is calculated as: The share of all certified materials (ensuring sustainable extraction) in the total quantity of products and technical and biological materials consumed during the reporting period. This includes packaging certified by FSC and food additives certified with the "Rainforest Alliance" certificate.

Number of secondary components, secondary intermediates and secondary materials reused or recycled: whey concentrates extracted by "Vilkyškių pieninė" AB and used in the downstream production of products by "Kelmės pieninė" AB.

Resource input information is tracked by monitoring the movement of raw materials, with responsibility assigned to the Finance, Purchasing, and Sustainable Operations departments, following the approved Operational Data Management Procedure.

| E5-5 Resource outflows | Units | 2024 |
|---|---|---|
| Packaging waste | t | 207,59 |
| Hazardous waste | t | 12,18 |
| Production waste | t | 6782,82 |

**Information of calculation:**

Waste data is continuously monitored by the Environmental Officer of the Group, data is collected in accordance with the approved data management procedures, and data is provided on the basis of reports submitted by AIVIKS and GPAIS, as well as

| | | | |
|---|---|---|---|
| Other waste | t | 48,59 | recyclability information provided by waste managers.<br><br>Packaging waste: Packaging imported with raw materials by Group companies, defective or used during the production process, and other packaging.<br>Hazardous waste: Waste generated during equipment maintenance, laboratory testing, and other hazardous waste.<br>Production waste: Waste generated during the production processes of Group companies and sludge from wastewater treatment. These wastes are significant in the Group's operations and characteristic of the entire food production sector.<br>Other waste: Non-hazardous waste generated during equipment maintenance.<br>Non-recycled waste: Waste used for energy recovery or disposed of in landfills.<br>Recycled waste: Waste used for secondary purposes, composting, or biogas production. |
| In total | t | 7051,20 | |
| *Unprocessed waste* | % | 0,32 | |
| *Recycled waste* | % | 99,68 | |

**E5-6 Anticipated financial effects from resource use and circular economy-related impacts, risks and opportunities**

The Group does not disclose information using the option of phased-in disclosure.

# SOCIAL

ESRS S1

# OWN WORKFORCE

## WORKING CONDITIONS

ESRS 2 SBM-2

### Interests and views of stakeholders

Disclosures are provided on page 52, section "Interests and views of stakeholders".

ESRS 2 SBM-3

### Material impacts, risks and opportunities and their interaction with strategy and business model

Below are shown the impacts, risks and opportunities of the Group in the Working Conditions sub-topic identified as significant in the Double Materiality Assessment. For more information on the Double Materiality Assessment, see page 54-57.

**Significant sustainability-related IROs**

Notation: 'OO' for Own Operations, 'VC' for Value Chain. The impacts indicated are actual unless otherwise stated (potential).

| Type of impact/ risk (location in the value chain) | Significant IROs | Period | Description |
|---|---|---|---|
| **Subtopic: secure employment** | | | |
| **Positive impact (OO)** | Assured and secure employment | Medium, long term | The stability of the Group ensures long-term working relationships, steady remuneration increases, which affects confidence of the employees and long-term working relationships. |
| **Positive impact (VC)** | Jobs in the region | Medium, long term | The factories of the Group are located in the region and create a significant number of jobs. |
| **Risks (OO)** | Shortages of employees | Medium, long term | Automation of production creates a new risk: the lack of skilled labor in the region to work with automated processes. |
| **Subtopic: working time** | | | |
| **Negative effects (OO)** | Shift work, physical exertion | Short, medium, long term | Shift work (night work, weekend work) and heavy physical workload contribute to high staff turnover. |
| **Negative effects (OO)** | Variability of working hours | Short, medium, long term | The volatility of working hours due to fluctuating production volumes and overtime has an impact on staff motivation and turnover. |
| **Risks (OO)** | Shortages of employees | Short, medium, long term | The risk of refusing night work leads to a risk of not finding the right employees. |
| **Subtopic: adequate wages** | | | |
| **Positive impact (OO)** | Stable remuneration with regular remuneration rises (OO) | Short, medium, long term | Remuneration is paid regularly, and remuneration rises twice a year have a positive impact on satisfaction of employees. |
| **Positive impact (OO)** | Fair remuneration for overtime, overtime and rest days for hourly (OO) | Short, medium, long term | Overtime and rest days are paid strictly - in line with the law. This affects motivation of employees. |

| | | | |
|---|---|---|---|
| | workers | | |
| **Topics: social dialogue, freedom of association, the existence of works councils and information, consultation and participation rights of the workers** | | | |
| **Negative effects (OO)** | Representation of the workers on the work councils | Short, medium, long term | Not all companies have work councils, which can have a negative impact - a lack of involvement of employees. |
| **Positive impact (OO)** | Involving workers in safety and health issues | Short, medium, long term | Consultations with representatives of the employees on safety and health issues have a positive impact on improving safety and health. |
| **Positive effects (OO)** | Encouraging staff cooperation | Short, medium, long term | Encouraging cooperation between employees from different departments has a positive impact on understanding and communication between employees. |
| **Risks (OO)** | Insufficient dialogue | Medium, long term | Not all companies have established work councils, but there is a risk of a lack of dialogue with employees, which can have an impact on turnover of employees. |
| **Subtopic: health and safety** | | | |
| **Negative effects (OO)** | Health effects due to physical strain, shift work schedules | Short, medium, long term | Shift work, night work, and physical exertion can have a negative impact on health of employees. |
| **Positive impact (OO)** | Staff education | Short, medium, long term | Regular education on occupational safety and health at all levels can have a positive impact on attentiveness and safety of employees. |
| **Positive impact (OO)** | Accident insurance | Short, medium, long term | All employees are covered by 24/7 accident insurance. |
| **Risks (OO)** | Accidents | Short, medium, long term | Risk of accidents on the way to/ from work, at work. |

The Double Materiality Assessment identifies the impacts, risks and opportunities that are material to the Group. Impacts that are significant for the Group are related to the business strategy and model, i.e. are more specific to the manufacturing industry: shift work schedules, volatility of working hours due to fluctuating production volumes, impact on health of the employees due to the physical workload and the shift schedule, safety and health. The Group does not employ children due to hazardous working conditions, so the risk of child labor incidents is not relevant. Risks related to forced labor are not relevant for the Group.

## S1-1 Policies related to own workforce

**The Code of Ethical Employability** of the "VILVI GROUP" has been approved, which defines the basic principles of employability in the Group:

- the work is freely chosen;
- the right of employees to peaceful association and collective bargaining;

**Other policies** adopted by the "VILVI GROUP" relating to its own workforce:

**Remuneration policy**, for more information see page 88.

**The Safety and health policy** of the employees has been adopted in each company of the Group and is defined by the essential principles of safety and health: the aim is to prevent accidents and occupational diseases; every employee must be aware of the essential principles of safety and health and must

- the Group provides safe working conditions that meet basic human needs;
- the company does not employ children;
- remuneration is paid at least as the minimum wage;
- overtime in the Group is voluntary;
- no discrimination is tolerated;
- seeking of a permanent working relationship;
- rough and inhumane treatment is not tolerated.

The Policy is applied to employees of all companies of the Group, it is based on the Ethical Trading Initiative's Code of Conduct, the Ethical Base Code, and is publicly available on the website of the Group.

The Group does not have separate approved policies on trafficking, forced labor and child labor, as these are already covered by national law.

apply them in the workplace; compliance with the requirements of the law and regulatory acts is mandatory; the principles of organizing the health and safety activities in the company, the inclusion of representatives of employees; control; and education of employees.

**Human rights policy** of the Group, approved by the Group and available to the public on the website of the Group. The policy is based on the United Nations "Universal Declaration of Human Rights" and is defined by the basic principles to be followed when working with people. The human rights policy establishes that the Group does not tolerate discrimination in any form: we do not differentiate people based on their race, skin color, gender, language, nationality, religion, political or other beliefs, property, social status, or any other condition. The policy applies to the employees of all Group companies. The Policy is applied to employees of all companies of the Group.

**The Equal opportunities policy** and the policy for the prevention of assault and abuse at work are disclosed in the section "Equal treatment and equal opportunities for all" on page 92.

## S1-2 Processes for engaging with own workforce and workers' representatives about impacts

Representatives of employees were involved in the Double Materiality Assessment and in the determination of the significance of impacts. Employees were also involved in the stakeholder survey. Although the Group does not have work councils, trade unions or collective agreements in all companies, the aim is to develop an active dialogue. The main principle of communication is through regular meetings, irrespective of the level/ degree of employees. Line managers communicate with employees directly, by email or other methods approved by the Group (e.g. other communication channels are used with production staff), key information is published on the internet page of the Group, and employee opinion surveys are regularly conducted.

One of the most important topics is occupational safety and health (OSH). In every company, employees are represented by safety and health representatives, and OSH committees are set up to deal with key safety and health issues. In 2025, elections of the work council will be re-initiated in companies where employees are not yet represented.

## S1-3 Processes to remediate negative impacts and channels for own workforce to raise concerns

Employees can raise concerns on the Helpline of the Group, which is available on the website of the Group and in each company of the Group through a physical message box. Through this line, employees and other stakeholders can report all situations of concern confidentially and anonymously. Illegal actions and possible breaches of legislation in companies of the Group can also be reported by sending a report under the Whistleblower Protection Act of the Republic of Lithuania: all the necessary information is available on the website of the Group. Employees are additionally informed about the reporting channels through training. Employees can also, if necessary, use all other mechanisms available on the market to contact public authorities in the ways they provide. For more information on reporting channels, see page 106.

## S1-4 Taking action on material impacts on own workforce, and approaches to managing material risks and pursuing material opportunities related to own workforce, and effectiveness of those actions

In order to manage significant impacts on its own workforce, procedural steps are taken, such as initiating internal controls, setting up a management team to assess and correct identified risks or impacts, and initiating control mechanisms. For more information, see page 49. The Group regularly conducts a Psychosocial Factors Survey, the results of which are analyzed and corrective action is taken. The survey is carried out every two years, the last one was in 2024.

*Guaranteed employment*

The Group is one of the largest employers in the regions where all the factories of the Group are located, and is valued for its stability and care for its employees and surrounding communities. The Group strives for long-term employment relationships, motivated employees and stable annual pay increases. The automation of production processes poses the risk of not finding higher skilled employees who are able to manage automated processes. For a number of years, there have also been labor shortages due to the decline in the working age population in the regions. The Group seeks to attract skilled professionals from larger cities or remote areas by offering a package of additional benefits, actively cooperating with vocational and higher education institutions, organizing professional information and career planning presentations, factory tours, and participating in career fairs organized by higher education institutions.

Continuous improvement of selection, entry and integration systems. Recruitment and dismissal procedures are defined in approved procedures by the Group. A consistent onboarding process familiarizes the new employee with the company culture, increases the efficiency of integration and learning, and strengthens motivation to work for the company.

<u>*Working hours*</u>

The principles of working time accounting are adopted in the Payroll System, which is communicated to all employees. The Group has adopted the principles of Time and Attendance in the Payroll System, which is communicated to all employees. The Group has adopted a Working Time Monitoring, Control and Supervision Procedure, which sets out the procedure for the granting of overtime (ensuring that overtime can only be voluntary), the procedure for the monitoring of the work-rest regime and overtime rates, and responsibilities. The purpose of this description is to ensure that the working time of employees complies with the requirements the Labor Code (LC) and other LR legislation. A challenge for regional operations is the turnover of employees due to emigration or to move to larger cities in search of a wider range of job opportunities. In recent years, there has been a risk of shortages of employees due to unfavorable work schedules such as night shifts. The volatility of working hours in manufacturing, which has a negative impact on employees, is controlled by increased attention to the scheduling of production and leisure time.

<u>*Decent remuneration*</u>

The remuneration system of the Group is based on the principles of gender equality, non-discrimination and fair remuneration of employees and is based on the legislation of the Republic of Lithuania and the *Remuneration Policy* adopted by the Group. The remuneration system clearly identifies the categories of employees and the positions assigned to these categories. The remuneration provisions set out in the framework and its annexes shall be applied in such a way as to avoid any discrimination of gender or other grounds. Men and women shall be paid the same remuneration for equal or equivalent work. We value transparent and clear remuneration, which is why we use *Korn Ferry Hay Group*, the world's leading provider of accurate remuneration information and analysis. "*Korn Ferry Hay Group's* remuneration market research allows us to benchmark the remuneration policy of the "VILVI GROUP" against the local market and helps to ensure that remuneration is competitive and reasonable. In 2024, the Group started preparing for the implementation of the Transparent Remuneration Directive by starting a remuneration analysis in terms of compliance with the Directive and the need for improvement of the remuneration system.

Hourly staff are subject to an approved grading scheme, which sets out the specific qualification requirements for each grade in the technical, production, laboratory and other departments/ sections.

Members of the staff may be paid increments for qualifications and/or bonuses for additional work or for the performance of additional duties or tasks. Given the different ages and educational backgrounds of staff, the aim is to have a balanced package that meets the needs of different groups. Employees receive a range of financial assistance and other incentives: social benefits in the event of the death of a family member; gift vouchers from the supermarket. For example, birthday, anniversary, Christmas and retirement; access to the workplace for employees; additional health incentives for administrative staff.

The Group assesses the adequacy of staff remuneration in relation to the level of fair remuneration. A robust methodology, the "Wageindicator" (www.wageindicator.org), was used to select the benchmark. According to this methodology, the minimum monthly wage in Lithuania and Latvia is higher than the Living Wage, i.e. the *Living Wage* is lower than the *Minimum Wage*. For comparison purposes, the lower band is used as the indicator threshold used globally to measure a decent/ adequate standard of living. In the most recent assessment, in IIQ of the year 2024, the Group found that the remuneration paid across the Group is 100% in line with the Decent Living Wage. The lowest remuneration paid across the Group is higher than the Minimum Wage. Nevertheless, the Group has established a practice of raising the remuneration of employees twice a year. The Group plans to revise its decent remuneration methodology in the future to more accurately assess the level of decent remuneration in the regions in which it operates and to find a solution for a more accurate assessment of decent remuneration, while observing market trends.

*Social dialogue*

The Code of Ethical Employers and Human Rights Policy of the Group states that we respect the right of employees to associate, form or not to form associations, trade unions and to bargain collectively. In 2018, elections for work councils were initiated across the Group, but employees did not express a desire to form them. In 2024, a work council was formed at "Kelmės pienas" UAB, and in the year 2025, it is planned to initiate elections of work councils again at other companies. The Group is aware of the risks of insufficient social dialogue, and in the companies of the Group without a work council, the most active dialogue with employees is through the representatives of employees for safety and health, and regular surveys are carried out to find out their views. As part of the Double Materiality Assessment, the representatives of employees are also actively involved in the live discussions and an online survey of employees has been carried out. Employees can also be involved in dealing with situations of concern when a report is received via the Helpline and there is the possibility to ensure full confidentiality of the case.

*Health and safety*

The Group complies with all occupational health and safety laws and regulations, has designated responsible persons and established processes to ensure compliance with workplace safety and internal procedures, regular briefings, certification, and appropriate training and drills. Regular risk assessments, training and briefings are carried out in companies of the Group. Employees are provided with all necessary personal protective equipment.

Various projects and programs are in place to encourage employees to take better care of their health:

- all employees are covered by 24/7 accident insurance;
- additional motivational health measures are provided to administrative staff, such as access to comprehensive medical examinations/ specialist consultations, a gym, dentist, rehabilitation and other services;
- all employees are invited to receive free eye tests and flu vaccinations;
- to prevent potential chronic occupational diseases and preserve health of employees, an ergonomics project is being implemented to provide employees with ergonomic tools and workplace improvements to preserve their health and prevent injuries and other health effects;
- the training also encourages employees to pay more attention to their own health and to learn the necessary skills.

In order to prevent accidents, all companies of the Group follow the Occupational Health and Safety Policy. Accidents are recorded in accordance with established procedures, and in the case of each incident, the situation is carefully analyzed, the causes are identified and the necessary changes and measures are immediately initiated to prevent similar occurrences in the future. The Group is aware that in the event of an accident, there is a risk of a psychological and emotional crisis amongst the members of the staff, and therefore it takes active steps to manage these risks and ensure the well-being of employees.

A psychosocial factors survey was conducted in the year 2024 (previously in 2022). The aim of this survey is to identify the psychosocial challenges experienced by employees at work, assess their impact on their emotional well-being and working environment, and identify areas where additional changes or preventive measures are needed. The results help to develop an effective policy and action plan to ensure safety, health and emotional stability of the employees.

In the area of occupational safety and health, regular training is provided, preventive and control actions are taken in line with occupational risk assessments, accident information is analyzed at management level, and civilian training is provided. In 2024, additional safety and health training was provided to top and middle management to instill a culture of zero tolerance for safety non-compliance.

In order to reduce and prevent risks related to physical work, all companies of the Group provide ergonomic tools for use by employees in the production field that can help prevent the risk of health problems (massagers, support splints, etc.). All employees of the Group are covered by 24/7 accident insurance, and administrative staff are provided with an additional health package.

S1-5 **Targets related to managing material negative impacts, advancing positive impacts, and managing material risks and opportunities**

The main objectives of the Group are to reduce the number of accidents and to maintain the turnover rate of the employees.

| | |
|---|---|
| 1. Number of accidents | TRIR (number of incidents per 1 million hours worked) <2 Result of the year 2024 is 1,27. |
| 2. Turnover of employees | <25%, Result of the year 2024 is - 22%. |

The goals were set by the Group's Management and Quality Department and approved by top management. Currently, the goals are not coordinated with employee representatives. In the future, it is planned to align the set goals with employee representatives and regularly share information about the results.

## S1-6 Characteristics of the undertaking's employees

| | Units | 2024 | |
|---|---|---|---|
| | | women | men |
| **All employees** | pcs. | 938 | |
| **By gender** | pcs. | 492 | 446 |
| **Share of employees** | percent | 52% | 48% |
| **Employees by gender and employment contract:** | | | |
| **Permanent** | pcs. | 911 | |
| **By gender** | pcs. | 475 | 436 |
| **Temporary** | pcs. | 27 | |
| **By gender** | pcs. | 17 | 10 |
| **Full-time** | pcs. | 866 | |
| **By gender** | pcs. | 448 | 418 |
| **Part-time** | pcs. | 72 | |
| **By gender** | pcs. | 44 | 28 |
| **Employees working non-guaranteed hours** | pcs. | 0 | |
| **By gender** | pcs. | 0 | 0 |
| **Employees by country** | | | |
| **Lithuania** | pcs. | 878 | |
| **Latvia** | pcs. | 60 | |
| **Turnover of employees** | | | |
| **Number of leavers** | pcs. | 205 | |
| **By gender** | pcs. | - | - |
| **Total turnover of employees** | percent | 21,85 | |

**Information of calculation:**

Number of employees: number of employees with employment contracts on 31/12/2024. The number of employees does not include employees on maternity leave, paternity leave, parental leave, military service. The number of employees is recorded in the internal IT software.

Turnover of employees: number of employees leaving during the financial year/ number of employees at the beginning of the financial period.

## S1-7 Characteristics of non-employees in the undertaking's own workforce

The Group does not have any non-employees who are classified as its own workforce.

## S1-8 Collective bargaining coverage and social dialogue

| | Units | 2024 | |
|---|---|---|---|
| | | Lithuania | Latvia |
| **Coverage of collective agreements** | percent | 0 | |
| **Social dialogue (work councils)** | percent | 19,5 | Not applicable |

**Information of calculation:**

Coverage of collective agreements: there are no collective agreements in the Group.

Social dialogue: the share of employees of companies based in Lithuania represented in work councils. Coverage in Latvia is not disclosed, as less than 10% of the workforce in the region is employed in the sector. The number of employees in Latvia does not exceed 10% of the employees of the Group.

## S1-10 Adequate wages

| | Units | 2024 | | Information of calculation: |
|---|---|---|---|---|
| | | Lithuania | Latvia | All employees of the Group are paid a living wage in accordance with the provisions of Directive (EU) 2022/2041. |
| **Applicable adequate wage benchmark** | percent | 100% | 100% | |

## S1-11 Social protection

| | Units | 2024 | | Information of calculation: |
|---|---|---|---|---|
| | | Lithuania | Latvia | All employees of the Group are covered by social security in accordance with the laws of the Republic of Lithuania and the Republic of Latvia (compulsory health insurance, parental leave, retirement, etc.) and all employees of the Group are covered by the Accident Insurance. |
| **Social protection against certain types of events under national law** | percent | 100% | 100% | |

## S1-14 Health and safety metrics

| | Units | 2024 |
|---|---|---|
| **Applying a legally compliant HSSE management system** | percent | 100 |
| **Number of accidents** | pcs. | 10 |
| **Of which accidents on the way to/ from work** | pcs. | 5 |
| **Of which accidents at the workplace** | pcs. | 5 |
| **Of these, fatal** | pcs. | 0 |
| **Number of accidents resulting in temporary loss of work capacity** | pcs. | 10 |
| **The total number of hour worked** | hours | 1 569 732 |
| **TRIR (total recordable employee injury rate, TRIR):** | | 1,27 |
| **Number of working days lost due to injuries, accidents, deaths or illness** | pcs. | 13 440 |

**Information of calculation:**

Application of a legally compliant OSH management system: all employees of the Group are subject to an OSH system in accordance with the laws of the Republic of Lithuania and the Republic of Latvia.

Number of accidents: accidents on the way to/ from work and accidents recorded at the workplace.

Number of accidents with temporary disability: all accidents recorded in the Group (on the way to/ from work and at the workplace) involved temporary disability.

TRIR (total recordable employee injury rate, TRIR): total recordable work-related incident rate (number of recorded accidents x 200 000 / total hours worked per year).

Number of working days lost due to injuries, accidents, deaths or illnesses: data provided by the internal payroll IT software.

## S1-16 Remuneration metrics (pay gap and total remuneration)

| | Units | 2024 | |
|---|---|---|---|
| | | Women | Men |
| **Percentage gap of remuneration between female and male employees** | percent | 13,5 | |
| **Ratio of the highest earner's remuneration to the average remuneration of employees** | | 5,84 | |
| | | Lithuania | Latvia |
| **Minimum wage, Eur** | Eur | 1 139 | 1 177 |

**Information of calculation:**

Percentage gap of remuneration between female and male employees: the difference between the average remuneration rates of male and female employees expressed as a percentage of the average remuneration rate of male employees.

Ratio of the highest earner's remuneration to the average remuneration of employees: the total remuneration of the highest earner for the whole year divided by the average total annual remuneration of all employees (excluding the highest earner).

Minimum wage: the lowest wage paid to employees (the basic wage including fixed additional payments guaranteed to all employees).

## EQUAL TREATMENT AND EQUAL OPPORTUNITIES FOR ALL

### ESRS 2 SBM-2 Interests and views of stakeholders

Disclosures are on page 52, section "Interests and views of stakeholders".

### ESRS 2 SBM-3 Material impacts, risks and opportunities and their interaction of with strategy and business model

Below are the impacts, risks and opportunities of the Group in the Equal Value for Money and Equal Opportunities sub-topic identified as significant in the Double Materiality Assessment. For more information on the Double Materiality Assessment, see page 54-57.

**Significant sustainability-related IROs**

Notation: 'OO' for Own Operations, 'VC' for Value Chain. The impacts indicated are actual unless otherwise stated (potential).

| Type of impact/ risk (location in the value chain) | Significant IROs | Period | Description |
|---|---|---|---|
| **Subtopic: gender equality and equal pay for work of equal value** | | | |
| **Negative effects (OO)** | Distribution of stereotypical "male" and "female" occupations | Medium, long term | Stereotypical norms and market attitudes about typical "male" and "female" jobs have a negative impact on the gender balance in some jobs. |
| **Negative effects (OO)** | Workload distribution by gender | Medium, long term | In workplaces with different workloads, there is a natural distribution between men and women, with men taking on a greater physical workload, which has a negative impact on the gender balance. |
| **Positive impact (OO)** | Ensuring fairness in remuneration grades for hourly staff | Medium, long term | Gender-neutral grading system for hourly staff |
| **Subtopic: training and skills development** | | | |
| **Positive impact (OO)** | Career, training and learning opportunities | Short, medium, long term | Upgrading and learning opportunities for employees have a positive impact on their motivation, skills and career prospects |

The Double Materiality Assessment identifies the impacts, risks and opportunities that are material to the Group. Impacts that are material to the Group are not related to the manufacturing industry or the strategy or business model of the Group, the issues are observed across the market. The distribution of stereotypical, gender-specific roles is observed across the market from the choice of studies, e.g. In the technical department of the Group, the vast majority of employees are male, in the laboratory or in the accounting department are women, etc. The attractiveness of a profession to one or the other gender is also determined by the physical demands of the job/position.

### S1-1 Policies related to own workforce

**The Equal Opportunities Policy** of the Group establishes the principles of equal opportunities within the Group and the conditions and procedures for their implementation. Essential principles:

- Direct and indirect discrimination, harassment, sexual harassment, direct or indirect discrimination, or

**The Policy on Prevention of Violence and Harassment** at Work of the Group provides for effective measures to create a safe working environment for all Group employees:

directing discrimination on the grounds of sex, race, nationality, language, origin, social status, age, sexual orientation, disability, ethnicity, membership of a political party or association, religion, belief, faith or opinion, intention to have a child(-ren), or any other circumstance unrelated to the member of the staff character, is prohibited within the Group.

- All employees are given equal opportunities during working hours. Recruitment is based solely on merit and the ability to do the job well.
- All staff are given equal opportunities to learn, develop their skills and advance professionally.
- Salaries are based on objective criteria related to the qualifications of the staff member, the responsibilities assigned, the nature of the work performed, the results achieved and other gender-neutral criteria.
- Employees are paid the same for work of equal value.
- The principles of employee protection are applied.
- Measures to implement equal opportunities.
- Overseeing the process of equal opportunities.

The policy is adopted in accordance with Article 26 of the Labor Code. The following provisions of the Law on Equal Opportunities of the Republic of Lithuania shall be applied. The Policy was approved by a decision of the Chief Executive Officer of the parent company. The Policy is valid for all employees of the Group and is available on the website of the Group.

- Protecting staff from acts of violence and harassment and ensuring their psychological safety by preventing violence and harassment.
- Ensuring that cases of violence and harassment are identified and dealt with by establishing effective procedures for identifying, recording and dealing with cases of violence and harassment.
- Ensuring psychosocial risk assessment.

The policy identifies how to identify cases of violence and harassment at work, defines the use of preventive action, and outlines rules of conduct and reporting methods. The Policy was approved by a decision of the CEO of the Parent Company in 2022, reviewed and updated in the year 2023. The Policy is available to all Group employees on the internet page of the Group.

**The Human Rights Policy** of the Group is adopted in 2022 and includes key provisions of human rights. The policy is based on the United Nations "Universal Declaration of Human Rights". Valid for all employees of the Group.

**Other related policies of the "VILVI GROUP":**

- Remuneration policy, see page 88.
- Requirements enshrined in the Supplier Code of Conduct that suppliers must implement in their organizations in the social sphere. The Supplier Code of Conduct is publicly available on the Group's website.

## S1-2 Processes for engaging with own workforce and workers' representatives about impacts

In cases of adverse impacts, following a referral through the reporting channels of the Group, reports are dealt with in accordance with the approved procedures for dealing with reports, in accordance with the established review process, see page 106, for more information. Involvement of relevant employees, as appropriate, while maintaining confidentiality, as provided for in the procedures. Any changes to the policies shall be agreed with representatives of employees (existing work councils or safety and health representatives) in companies of the Group.

## S1-3 Processes to remediate negative impacts and channels for own workers to raise concerns

Employees can raise concerns on the Helpline of the Group, which is available on the website of the Group and in each company of the Group through a physical message box. Through this line, employees and other stakeholders can report all situations of concern confidentially and anonymously. Illegal actions and possible violations of legislation in companies of the Group can also be reported by sending a report under the Whistleblower Protection Act of the Republic of Lithuania, all information is available on the website of the Group. Employees are additionally informed about the reporting channels through education. Employees can also, if necessary, use all other mechanisms available on the market to contact public authorities in the ways they are provided. For more information on reporting channels, see page 106.

In order to mitigate the negative impacts identified in the Double Materiality Assessment, appropriate measures are being taken to reduce the stereotyping of occupations or positions in favor of one or the other gender: job searches, recruitment processes, assessment of qualifications, and training are carried out on the basis of gender-neutral criteria, and university career fairs are attended, where gender-neutral information about the positions is provided.

Automation of production processes is being implemented to reduce the gender distribution of the workload, with men doing the heavier manual tasks in production. However, this process requires investment, is not fast and presents a new risk: the lack of skilled employees in the region who can work with automated machinery. Where possible, simplified solutions are being introduced to ease the physical workload of employees.

## S1-4 Taking action on material impacts on own workforce, and approaches to managing material risks and pursuing material opportunities related to own workforce, and effectiveness of those actions and approaches

In order to manage significant impacts on its own workforce, procedural steps are taken, such as initiating internal audits, setting up a management team to assess and correct identified risks or impacts, and initiating control mechanisms. The Group regularly conducts a Psychosocial Factors Survey, the results of which are analyzed and corrective action is taken.

*Gender equality and equal remuneration for work of equal value*

The Group has adopted key policies to ensure that not only do we know within the Group which principles of work and cooperation are most important to us, but also to inform the communities around us, the partners we work with and other stakeholders. In order to ensure that the approach of the Group is reflected in its activities, procedures have been put in place to support this, responsible persons have been appointed and control mechanisms have been approved. A number of different policies adopted by the Group (Human Rights Policy, Equal Opportunities Policy, Prevention of Violence and Harassment at Work Policy, Personal Data Handling Policy, IT Security Policy, Code of Ethical Conduct for Employers) help to ensure that human rights are taken into account in the various phases of the operations of the organization. As part of the Double Materiality Assessment, the Group has assessed the main impacts, risks and opportunities in the area of human rights. In 2025, the Group plans to launch a human rights risk assessment in some of its businesses, with a due diligence policy to be finalized and approved by the year 2027.

The Group does not tolerate any form of violence or other attempts to harm. *The policy of the Group on the prevention of violence and harassment at work* has been adopted and in 2024 a strong focus has been placed on violence and harassment prevention training, training of employees to distinguish between different forms of negative behavior and informing them where to report situations of concern. Employees are informed about the reporting channels they can use to report worrying situations.

The remuneration policy and remuneration system of the Group ensures that men and women are paid equally for the same or equivalent work. The Group employs a large number of employees with different competences in different positions, which results in a complex remuneration structure that influences the median gender ratio. There is a negative impact on remuneration differentials due to the stereotyping of 'male' and 'female' jobs in the market, which may have a negative impact on the balance of gender remuneration. The Group has started preparations for the Transparent Remuneration Directive in 2024 and is actively analyzing data of remuneration. Men and women are paid identically on an hourly basis, and the grading system ensures that remuneration of an employee is determined solely by his or her qualifications, skills and performance. However, there is an imbalance in remuneration between men and women in the administration. The Group seeks to address this discrepancy through continuous analysis of salary data and targeted actions to ensure equal remuneration for work of equal value.

Due to the nature of production, there are negative effects when the workload is distributed between the genders, with a higher physical workload for men. This imbalance of power is addressed by automating production processes and introducing other means of easing the physical effort that even out the workload.

*Learning and upskilling*

The Group focuses not only on maintaining and improving the physical and emotional health of its employees, but also on development of competences and opening up of career opportunities. The Group has adopted a learning culture that aims to support an environment of growth and development, and encourages knowledge sharing and collaboration.

Targeted training is organized within the Group, taking into account the objectives of the Group, staff needs and competence expectations. Organization-wide training is provided for both specialized, professional and generic competences. Cooperation with various academic and training institutions is used to enable employees to acquire the competences they lack, both internally and externally, through training courses, seminars or conferences.

In 2024, significant attention was devoted to deepening employees' professional and specialized knowledge as well as general competencies – developing leadership skills, effective internal communication, and conflict prevention abilities. Top-level managers placed particular emphasis on analyzing organizational culture and creating a responsibility matrix model at the Group level.

The approach of the Group is that upskilling helps maintain competitiveness and the pace of innovation. The risk is that too much training may reduce employee engagement, so a balance is sought. An annual survey of learning needs and areas is conducted and learning plans are formulated based on the survey results.

Nevertheless, there are also market challenges - there is a trend towards a sharp decline in the number of students interested in studying dairy processing technology, and there are challenges in attracting engineering specialties to the regions. The Group participates in career fairs at educational institutions to raise the profile of the Group and to educate students about the opportunities of joining the "VILVI GROUP".

### S1-5 Targets related to managing material impacts, advancing positive impacts, as well as to risks and opportunities

The main objective linked to this sub-topic is turnover of employees, the purpose of which is identified above. Other objectives are not relevant in this field.

### S1-9 Diversity metrics

| | Units | 2024 | |
|---|---|---|---|
| | | Women | Men |
| **Top managers** | pcs. | 3 | 8 |
| **Part of** | percent. | 27 | 73 |
| **Middle managers** | pcs. | 13 | 10 |
| **Part of** | percent | 56 | 43 |
| **All employees by age group** | | | |
| **Under 30 years old** | pcs. | 54 | 53 |
| **Part of** | percent | 5,76 | 5,65 |
| **30-50 years** | pcs. | 237 | 193 |
| **Part of** | percent | 25,27 | 20,58 |
| **Over 50 years old** | pcs. | 201 | 200 |
| **Part of** | percent | 21,43 | 21,32 |

**Information of calculation:**
Top level managers: heads of departments.
Middle managers: heads of units.
The gender breakdown of the Supervisory bodies of the Board, is shown on page 49-50.

All data is recorded in the internal IT systems of the Group for the employees.
The number of employees includes employees on maternity, paternity, parental leave or military service.

### S1-12 Persons with disabilities

| | Units | 2024 |
|---|---|---|
| **Percentage of employees with disabilities** | Percent | 7,6 |

**Information of calculation:**
Number of employees with disabilities working for the Group at the end of the reporting year.

The Group does not use additional performance indicators aimed at analyzing the inclusion of persons with disabilities.

### S1-13 Training and Skills Development metrics

| | Units | 2024 | |
|---|---|---|---|
| | | Women | Men |
| **Employees who have participated in regular performance and career development reviews** | pcs. | 129 | |
| **Part of** | percent | 7,3 | |
| **Average number of training hours per employee** | | 19 | |
| **By gender** | | not evalueted | not evalueted |

**Information of calculation:**
Employees who participated in regular performance and career development reviews:

In 2024, 129 employees (104 employees assessed by qualification categories and 15 administrative employees) were promoted or changed categories. This accounted for 7.3 percent of all Group employees at the end of the reporting year. The performance of 62 percent of the Group's non-administrative employees is evaluated using qualification categories. Qualification categories increased for 104 employees, i.e., approximately 18 percent of non-administrative employees assessed by qualification categories.

Average number of training hours per employee: the number of training hours during the reference period divided by the average number of employees during the reference period.
Average number of training hours per staff member by gender: training is organized according to the post and its skill requirements. The aim of the training is to improve competences regardless of gender, so information is not recorded on the basis of gender.

S1-15 **Work-life balance**

| | Units | 2024 | | Information of calculation: |
|---|---|---|---|---|
| | | Women | Men | |
| **Percentage of employees entitled to family leave** | percent | 100 | 100 | The percentage of hired employees who exercised their right to take leave for family reasons: the calculated percentage of the number of female/male employees of the Group's companies at the end of the reporting year compared to the number of female/male employees entitled to family leave (pregnancy, childbirth, childcare). |
| **Percentage of employees who have taken family leave** | percent | 2,24 | | |
| **By gender** | percent | 3,83 | 0,45 | |

S1-17 **Incidents, complaints and severe human rights impacts**

| | Units | 2024 | Information of calculation: |
|---|---|---|---|
| **Number of complaints made through channels through which concerns can be raised by people in the own workforce** | pcs. | 0 | Number of complaints made through the channels through which concerns by persons classified as self-employed can be raised: number of complaints received through the reporting channels of the Group - the Helpline and the Reporting Channel. |
| **Of which number of discrimination incidents** | pcs. | 0 | |
| **Of which number of confirmed incidents of discrimination** | pcs. | 0 | |
| **Total amount of penalties, fines and compensation for damages resulting from previously disclosed incidents and complaints** | Eur | 0 | |
| **Number of major incidents of human rights involving own workforce** | pcs. | 0 | |
| **Total amount of fines, penalties and compensation for damages resulting from major incidents of human rights, involving own workforce** | Eur | 0 | |

## ESRS S3 AFFECTED COMMUNITIES

### ESRS 2 SBM-2 Interests and views of stakeholders

During the Double Materiality Assessment, community representatives were involved in the assessment process. For more information, see page 52-54.

### ESRS 2 SBM-3 Material impacts, risks and opportunities and their interaction with strategy and business

The Double Materiality Assessment identified the following sub-topic as significant and directly related to the strategy and business model of the Group: economic, social and cultural rights of communities, adequate food. The mission of the Group to increase access to food has a direct positive impact on its core product development. By providing food aid to the community, the Group creates an even greater positive impact.

Below are the impacts, risks and opportunities of the Group in the Working Conditions sub-topic identified as significant in the Double Materiality Assessment. For more information on the Double Materiality Assessment, see page 54-57.

## Significant sustainability-related IROs

Notation: 'OO' for Own Operations, 'VC' for Value Chain. The impacts indicated are actual unless otherwise stated (potential).

| Type of impact/ risk (location in the value chain) | Significant IROs | Period | Description |
|---|---|---|---|
| **Communities' civil and political rights: adequate food** | | | |
| **Positive effects (OO, VC)** | Proper food | Medium, long term | The Group's efforts are directed towards increasing food accessibility (in the final part of the value chain – for the end consumer of food products). In its operational communities (around the Group's companies), the Group provides food support, thereby enhancing the positive impact it creates. |

S3-1

## Policies related to affected communities

**The Grantmaking Policy of the Group sets out the objectives, directions and process of granting support to affected communities.**

The focus of the Group for support under the Sustainable Development Goals:

- **Beyond Hunger** - support for projects and activities carried out by organizations fighting poverty and hunger, and by relief and charitable foundations working in this field, with the aim of achieving public benefit (SDG2).
- **Local communities** - to strengthen cooperation with communities in the regions of operation of the Group to contribute to economic development and improved living conditions, local employment, social inclusion and the reduction of economic inequalities (SDG8 and SDG10).
- **Good Health** – support for projects and activities for the benefit of the public that promote healthy eating and active movement (SDG3*)*
- **Quality education** - for educational institutions to improve the quality of courses of study relevant to the business areas of the Group, to promote the attractiveness and popularity of these courses of study and/or careers in manufacturing and industry, and to promote research activities in these courses of study (SDG4).

**No support can be granted:**

Funding for political parties, state politicians, political advertising and/or political campaigns.

Activities that may have a negative impact on society or parts of society (extreme and high-risk sports, gambling, alcoholic beverages, smoking and other intoxicants, etc.)

Activities and/or projects that are incompatible with the values of the Group

Beneficiaries who have committed material irregularities or misused the aid during the execution of a previous support contract with a company of the Group.

**The support policy sets out the criteria for granting support:**

- The focus of the Group for support under the Sustainable Development Goals:
- Support is given to applicants whose activities or projects
- The objectives of the support project/ activity must be in line with the focus of the support of the Group.

The importance of the support project and the problem to be solved must be justified - the need for the project/ activity must be clearly justified. The beneficiary must have sufficient resources to implement the activity.

- Outcomes must be clear, realistic and measurable, with measures to achieve the objectives of the project. The project must add value, increase the visibility and reputation of the Group through appropriate publicity in line with brand requirements.

**Forms of support:**

- Financial support.
- Product donation - donations are made in support of products produced by the Group.
- The decision to grant/ not to grant support is taken by the Support Evaluation Group.

**The decision is based on:**

Donation Policy of the Group

Rules on the granting of Support of the Group

**The Code of Ethical Business Conduct of the Group** sets out the principles of how the Group communicates/ collaborates with stakeholders, including communities. The factories of the Group are located in the regions of the country and therefore cooperation with local people, many of whom work for the Group, is essential. We aim to build community and close relationships and to maintain the trust of local people.

**Environmental policy of the Group** states that we take into account the interests of the communities in which we operate when applying environmental principles. We work with our communities as we do with other stakeholders who have an interest in improving the environment.

create value in the regions where the Group operates - priority is given to initiatives in the municipalities of Tauragė, Kelmė, Pagėgiai and Bauska.

### S3-2 Processes for engaging with affected communities about impacts

The Group is an active member of the communities in which it operates. Although the Group does not currently have a specific procedure for involving communities in its decision-making, it is actively engaging with representatives of local communities or organizations. The closest contacts have been established with the local and surrounding communities of the parent company, "Vilkyškių pieninė" AB, located in the municipalities of communities of Vilkyškiai and Pagėgiai.

### S3-3 Processes to remediate negative impacts and channels for affected communities to raise concerns

Representatives of communities can report situations of concern through the reporting channels of the Group. The Helpline is available on the website of the Group or in physical boxes located at the security checkpoints at each of the sites of the Group. A Whistleblower Channel is also available on the website of the Group for members of the communities to report under the Whistleblower Protection Act.

### S3-4 Taking action on material impacts on affected communities, and approaches to managing material risks and pursuing material opportunities related to affected communities, and effectiveness of those actions

"Vilkyškių pieninė" AB has received complaints from residents about noise from heavy vehicles and unsafe traffic situations around the factory site in Vilkyškiai town. This situation is planned to be resolved in the year 2026 with the construction of a new administrative building in Tauragė, when the administration of the Group will be moved from Vilkyškiai to Tauragė and the freed-up space will be made safer for heavy vehicles.

The Double Materiality Assessment did not identify any adverse impacts on communities caused by the Group and therefore there are no other specific situations that require remedial action. Positive impacts are generated through support to communities and the support is carried out in accordance with the approved Grant Policy. In close cooperation, it is not the first year in 2024 that the communities of Vilkyškiai, Pagėgiai, Tauragė, Kelmė have been supported financially and with products.

### S3-5 Targets related to managing material negative impacts, advancing positive impacts, and managing material risks and opportunities

The Group does not currently have any objectives related to management of community impact.

## ESRS S4 CONSUMERS AND END-USERS

### PERSONAL SAFETY OF CONSUMERS AND/OR END-USERS

### ESRS 2 SBM-2 Interests and views of stakeholders

The Double Materiality Assessment sought the views of both direct business customers and end-users of the products, so these stakeholders were included in the assessment. For more information, see page 52-54.

### ESRS 2 SBM-3 Material impacts, risks and opportunities and their interaction with strategy and business model

The Double Materiality Assessment found that under the topic of personal safety of consumers/ end-users, the sub-topic of health and safety is significant for the Group. For more information on the Double Materiality Assessment, see page 54-57.

The Group produces food products, so food safety and quality are one of the most important areas of impact overall. This topic is not isolated in the strategic objectives or business model of the Group, but is at the heart of the entire food manufacturing industry. Food safety and quality must be ensured for business continuity.

Notation: 'OO' for Own Operations, 'VC' for Value Chain. The impacts indicated are actual unless otherwise stated (potential).

| Type of impact/ risk (location in the value chain) | Significant IROs | Period | Description |
|---|---|---|---|
| **Sub-topic: health and safety** | | | |
| **Positive effects (OO, VC)** | Food safety and quality standards | Medium, long term | The implementation and compliance with food safety and quality standards of the Group, results in a higher level of compliance with food safety and quality requirements, which has a positive impact on product safety and quality. |
| **Risks (OO)** | Failure to comply with the conditions for storing production | Medium, long term | Failure to respect storage conditions at the end of the value chain creates risks of product quality non-conformity. |

## S4-1 Policies related to consumers and end-users

**The Food Safety and Quality Policy of the "VILVI Group"** sets out guidelines and principles to ensure food safety and quality and to foster a culture of food safety within the companies of the Group and its environment.

The policy is approved by a decision of the CEO of the parent company, and the Head of Quality is responsible for the implementation of the food safety and quality policy. All employees of the Group are required to comply with the Policy. The policy is available to all stakeholders on the website of the Group.

The policy defines key principles of food safety and quality:

- We responsibly develop and supply the market with safe and quality food products that comply with food safety standards, legal and other requirements of the buyer's country, European Union and Republic of Lithuania regulations and legislation.
- To meet the needs of consumers and business customers, we continuously monitor healthy lifestyle trends, the competitive environment and scientific discoveries, and apply them to develop new products and improve the products that consumers already love.
- We maintain communication and close contact with all stakeholders, aiming for timely, reliable and transparent communication, especially with business customers, partners and raw material suppliers.
- We only work with trusted suppliers of raw materials, supplies and services, ensuring stable quality, authenticity and safety performance. This ensures the authenticity of the dairy products we produce, protecting consumers from counterfeit products that do not comply with composition requirements.
- We continuously improve our food safety and quality management system, and monitor our processes on a daily basis to improve its efficiency and effectiveness.
- We continuously maintain staff competence in food safety culture, pay increased attention to the importance of hygiene and food safety risks, and improve communication and feedback.
- We encourage autonomy, initiative, understanding and responsibility for the quality of our products, fostering mutual respect and communication based on company values.
- We ensure the safety of employees in the work environment.
- We are constantly improving our production technologies and looking for solutions to produce the highest quality dairy products.
- In order to minimize our environmental impact, we use our existing infrastructure responsibly and keep it up-to-date, coordinate resource management and assess potential risks.
- We aim to share our knowledge with all key stakeholders - consumers, business customers and partners.

S4-2 S4-3 **Processes for engaging with consumers and end-users about impacts and processes to remediate negative impacts and channels for consumers and end-users to raise concerns**

End Users may at any time express their comments, complaints or feedback through the channels provided by the Group: the general quality telephone number, email, the messaging channels of the Group are available on the website of the Group, and the accounts on the most popular social networking sites of the Group. User comments and complaints are actively analyzed and a dialogue is established to clarify the circumstances. Complaints are registered, analyzed and responded to in accordance with the *Complaints Guidelines* and the *Incident Management Procedure* of the Group. We notice a risk that comments, complaints or reflections made in public social spaces are often unfounded or misleading. However, we do not interfere with freedoms of the customers by not limiting their deliberations, and responding when necessary. When information is received through the communication channels of the Group, it is always responded to and answered.

Business customers are actively engaged to gather information on their specific needs and labelling requirements. This ensures that expectations are met right from the selection of raw materials and production processes. Annual customer and consumer surveys are carried out and used to further needs of analysis.

S4-4 **Taking action on material impacts on consumers and end-users, and approaches to managing material risks and pursuing material opportunities related to consumers and end-users, and effectiveness of those actions**

Fostering a culture of food safety and ensuring product safety and quality is one of the top priorities of the Group. The factories of the Group produce and control products in accordance with the highest food safety and quality standards and legal regulations. The Group has implemented *Food Safety and Quality Systems and* follows an approved *Food Safety and Quality Policy*. The Group is subject to audits by controlling and certifying authorities, inspections by existing and potential customers and their representatives, and inspections by the State Food and Veterinary Service (SFVS).

The Group has *Food Safety and Quality Systems* in place:

| Certificates | “Vilkyškių pieninė” AB | "Modest" AB | "Kelmės pieninė” AB | "Kelmės pienas” UAB | “Baltic Dairy Board“ SIA |
|---|---|---|---|---|---|
| ISO 22000 | | | ◆ | | |
| FSSC 22000 | ◆ | ◆ | ◆ | | ◆ |
| ISO 50001 | | | | | ◆ |
| HALAL | ◆ | ◆ | ◆ | | ◆ |
| Kosher | ◆ | | ◆ | | ◆ |
| IFS Food Version 8 | | | | ◆ | |
| Certificate of organic production | | | | ◆ | ◆ |
| Rainforest Alliance certificate | | | | ◆ | |

S4-5 **Taking action on material impacts on consumers and end-users, and approaches to managing material risks and pursuing material opportunities related to consumers and end-users, and effectiveness of those actions**

Measurable food safety and quality goals and objectives are set annually in each Group company and approved by the company managers. The Quality Department is responsible for ensuring the achievement of these goals. The approved plan outlines the measures, implementation deadlines, and measurable indicators.

The objectives are set in the following areas of food safety and quality:

1. To produce high-quality and safe dairy products that meet consumer needs and food safety standards. To strive for maximum satisfaction of customer needs and expectations, aiming to gain their trust and loyalty to the group of companies, by improving and developing new products and their packaging, and implementing new technologies capable of delivering products of exceptional quality to the customer.

2. To contribute to the creation of a sustainable environment by utilizing existing infrastructure and upgrading it, while reducing the impact on the surrounding environment, coordinating resource management, and assessing risks. To aim to reduce the amount of food lost at all stages of production and distribution.

3. To maintain communication with all stakeholders, striving for transparent communication.

4. To work only with reliable suppliers who ensure the stable quality, authenticity, and safety indicators of the supplied raw materials.

5. To ensure employee safety in the workplace environment.

6. To improve the Food Safety and Management System, enhancing its effectiveness and efficiency. To maintain employee competence in the area of food safety culture, paying increased attention to the importance of hygiene and risks to food safety, and improving mutual communication and feedback. To encourage employee independence, initiative, understanding, and responsibility for the quality of the produced products, fostering.

## SOCIAL INCLUSION OF CONSUMERS/ END-USERS

### ESRS 2 SBM-2 Interests and views of stakeholders

The Double Materiality Assessment found that under the topic of personal safety of consumers/ end-users, the sub-topic of health and safety is significant for the Group. For more information on the Double Materiality Assessment, see page 52-54.

The Group produces food products, so food safety and quality are one of the most important areas of impact overall. This topic is not isolated in the strategic objectives or business model of the Group, but is at the heart of the entire food manufacturing industry. Food safety and quality must be ensured for business continuity.

### ESRS 2 SBM-3 Material impacts, risks and opportunities and their interaction with strategy and business model

The Double Materiality Assessment found that under the theme of social inclusion of users/ end-users, access to products and services is a significant sub-topic for the Group. For more information on the Double Materiality Assessment, see page 54-57.

Notation: 'OO' for Own Operations, 'VC' for Value Chain. The effects reported are actual unless otherwise stated (potential).

| Type of impact/ risk (location in the value chain) | Significant IROs | Period | Description |
|---|---|---|---|
| **Subtopic: access to products and services** | | | |
| **Positive effects (OO, VC)** | Increasing accessibility | Medium, long term | The Group develops product lines for different consumer segments (healthier product lines, lower-priced products, sports products), which increases the accessibility of dairy products to a wider range of consumers. |
| **Risks** | Food safety and quality risks | Medium, long term | Placing food on the market exposes you to food safety and quality risks, as well as possible recalls. |

Ensuring access to products is at the heart of the strategy and business model of the Group, as set out in the mission statement of the Group. The Group has long sought to differentiate its product basket by producing a wide variety of dairy products for different audiences and to meet the needs of different customers and consumers: from everyday fresh dairy products and cheese, to healthier (lower sugar) product lines and proteins for sports nutrition. The business model of the Group of creating synergies between companies allows for a very broad and diverse basket of dairy products.

## S4-1 Policies related to consumers and end-users

**The customers and users of the Group are the subject of a full range of Group policies, which ensure smooth operations and the interests of stakeholders are met:**

**Business Ethics Policy**, more on page 104.

**Food safety and health policy**, more on page 99.

**Human rights policy**, more on page 87.

**Environmental policy**, more on page 66, 71, 74, 76, 79.

All of these policies are approved at Group level and must be adhered to by all employees of the Group, and are publicly available on the website of the Group.

**In order to ensure that suppliers are held to the same ethical standards, the Group has adopted a Supplier Code of Conduct to which all suppliers approved by the Group are required to adhere.**

The Supplier Code of Conduct is publicly available on the website of the Group. The Code has been drawn up in accordance with the OECD Guidelines for Multinational Enterprises and sets out the main requirements for suppliers approved by the Group: general, social and environmental requirements and anti-corruption requirements.

## S4-2 S4-3 Processes for engaging with consumers and end-users about impacts, processes to remediate negative impacts and channels for consumers and end-users to raise concerns

Dialogue and remediation with business customers and end-users shall be pursued through the channels listed above under "S4-2, S4-3 Processes for engaging consumers and end-users in addressing impacts, processes for remediating adverse impacts and channels for consumers and/or end-users to raise concerns" under Food Safety and Quality, page 106.

All stakeholders can report situations of concern through the trust channels of the Group, for more information see page 100.

## S4-4 Taking action on material impacts on consumers and end- users,, and approaches to mitigating material risks and pursuing material opportunities related to consumers and end-users and effectiveness of those actions

Putting food on the market exposes you to food safety and quality risks. To manage these risks, actions are taken in accordance with the procedures set out in the Food Safety and Quality area, see page 99, for more information. "S4-4 Actions taken to address significant impacts on consumers and end-users. Methods of management of significant risks and seizing of significant opportunities for consumers and end-users and the effectiveness of those actions". All products manufactured by the Group are labelled in accordance with the requirements of the legislation of the Republic of Lithuania and the markets in which we operate, the principles of fairness in marketing and communication are respected by not publishing untrue information, and by complying with the laws regulating communication and marketing.

## S4-5 Targets related to managing material negative impacts, advancing positive impacts, and managing material risks and opportunities

Ensuring of food availability is directly linked to food and safety risks, and the objectives of this strand are set out on page 100-101.

# GOVERNANCE



ESRS G1

# BUSINESS CONDUCT

## ESRS 2 SBM-3 Significant impacts, risks and opportunities and their interaction with its strategy and business model

The Double Materiality Assessment found the following sub-topics to be significant in the topic of business ethics.

For more information on the Double Materiality Assessment, see page 54.

Notation: 'OO' for Own Operations, 'VC' for Value Chain. The impacts indicated are actual unless otherwise stated (potential).

| Type of impact/ risk (location in the value chain) | Significant IROs | Period | Description |
|---|---|---|---|
| **Subtopic: corporate culture** | | | |
| **Positive effects (OO, VC)** | An organizational culture that fosters ethical business | Medium, long term | The Group creates and fosters an organizational culture based on ethical business norms, with a positive impact both within the organization and upstream in the value chain. |
| **Risks (OO)** | Turnover of employees | Medium, long term | The organizational culture and values introduced by the Group may not be acceptable to all employees, which can lead to a risk of turnover of employees. |
| **Subtopic: protection of whistleblowers** | | | |
| **Positive effects (OO, VC)** | Ensuring reporting channels and whistleblower protection | Medium, long term | The messaging channels of the Group are accessible to all stakeholders, provide anonymous and confidential reporting and whistleblower protection, and have a positive impact both within the organization and across the value chain. |
| **Subtopic: management of relationships with suppliers including payment practices** | | | |
| **Positive effects (OO, VC)** | Defined payment practices | Medium, long term | The Group operates on a contractual basis - payment practices are set out in contracts, creating a positive impact both within the organization and across the value chain. |
| **Positive effects (OO, VC)** | Supply chain risk assessment | Medium, long term | The Group assesses supply chain risks and works with trusted and approved suppliers, creating a positive impact both within the organization and upstream in the supply chain. |

## GOV-1 The role of the administrative, supervisory and management bodies

Information is available on page 23-31.

## ESRS 2 SBM-1 Description of the processes for identifying and assessing significant impacts, risks and opportunities

Information is available on page 54-57, section "Material impacts, risks and opportunities and their interaction with strategy and business model".

## G1-1 Business conduct policies and corporate culture

**The Business Ethics Policy** approved within the Group establishes the fundamental principles of ethical business conduct, applicable to all Group employees:

- How we communicate and maintain relationships with all stakeholders of the Group.

The Group, aiming to ensure that suppliers adhere to no less stringent ethical standards, has approved a **Supplier Code of Conduct**, which all Group-approved suppliers must familiarize themselves with. The Supplier Code of Conduct is publicly available on the Group's website. The Code was developed

- The core operating principles of the Group: transparency, trust, responsibility, and collaboration.
- No form of corruption is tolerated within the Group, and compliance with the provisions on giving/receiving gifts is upheld.
- We monitor and strive to prevent conflicts of interest within the Group.
- The Group does not support political parties or participate in political activities.
- Internal Group information that is not publicly disclosed is confidential, safeguarded by the Group itself, and may not be disclosed to third parties.

The Business Ethics Policy has been approved at the Group level, and all Group employees are required to comply with it. The policy is publicly accessible on the Group's website.

based on the OECD Guidelines for Multinational Enterprises and outlines the key requirements for Group-approved suppliers: general, social, and environmental requirements, as well as anti-corruption requirements.

In 2024, strategic sessions and activities were conducted at the Group's management level (senior and middle management) with the goal of reaching agreements on organizational culture, clarifying the functions between departments and units, and establishing responsibilities. This represented a significant step toward a clearer organizational culture.

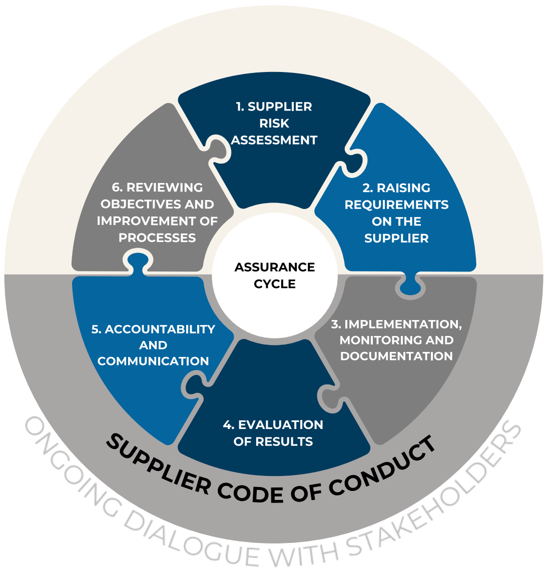
## G1-2 Management of relationships with suppliers

The Group has a procurement procedure that must be followed by all purchasing units. Most of the purchases of the Group are made through the Purchasing Department. The Group conducts an annual supplier risk assessment (using the Supplier Risk Assessment Model) and establishes lists of trusted suppliers to ensure smooth supply and develop partnerships.

Contracts with third parties are subject to mandatory requirements for compliance with laws and regulations, environmental and occupational health and safety requirements. Sustainability requirements are integrated into the supplier risk assessment model.

In 2024, suppliers included in the list of trusted suppliers were introduced to the Group's Supplier Code of Conduct. In 2025, it is planned to start imposing more requirements on suppliers, with an action plan to be outlined in 2025.

The supplier risk assessment model followed by the Group.




## G1-3 Prevention and detection of corruption and bribery

The Group does not have a separate anti-corruption and anti-bribery policy, but the main provisions are set out in the Code of Ethical Conduct of the Group. The Group does not tolerate any form of corruption, including bribery and kickbacks, and advocates honest business practices and transparent cooperation with public authorities and other stakeholders. These provisions are also enshrined in the Supplier Code of Conduct.

The Group pays all taxes, maintains fair accounting records, has a transparent payroll policy, ensures transparency in the procurement of the Group and requires potential and existing suppliers to act transparently and fairly.

Every new customer goes through a screening process, and no transactions are involved in which bribes are solicited or non-transparent behavior is offered. The Group has clearly and publicly set out its principles of business conduct and cooperation in its Code of Ethical Business Conduct, the Supplier Code of Conduct is communicated to partners and suppliers, and employees are constantly reminded of the types of behavior or agreements that are not tolerated and the risks that may arise in dealing with stakeholders, both in Lithuania and overseas. Employees in higher risk departments who are involved in procurement/ sales receive additional training on the Code of Conduct. In the event of a change of team members, training for new employees is provided immediately. The training covers the basic ethical business practices of the Group, expectations of employees in the area of business ethics, rules on conflicts of interest, provisions on political participation, receipt and provision of gifts, and information on reporting channels. Training is not currently provided to members of supervisory bodies.

The Group unconditionally complies with the approved sanctions. The Group does not have a formalized anti-money laundering policy, which is planned to be in place during the year 2025.

| Training for functions at risk | Units | 2024 | Information of calculation: Units/ departments with a higher risk of corruption and bribery are procurement and sales functions. |
|---|---|---|---|
| **Scope of the risk functions covered by the training** | Percent | 100 | |

Whistleblowing channels

The Group has reporting channels through which both employees and other stakeholders can report situations of concern:

- A Helpline where all stakeholders can report situations of concern. You can also report anonymously. An approved description of the procedures for handling reports to the Helpline ensures that all reports received are treated in full confidentiality and within the time limits and procedures laid down for handling. The Helpline is accessible to all interested parties via the website of the Group. In order to ensure access also for stakeholders who do not necessarily use electronic channels, the Helpline is accessible via physical message boxes located in each of the factories of the Group.
- Through the whistleblowing channel, all interested parties can confidentially report illegal actions and possible violations of legal acts in companies of the Group. The report shall be submitted and processed in accordance with the requirements provided for by the Law on the Protection of Whistleblowers of the Republic of Lithuania. The Whistleblowing Channel is accessible via contact section on the website of the Group.

The reporting channels are available to all stakeholders on the website of the Group. In the companies of the Group, in order to give access to the messaging channels to employees who are less likely to use online solutions, the messaging channels can be accessed through a physical Helpline box located at the security desk of each factory. The recording and handling of messages received there follows the same approved procedures for handling messages received through the messaging channels

## G1-4 Incidents of corruption or bribery

| | Units | 2024 | Information of calculation: |
|---|---|---|---|
| **Number of convictions for violation of anti-corruption and anti-bribery laws** | pcs. | 0 | Reports received through the channels of the Group shall be registered and dealt with in accordance with the approved procedures for dealing with reports received through the channels. There were no reports related to corruption and bribery in the year 2024. |
| **Number of fines for infringements of anti-corruption and anti-bribery laws** | Eur | 0 | |
| **Total number and nature of confirmed cases of corruption or bribery** | pcs. | 0 | |
| **Number of confirmed cases of dismissal or disciplinary action for corruption or bribery-related incidents** | pcs. | 0 | |
| **Number of confirmed incidents involving contracts or business partners that have been terminated or extended due to irregularities related to corruption or bribery** | pcs. | 0 | |

## G1-5 Political influence and lobbying activities

The Code confirms that the Group has decided to be politically neutral and not to make any financial contributions to political parties, groups or politicians. The Code also defines rules of conduct for employees involved in political activities, in order to avoid any affiliation or potential reputational risks. The Group is not dissociated from the legislative process and participates in it as a member of the Association of Lithuanian Milk Processing Companies "Pieno centras". "Pieno centras" is transparent in its political activities, using official lobbyists and legally permissible, declared lobbying activities. The Group is not directly involved in political activities or legislative processes.

## G1-6 Payment practices

Payment practices are defined in the business contracts concluded, and the Group has not approved a separate policy or procedure to formalize payment practices; it is planned to be approved in 2025. Payments are subject to an average settlement period of 30 days. 90% of the Group's invoices consist of material suppliers' invoices, with a payment term of 30 days. The payment term for raw milk suppliers' invoices ranges from 5 to 25 days, with 70% of invoices paid within 20-25 days and 30% within 5-15 days.

In settling payments for raw milk, the Group adheres to the provisions established by the Law of the Republic of Lithuania on the Prohibition of Unfair Trading Practices in the Agricultural and Food Product Supply Chain, which mandates settlement with milk suppliers—most of whom are representatives of small farms—within 30 days. Further priority in settlements is given to wages and payments for services. The company has no legal proceedings or disputes regarding payment practices.

# ANNEXES

## G1-4 Sustainability Due Diligence Statement

| The main elements of a due diligence statement | Sections of the Sustainability Report, page | Interface with People | Interface with Environment |
|---|---|---|---|
| **Integrating due diligence into governance, strategy and business model** | 2 ESRS GOV-2, page 49-50 | ◆ | ◆ |
| | 2 ESRS GOV-3, psl. 50 | ◆ | ◆ |
| | 2 ESRS SBM-3, page 56-57 | ◆ | ◆ |
| | 2 ESRS SBM-3 E1, page 65 | | ◆ |
| | 2 ESRS SBM-3 E4, page 76 | | ◆ |
| | 2 ESRS SBM-3 S1, page 85, 92 | ◆ | |
| | 2 ESRS SBM-3 S3, page 96 | ◆ | |
| | 2 ESRS SBM-3 S4, page 98 | ◆ | |
| | 2 ESRS SBM-3 G1, page 104 | ◆ | ◆ |
| **Involvement of affected stakeholders in all key stages of due diligence** | 2 ESRS GOV-2, page 49-50 | ◆ | ◆ |
| | 2 ESRS SBM-2, page 52-53 | ◆ | ◆ |
| | 2 ESRS IRO-1, page 54-56 | ◆ | ◆ |
| | 2 ESRS MDR-P E1-2, page 66 | | ◆ |
| | 2 ESRS MDR-P E2-1, page 71 | | ◆ |
| | 2 ESRS MDR-P E3-1, page 74 | | ◆ |
| | 2 ESRS MDR-P E4-2, page 76-77 | | ◆ |
| | 2 ESRS MDR-P E5-1, page 79-80 | | ◆ |
| | 2 ESRS MDR-P S1-1, page 86-87, 92-93 | ◆ | |
| | S1-2, page 87, 93 | ◆ | |
| | 2 ESRS MDR-P S3-1, page 97-98 | ◆ | |
| | S3-1, page 97-98 | ◆ | |
| | 2 ESRS MDR-P S4-1, page 99 | ◆ | |
| | S4-2, page 99, 102 | ◆ | |
| | G1-1, page 104-105 | | ◆ |
| **Identification and assessment of negative impacts** | 2 ESRS IRO-1, page 54-56 | ◆ | ◆ |
| | 2 ESRS SBM-3, page page 56-57 | ◆ | ◆ |
| | 2 ESRS SBM-3 E1, page 65 | | ◆ |
| | 2 ESRS SBM-3 E4, page 76 | | ◆ |
| | 2 ESRS SBM-3 S1, page 85, 92 | ◆ | |
| **Taking action to address these negative impacts** | 2 ESRS MDR-A, E1-3, page 67 | | ◆ |
| | 2 ESRS MDR-A, E2-2, page 72-73 | | ◆ |
| | 2 ESRS MDR-A, E3-2, page 75 | | ◆ |

| | | | |
|---|---|---|---|
| | 2 ESRS MDR-A, E4-3, page 77 | | ◆ |
| | 2 ESRS MDR-A, E5-2, page 80-81 | | ◆ |
| | 2 ESRS MDR-A S1-4, page 87-89, 94-95 | ◆ | |
| | E1-1, page 66 | | ◆ |
| | E4-1, page 76 | | ◆ |
| | G1-1, page 104-105 | ◆ | ◆ |
| | G1-2, page 105 | ◆ | ◆ |
| | G1-3, page 105-106 | ◆ | ◆ |
| **Monitoring and communicating the effectiveness of these efforts** | 2 ESRS MDR-M, E1-5, page 67-68 | | ◆ |
| | 2 ESRS MDR-M, E1-6, page 68-70 | | ◆ |
| | 2 ESRS MDR-M, E2-4, page 73 | | ◆ |
| | 2 ESRS MDR-M, E3-4, page 75 | | ◆ |
| | 2 ESRS MDR-M, E4-5, page 78 | | ◆ |
| | 2 ESRS MDR-M, E5-4, page 82 | | ◆ |
| | 2 ESRS MDR-M, E5-5, page 82-83 | | ◆ |
| | 2 ESRS MDR-M, S1-8, page 90 | ◆ | |
| | 2 ESRS MDR-M, S1-9, page 95 | ◆ | |
| | 2 ESRS MDR-M, S1-10, page 91 | ◆ | |
| | 2 ESRS MDR-M, S1-11, page 91 | ◆ | |
| | 2 ESRS MDR-M, S1-12, page 95 | ◆ | |
| | 2 ESRS MDR-M, S1-13, page 95 | ◆ | |
| | 2 ESRS MDR-M, S1-14, page 91 | ◆ | |
| | 2 ESRS MDR-M, S1-15, page 96 | ◆ | |
| | 2 ESRS MDR-M, S1-16, page 91 | ◆ | |
| | 2 ESRS MDR-M, S1-17, page 96 | ◆ | |
| | G1-4, page 106 | ◆ | ◆ |
| | G1-5, page 106 | ◆ | ◆ |
| | G1-6, page 106-107 | ◆ | ◆ |
| | E1-4, page 67 | | ◆ |
| | E2-3, page 73 | | ◆ |
| | E3-3, page 75 | | ◆ |
| | E4-4, page 78 | | ◆ |
| | E5-3, page 82 | | ◆ |
| | S1-5, page 89-90, 95 | ◆ | |
| | S3-5, page 98 | ◆ | |

## ESRS 2 IRO-2 EU Datapoint List

| DISCLOSURE REQUIREMENT AND RELATED DATA UNIT | REFERENCE TO TFIAR* | REFERENCE TO PILLAR 3 | REFERENCE TO THE BENCHMARK REGULATION | REFERENCE TO THE EU CLIMATE ACT | PAGE |
|---|---|---|---|---|---|
| **2 ESRS GOV 1 Gender balance on the Board, Article 21(d)** | Indicator 13 in Annex 1, Table 1. | - | Annex II to Commission Delegated Regulation (EU) 2020/1816 | - | Page 49 |
| **2 ESRS GOV 1 Percentage of independent board members, Article 21(e)** | - | - | Annex II to Commission Delegated Regulation (EU) 2020/1816 | - | Page 50 |
| **2 ESRS GOV 4 Due Diligence Statement, Article 30** | Indicator 10 in Annex 1, Table 3. | - | - | - | Page 108-109 |
| **2 ESRS SBM 1 Participation in activities related to fossil fuels, Article 40(d)(i)** | Indicator 4 in Annex 1, Table 1. | Article 449a of Regulation (EU) No 575/2013; Table 1 of Commission Implementing Regulation (EU) 2022/2453 (28): Table 1. Qualitative information on environmental risks and Table 2: Qualitative information on social risks | Annex II to Commission Delegated Regulation (EU) 2020/1816 | - | Not applicable |
| **2 ESRS SBM 1 Participation in activities related to the production of chemicals, Article 40(d)(ii)** | Indicator 9 of Annex 1, Table 2. | - | Annex II to Commission Delegated Regulation (EU) 2020/1816 | - | Not applicable |
| **2 ESRS SBM 1 Participation in activities related to controversial weapons, Article 40(d)(iii)** | Indicator 14 in Annex 1, Table 1. | - | Article 12(1) of Delegated Regulation (EU) 2020/1818, Annex II to Delegated Regulation (EU) 2020/1816 | - | Not applicable |
| **2 ESRS SBM 1 Participation in activities related to the production and cultivation of tobacco, Article 40(d)(iv)** | - | - | Article 12(1) of Delegated Regulation (EU) 2020/1818, Annex II to Delegated Regulation (EU) 2020/1816 | - | Not applicable |
| **E1 ESRS Roadmap for moving to a climate-neutral economy by the year 2050, Article 14** | - | - | - | Article 2(1) of Regulation (EU) 2021/1119 | Page 67 |
| **E1 ESRS companies not covered by benchmarks aligned to the Paris Agreement, Article 16(g)** | - | Article 449a Regulation (EU) No 575/2013; Template 1 of Commission Implementing Regulation (EU) 2022/2453: Bankbook. Indicators of potential risks of climate change-related transformation. Credit quality of exposures by sector, emissions and residual maturity | Article 12(1)(d) to (g) and (g) and Article 12(2) of Delegated Regulation (EU) 2020/1818 | - | Not applicable |
| **E1-4 ESRS GHG emission reduction targets, Article 34** | Indicator 4 in Annex 1, Table 2. | Article 449a Regulation (EU) No 575/2013; Template 3 of | Article 6 of Delegated Regulation (EU) 2020/1818 | - | Page 67 |

| | | | | | |
|---|---|---|---|---|---|
| | | Commission Implementing Regulation (EU) 2022/2453: Bankbook. Risk indicators for potential climate change-related transition. Reconciliation parameters | | | |
| **E1-5 ESRS Fossil energy consumption broken down by source (only for sectors with high climate impact), Article 38** | Indicator 5 in Annex 1, Table 1; Indicator 5 in Annex 1, Table 2. | - | - | - | Page 67-68 |
| **E1-5 ESRS Energy consumption and mix, Article 37** | Indicator 5 in Annex 1, Table 1. | - | - | - | Page 67-68 |
| **E1-5 ESRS Energy intensity related to the activities of sectors with significant climate impacts, Article 40-43** | Indicator 6 in Annex 1, Table 1. | - | - | - | Page 68 |
| **E1-6 ESRS Overall emissions of Scale 1, 2 and 3 and total emissions, Article 44** | Indicators 1 and 2 in Annex 1, Table 1. | Article 449a; Regulation (EU) No 575/2013; Template 1 of Commission Implementing Regulation (EU) 2022/2453: Bankbook. Indicators of potential climate change-related transition risks. Credit quality of exposures by sector, emissions and residual maturity | Articles 5(1), 6 and 8(1) of Delegated Regulation (EU) 2020/1818 | - | Page 68 |
| **E1-6 ESRS Energy intensity of total GHG emissions, Article 53-55** | Indicator 3 of Annex 1, Table 1. | Article 449a of Regulation (EU) No 575/2013; Template 3 of Commission Implementing Regulation (EU) 2022/2453: Bankbook. Indicators of potential climate change-related transition risks. | Article 8(1) of Delegated Regulation (EU) 2020/1818 | - | Page 68 |
| **E1-7 ESRS GHG removals and carbon credits, Article 56** | - | - | - | Article 2(1) of Regulation (EU) 2021/1119 | Not applicable |
| **E1-9 ESRS Benchmark portfolio exposure to climate-related physical risk, Article 66** | - | - | Annex II to Delegated Regulation (EU) 2020/1818, Annex II to Delegated Regulation (EU) 2020/1816 | - | Not applicable |
| **E1-9 ESRS Breakdown of cash amounts by acute and chronic physical risk, Article 66(a)**<br>**E1-9 ESRS Location of important assets subject to significant physical risk, Article 66(c)** | - | Article 449a of Regulation (EU) No 575/2013; Articles 46 and 47 of Commission Implementing Regulation (EU) 2022/2453; Template 5. Bankbook. Indicators of potential physical risks associated with climate change. Exposures related to physical risks. | - | - | Phased-in disclosure |
| **E1-9 ESRS Breakdown of the carrying amount of an** | - | Article 449a of Regulation (EU) No 575/2013; Article 34 | - | - | Phased-in disclosure |

| | | | | | |
|---|---|---|---|---|---|
| **undertaking's immovable property by energy efficiency class, Article 67(c)** | | of Commission Implementing Regulation (EU) 2022/2453; Template 2. Bankbook. Indicators of potential climate change-related transition risks. Loans secured by real estate. Collateral instruments Energy efficiency | | | |
| **E1-9 ESRS Extent of portfolio exposure to climate-related opportunities, Article 69** | - | - | Annex II to Commission Delegated Regulation (EU) 2020/1818 | - | Phased-in disclosure |
| **E2-4 ESRS Amount of each pollutant listed in Annex II of Regulation 5 of the E-IPTR Regulation (European Pollutant Release and Transfer Register Regulation) emitted to air, water and soil, Article 28** | Indicator 8 in Annex 1, Table 1; Annex 1, Table 2, Indicators 1, 2, 3. | - | - | - | Phased-in disclosure |
| **E3-1 ESRS Water and marine resources, Article 9** | Indicator 7 in Annex 1, Table 2. | - | - | - | Page 74 |
| **E3-1 ESRS Accepted Policy, Article 13** | Indicator 8 in Annex 1, Table 2. | - | - | - | Page 74 |
| **E3-1 ESRS Sustainable Oceans and Seas, Article 14** | Indicator 12 in Annex 1, Table 2. | - | - | - | Page 74 |
| **E3-4 ESRS Total quantity of water recycled and reused, Article 28(c)** | Indicator 6.2 of Annex 1, Table 2 | - | - | - | Page 75 |
| **E3-4 ESRS Total water consumption (m³) by net revenue of own operations, Article 29** | Indicator 6.1 of Annex 1, Table 2 | - | - | - | Page 75 |
| **2 ESRS IRO 1 - E4, Article 16(a)(i)** | Indicator 7 of Annex 1, Table 1 | - | - | - | Page 76 |
| **2 ESRS IRO 1 - E4, Article 16(b)** | Indicator 10 of Annex 1, Table 2 | - | - | - | Page 76 |
| **2 ESRS IRO 1 - E4, Article 16(c)** | Indicator 14 in Annex 1, Table 2 | - | - | - | Page 76 |
| **E4-2 ESRS Sustainable land use and/or agricultural practices or policies, Article 24(b)** | Indicator 11 of Annex 1, Table 2 | - | - | - | Page 76 |
| **E4-2 ESRS Sustainable ocean/ marine use practices or policies, Article 24(c)** | Indicator 12 of Annex 1, Table 2 | - | - | - | Page 76 |
| **E4-2 ESRS Policies to address deforestation, Article 24(d)** | Indicator 15 of Annex 1, Table 2 | - | - | - | Page 76-77 |
| **E5-5 ESRS Untreated waste, Article 37(d)** | Indicator 13 of Annex 1, Table 2 | - | - | - | Page 82-83 |

| | | | | | |
|---|---|---|---|---|---|
| **E5-5 ESRS Hazardous waste and radioactive waste, Article 39** | Indicator 9 of Annex 1, Table 1 | - | - | - | Page 82-83 |
| **2 ESRS - SBM3 - S1 Risk of incidents involving forced labour, Article 14(f)** | Annex I, Table 3, Indicator 13 | - | - | - | Page 86 |
| **2 ESRS - SBM3 - S1 Risk of child labour incidents, Article 14(g)** | Annex I, Table 3, Indicator 12 | - | - | - | Page 86 |
| **S1-1 ESRS Human rights policy commitments, Article 20** | Annex I, Table 3, Indicator 9 and Table 1, Indicator 11 | - | - | - | Page 87 |
| **S1-1 ESRS Policy on comprehensive verification applicable to aspects covered by International Labor Organization Core Conventions No. 1 to 8, Article 21** | | - | Annex II to Commission Delegated Regulation (EU) 2020/1816 | - | Page 91, 95, 96 |
| **S1-1 ESRS Processes and measures to prevent trafficking in human beings, Article 22** | Indicator 11 of Annex I, Table 3 | - | - | - | Not applicable |
| **S1-1 ESRS Occupational accident prevention policy or management system, Article 23** | Annex I, Table 3, Indicator 1 | - | - | - | Page 89 |
| **S1-3 ESRS Complaints/complaints handling mechanism, Article 32(c)** | Annex I, Table 3, Indicator 5 | - | - | - | Page 106 |
| **S1-14 ESRS Number and rate of deaths and work-related accidents, Article 88(b) and (c)** | Indicator 2 of Annex I, Table 3 | - | Annex II to Commission Delegated Regulation (EU) 2020/1816 | - | Page 91 |
| **S1-14 ESRS Number of working days lost due to injury, accident, death or sickness, Article 88(e)** | Annex I, Table 3, Indicator 3 | - | - | - | Page 91 |
| **S1-16 ESRS Unadjusted gender remuneration gap, Article 97(a)** | Indicator 12 of Annex I, Table 1 | - | Annex II to Commission Delegated Regulation (EU) 2020/1816 | - | Page 91 |
| **S1-16 ESRS Excessive coefficient of remuneration for the Executive Director, Article 97(b)** | Annex I, Table 3, Indicator 8 | - | - | - | Page 91 |
| **S1-17 ESRS Discrimination cases, Article 103(a)** | Annex I, Table 3, Indicator 7 | - | - | - | Page 96 |
| **S1-17 ESRS Failure to comply with the UN Guiding Principles on Business and Human Rights and OECD Recommendations, Article 104(a)** | Annex I, Table 1, Indicator 10 and Table 3, Indicator 14 | - | Annex II to Delegated Regulation (EU) 2020/1816, Article 12(1) of Delegated Regulation (EU) 2020/1818 | - | Page 96 |
| **2 ESRS - SBM3 - S2 High risk of child labor or forced labor in the value chain, Article 11(b)** | Annex I, Table 3, indicators 12 and 13 | - | - | - | Undisclosed information, page 57 |
| **S2-1 ESRS Human rights policy commitments, Article 17** | Annex I, Table 3, Indicator 9 and Table 1, Indicator 11 | - | - | - | Undisclosed information, page 57 |
| **S2-1 ESRS Policy on value chain employees, Article 18** | Annex 1, Table 3, Indicators 11 and 4 | - | - | - | Undisclosed information, page 57 |

| | | | | | |
|---|---|---|---|---|---|
| **S2-1 ESRS Failure to comply with the UN Guiding Principles on Business and Human Rights and OECD Recommendations, Article 19** | Indicator 10 in Annex 1, Table 1 | - | Annex II to Delegated Regulation (EU) 2020/1816, Article 12(1) of Delegated Regulation (EU) 2020/1818 | - | Undisclosed information, page 57 |
| **S2-1 ESRS Policy on comprehensive verification applicable to aspects covered by International Labor Organization Core Conventions No. 1 to 8, Article 19** | - | - | Annex II to Commission Delegated Regulation (EU) 2020/1816 | - | Undisclosed information, page 57 |
| **S2-4 ESRS Human rights problems and incidents in the upstream and downstream parts of the value chain, Article 36** | Indicator 14 in Annex 1, Table 3 | - | - | - | Undisclosed information, page 57 |
| **S3-1 ESRS Human rights policy commitments, Article 16** | Annex 1, Table 3, Indicator 9 and Table 1, Indicator 11 | - | - | - | Page 97-98 |
| **S3-1 ESRS Failure to comply with the UN Guiding Principles on Business and Human Rights, ILO Principles and OECD Recommendations, Article 17** | Indicator 10 in Annex 1, Table 1 | - | Annex II to Delegated Regulation (EU) 2020/1816, Article 12(1) of Delegated Regulation (EU) 2020/1818 | - | Page 98 |
| **S3-4 ESRS Human rights problems and incidents, Article 36** | Indicator 14 in Annex 1, Table 3 | - | - | - | Page 98 |
| **S4-1 ESRS Consumer and end-user policy, Article 16** | Annex I, Table 3, Indicator 9 and Table 1, Indicator 11 | - | - | - | Page 99 |
| **S4-1 ESRS Failure to comply with the UN Guiding Principles on Business and Human Rights and OECD Recommendations, Article 17** | Indicator 10 in Annex 1, Table 1 | - | Annex II to Delegated Regulation (EU) 2020/1816, Article 12(1) of Delegated Regulation (EU) 2020/1818 | - | Page 98 |
| **S4-4 ESRS Human rights problems and incidents, Article 35** | Indicator 14 in Annex 1, Table 3 | - | - | - | Page 100, 102 |
| **G1-1 ESRS United Nations Convention against Corruption, Article 10(b)** | Indicator 15 of Annex 1, Table 3 | - | - | - | Page 104 |
| **G1-1 ESRS Protection of whistleblowers, Article 10(d)** | Indicator 6 of Annex 1, Table 3 | - | - | - | Page 106 |
| **G1-4 ESRS Penalties for infringements of anti-corruption and anti-bribery laws, Article 24(a)** | Indicator 17 of Annex 1, Table 3 | - | Annex II to Delegated Regulation (EU) 2020/1816 | - | Page 106 |
| **G1-4 ESRS Anti-corruption and anti-bribery standards, Article 24(b)** | Indicator 16 in Annex 1, Table 3 | - | - | - | Page 105-106 |

## ESRS IRO-2 – Content of Disclosure Requirements

# Independent practitioner's limited assurance report on VILKYŠKIŲ PIENINĖ AB consolidated Sustainability Statement

To the shareholder of VILKYŠKIŲ PIENINĖ AB

## Limited assurance conclusion

We have conducted a limited assurance engagement on the consolidated sustainability statement of VILKYŠKIŲ PIENINĖ AB (the "Company"), included in Sustainability Statement of the Management report (the "consolidated Sustainability Statement"), as at 31 December 2024 and for the year then ended.

Based on the procedures we have performed and the evidence we have obtained, nothing has come to our attention that causes us to believe that the consolidated Sustainability Statement is not prepared, in all material respects, in accordance with the Law of the Republic of Lithuania on Reporting by Undertakings and by Groups of Undertakings Articles 21 and 22 implementing Article 29(a) of EU Directive 2013/34/EU, including:

- compliance with the European Sustainability Reporting Standards (ESRS), including that the process carried out by the Company to identify the information reported in the consolidated Sustainability Statement (the "Process") is in accordance with the description set out in note IRO-1 –Double materiality assessment; and
- compliance of the disclosures in subsection Taxonomy overview within the Environment section of the consolidated Sustainability Statement with Article 8 of EU Regulation 2020/852 (the "Taxonomy Regulation").

## Basis for conclusion

We conducted our limited assurance engagement in accordance with International Standard on Assurance Engagements (ISAE) 3000 (Revised), Assurance engagements other than audits or reviews of historical financial information ("ISAE 3000 (Revised)"), issued by the International Auditing and Assurance Standards Board.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our conclusion. Our responsibilities under this standard are further described in the Practitioner's responsibilities section of our report.

## Our independence and quality management

We have complied with the independence and other ethical requirements of the International Code of Ethics for Professional Accountants (including International Independence Standards) issued by the International Ethics Standards Board for Accountants (IESBA Code), which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality, and professional behaviour and the Law of the Republic of Lithuania on the Audit of Financial Statements and Other Assurance Services that are relevant to our sustainability assurance services in the Republic of Lithuania.

The firm applies International Standard on Quality Management 1, which requires the firm to design, implement and operate a system of quality management including policies or procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

PricewaterhouseCoopers UAB, J. Jasinskio str. 16B, LT-03163 Vilnius, Lithuania
+370 (5) 239 2300, lt_vilnius@pwc.com, www.pwc.lt

## Responsibilities for the consolidated Sustainability Statement

Management of the Company is responsible for designing and implementing a process to identify the information reported in the consolidated Sustainability Statement in accordance with the ESRS and for disclosing this Process in note IRO-1 – Double materiality assessment of the consolidated Sustainability Statement. This responsibility includes:

- understanding the context in which the Group's activities and business relationships take place and developing an understanding of its affected stakeholders;
- the identification of the actual and potential impacts (both negative and positive) related to sustainability matters, as well as risks and opportunities that affect, or could reasonably be expected to affect, the Group's financial position, financial performance, cash flows, access to finance or cost of capital over the short-, medium-, or long-term;
- the assessment of the materiality of the identified impacts, risks and opportunities related to sustainability matters by selecting and applying appropriate thresholds; and
- making assumptions that are reasonable in the circumstances.

Management of the Company is further responsible for the preparation of the consolidated Sustainability Statement, in accordance with the Law of the Republic of Lithuania on Reporting by Undertakings and by Groups of Undertakings Articles 21 and 22 implementing Article 29(a) of EU Directive 2013/34/EU, including:

- compliance with the ESRS;
- preparing the disclosures in subsection Taxonomy overview within the Environment section of the consolidated Sustainability Statement, in compliance with Article 8 of EU Regulation 2020/852 (the "Taxonomy Regulation");
- designing, implementing and maintaining such internal control that management determines is necessary to enable the preparation of the consolidated Sustainability Statement that is free from material misstatement, whether due to fraud or error; and
- the selection and application of appropriate sustainability reporting methods and making assumptions and estimates that are reasonable in the circumstances.

Those charged with governance are responsible for overseeing the Group's sustainability reporting process.

**Inherent limitations in preparing the consolidated Sustainability Statement**

In reporting forward-looking information in accordance with ESRS, management of the Company is required to prepare the forward-looking information on the basis of disclosed assumptions about events that may occur in the future and possible future actions by the Group. Actual outcomes are likely to be different since anticipated events frequently do not occur as expected.

## Practitioner's responsibilities

Our responsibility is to plan and perform the assurance engagement to obtain limited assurance about whether the consolidated Sustainability Statement is free from material misstatement, whether due to fraud or error, and to issue a limited assurance report that includes our conclusion. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence decisions of users taken on the basis of the consolidated Sustainability Statement as a whole.

As part of a limited assurance engagement in accordance with ISAE 3000 (Revised) we exercise professional judgement and maintain professional scepticism throughout the engagement.

Our responsibilities in respect of the consolidated Sustainability Statement, in relation to the Process, include:

- obtaining an understanding of the Process, but not for the purpose of providing a conclusion on the effectiveness of the Process, including the outcome of the Process;
- considering whether the information identified addresses the applicable disclosure requirements of the ESRS; and
- designing and performing procedures to evaluate whether the Process is consistent with the Group's description of its Process set out in note IRO-1 – Double materiality assessment.

Our other responsibilities in respect of the consolidated Sustainability Statement include:

- identifying where material misstatements are likely to arise, whether due to fraud or error; and
- designing and performing procedures responsive to where material misstatements are likely to arise in the consolidated Sustainability Statement. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

## Summary of the work performed

A limited assurance engagement involves performing procedures to obtain evidence about the consolidated Sustainability Statement. The procedures in a limited assurance engagement vary in nature and timing from, and are less in extent than for, a reasonable assurance engagement. Consequently, the level of assurance obtained in a limited assurance engagement is substantially lower than the assurance that would have been obtained had a reasonable assurance engagement been performed.

The nature, timing and extent of procedures selected depend on professional judgement, including the identification of disclosures where material misstatements are likely to arise in the consolidated Sustainability Statement, whether due to fraud or error.

In conducting our limited assurance engagement, with respect to the Process, we:

- obtained an understanding of the Process by:
  - performing inquiries with the Company and its subsidiaries' representatives to understand the sources of the information used by management (e.g., stakeholder engagement, business plans and strategy documents, information available in-house, and publicly available information); and
  - reviewing the Group's internal documentation of its Process;
- evaluated whether the evidence obtained from our procedures with respect to the Process implemented by the Company was consistent with the description of the Process set out in note IRO-1 – Double materiality assessment.

In conducting our limited assurance engagement, with respect to the consolidated Sustainability Statement, we:

- obtained an understanding of the Group's reporting processes relevant to the preparation of its consolidated Sustainability Statement by:
  - obtaining an understanding of the Group's control environment, processes and information system relevant to the preparation of the consolidated Sustainability Statement, but not for the purpose of providing a conclusion on the effectiveness of the Group's internal control.

- obtaining an understanding of the roles and responsibilities in the preparation of the consolidated Sustainability Statement, including communication within the Group and between management and those charged with governance.
- evaluated whether the information identified by the Process is included in the consolidated Sustainability Statement;
- evaluated whether the structure and the presentation of the consolidated Sustainability Statement is in accordance with the ESRS;
- performed inquiries of relevant personnel and analytical procedures on selected information in the consolidated Sustainability Statement;
- performed substantive assurance procedures on selected information in the consolidated Sustainability Statement;
- where applicable, compared disclosures in the consolidated Sustainability Statement with the corresponding disclosures in the financial statements and management report;
- evaluated the methods, assumptions and data for developing estimates and forward-looking information;
- obtained an understanding of the Company's process to identify taxonomy-eligible and taxonomy-aligned economic activities and the corresponding disclosures in the consolidated Sustainability Statement.

## Other matter

The comparative information included in the consolidated Sustainability Statement of the Company as at 31 December 2023 and for the year then ended was not subject to an assurance engagement. Our conclusion is not modified in respect of this matter.

On behalf of PricewaterhouseCoopers UAB

/signed with electronic signature/

Rasa Selevičienė
Assurance director
Auditor's Certificate No.000504

Vilnius, Republic of Lithuania
8 April 2025

The auditor's electronic signature is used herein to sign only the Independent Limited Assurance Report

# ADDITIONAL INFORMATION

## ALTERNATIVE INDICATORS

**Gross profit** is an indicator presented in the company's profit (loss) statement, which is calculated after subtracting the cost from sales revenue. Usually, this profit is the highest compared to other types of profit.

**Gross profit margin** shows how much profit is made for each unit of sales revenue. The indicator is calculated by dividing gross profit by revenue.

**EBITDA** - earnings before interest, taxes, depreciation, and amortization, which shows the profit earned by the company before the company's financing policy, as well as the assessment of the impact of corporate tax on profit. Vilkyškių pieninė AB calculates this indicator by adding depreciation and amortization of fixed assets to the operating result and deducting grants. Elements that are not directly influenced by the nature of the company's activities may be eliminated when calculating EBITDA.

**EBITDA margin** is a profitability indicator that can be used to compare the profitability of companies (in the same industry) and to monitor changes in the profitability of the same company. The higher the value of the indicator, the higher the profitability of the company. The indicator is calculated by dividing EBITDA by revenue.

**EBIT (Operating Earnings)** – earnings before interest and taxes. It shows the company's profit earned during the operating and investment cycle (before assessing the impact of the company's financing policy on profit and deducting corporate tax). This indicator reflects the company's ability to generate cash flow. The indicator is calculated by adding financial activity costs to pre-tax profit and subtracting financial activity income.

**EBIT margin** is an indicator of operational efficiency, calculated by dividing operating profit by revenue.

**EBT (Earnings before taxes)** is earnings before taxes. The indicator is calculated by adding corporate tax expenses to net profit.

**EBT margin** is calculated by dividing earnings before taxes by revenue. Shows the ratio of the company's earnings before taxes to sales. The higher value of the indicator the higher the profitability of the company.

**Financial debts** are the sum of short-term and long-term debts, showing the amount of indebtedness of the company. The indicator is calculated by adding long-term and short-term rental obligations to long-term and short-term loans.

**Net profit (loss)** is a financial indicator calculated by deducting all expenses and taxes from revenue.

**Net profit margin** is an indicator showing the company's profitability. It is calculated by dividing net profit by revenue.

**Net profit per share** is one of the most popular share valuation indicators, which shows what is a profit of the company per share. The ratio is calculated by dividing the net profit by the number of shares in circulation.

**Net debt** is all financial obligations of the company without available cash and cash equivalents. This indicator can be used during credit rating review. The indicator is calculated by subtracting cash and cash equivalents from financial debt.

**Net Debt/EBITDA** shows a company's ability to pay back its debts from profits earned. This indicator can also be used during a credit rating review. The indicator is calculated by dividing net debt by EBITDA.

**The capital-to-asset ratio** shows the proportion of total asset financing with equity capital. This indicator shows the share of equity capital in the capital structure. The lower this ratio, the more dependent the company is on borrowed funds. The indicator is calculated by dividing equity by total assets.

**The liquidity ratio** shows the company's ability to meet short-term obligations by using available short-term assets. The higher the ratio, the better the liquidity position. The indicator is calculated by dividing current assets by current liabilities.

**Return on equity (ROE)** is the ratio of net income to equity. The indicator shows how efficiently the company uses shareholders' assets to generate profit. This indicator is important for shareholders in assessing the return of their past period investment in the company. The higher the return on equity, the more efficient the company's operations, the more profit it earns for its shareholders. The indicator is calculated by dividing the net profit by the average of equity at the beginning and equity at the end of the reporting period.

**P/E ratio** is the ratio of the share's market price to earnings per share. The indicator shows what is the cost of company's shares compared to its net profit. The P/E ratio provides information on whether a company is expensive compared to its earnings. The higher the net profit, the lower the P/E ratio, and in turn, the more attractive such shares are for investment. The indicator is calculated by dividing the market price of the share by the net profit per share.

**Return on capital employed (ROCE)** - the profitability indicator evaluates the profitability of the funds necessary for the constant operation of the company. It is often compared to the loan interest rates in the market at that time. A company's ROCE is required to be greater than the cost of borrowed capital at that time. The indicator is calculated by dividing EBIT by the difference between total assets and current liabilities.

**Debt ratio** reflects how much of the company's assets are purchased with borrowed funds. The indicator is calculated by dividing all the liabilities of the company by assets.

**Debt to equity ratio.** This is one of the main financial indicators of leverage. The debt-to-equity ratio shows amount of euros of short-term and long-term debt per euro of equity. The indicator is calculated by dividing financial debt by equity.

**Asset turnover.** It is an efficiency ratio that shows the ratio of sales revenue to assets. This ratio shows how efficiently the company uses its capital. The higher the value the higher the degree of overall asset management efficiency and vice versa. The indicator is calculated by dividing sales revenue by total assets.

**Return on assets (ROA)** is the ratio of net profit to assets. Return on assets shows how much net profit a company earns per euro of assets. This value can be used as a measure of the efficiency of the company's asset utilization. The higher the value of ROA, the more efficiently the assets are 'employed', the more profit is earned. The indicator is calculated by dividing the net profit by the average of assets at the beginning and assets at the end of the reporting period.

## COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

VILKYŠKIŲ PIENINĖ AB CORPORATE GOVERNANCE REPORT FORM FOR THE YEAR THAT ENDED ON 31 DECEMBER 2024

The public limited liability company ***Vilkyškių pieninė AB*** (hereinafter referred to as the "**Company**"), acting in compliance with Article 22 (3) of the Law of the Republic of Lithuania on Securities and paragraph 24.5 of the Listing Rules of AB Nasdaq Vilnius, hereby discloses how it complies with the Corporate Governance Code for the Companies listed on Nasdaq Vilnius as well as its specific provisions or recommendations. In case of non-compliance with this Code or some of its provisions or recommendations, the specific provisions or recommendations that are not complied with must be indicated and the reasons for such non-compliance must be specified. In addition, other explanatory information indicated in this form must be provided.

**1. Summary of the Corporate Governance Report:**

According to the Articles of Association of the Company, the bodies of the Company are the General Meeting of Shareholders, the Supervisory Board, the Management Board, and the Manager of the Company. The Supervisory Board is a collegial supervisory body of the Company, which represents the shareholders and performs the functions of supervision and control of the Company's activities. The Supervisory Board of Vilkyškių pienienė AB consists of 3 members, elected for a term of four years. The Management Board is a collegial management body of the Company, which performs the function of company management. The Management Board of Vilkyškių pieninė AB consists of 6 board members. The Management Board elects and removes the Manager of the Company, determines his/her remuneration and other terms of the employment agreement. The company is managed by the Manager of the Company. The Company has two committees - Audit Committee and Nomination and Remuneration Committee. The Nomination and Remuneration Committee shall perform the functions of the Remuneration and Nomination Committees.

The Company does not currently comply with the requirement established by Paragraph 1.8 of the Corporate Governance Code, because does not provide the possibility for the shareholders to participate and vote in the general meeting of shareholders by means of electronic communication.

More information on the Company's Governance, shareholders' rights, activities of the Management Board and Committees, Management Board members, as well as systems of internal control and risk management is provided in the Company's Consolidated Annual Report for the year that ended on 31 December 2024.

### 2. Structured table for disclosure:

| | PRINCIPLES/ RECOMMENDATIONS | YES/NO/NOT APPLICABLE | COMMENTARY |
|---|---|---|---|
| | **Principle 1: General meeting of shareholders, equitable treatment of shareholders, and shareholders' rights**<br>**The corporate governance framework should ensure the equitable treatment of all shareholders. The corporate governance framework should protect the rights of shareholders.** | | |
| 1.1 | All shareholders should be provided with access to the information and/or documents established in the legal acts on equal terms. All shareholders should be furnished with equal opportunity to participate in the decision-making process where significant corporate matters are discussed. | Yes | Shareholders are furnished with equal opportunity to access the and documents established in the legal acts, as well as to participate in the corporate decision-making process.<br>The Company's documents and information established in the legal acts are publicly available on the Company's website and through the information disclosure system used by Nasdaq Vilnius in Lithuanian and English. |
| 1.2 | It is recommended that the company's capital should consist only of the shares that grant the same rights to voting, ownership, dividend and other rights to all of their holders. | Yes | The capital of the Company consists of ordinary registered shares, which grant their owners equal personal property and non-property rights. Each share grants one vote at the General Meeting of Shareholders. |
| 1.3 | It is recommended that investors should have access to the information concerning the rights attached to the shares of the new issue or those issued earlier in advance, i.e. before they purchase shares. | Yes | The Articles of Association of the Company, which set out the rights conferred to the holders of Company's shares, are publicly available on the Company's website. |
| 1.4 | Exclusive transactions that are particularly important to the company, such as transfer of all or almost all assets of the company which in principle would mean the transfer of the company, should be subject to approval of the general meeting of shareholders. | Yes | Transactions shall be approved in accordance with the procedure set forth in the Law on Companies of the Republic of Lithuania and the Articles of Association of the Company. Where necessary, important transactions are subject to approval of the general meeting of shareholders, despite the fact that such a procedure is not established in the Articles of Association of the Company. |

| | | | |
|---|---|---|---|
| 1.5 | Procedures for convening and conducting a general meeting of shareholders should provide shareholders with equal opportunities to participate in the general meeting of shareholders and should not prejudice the rights and interests of shareholders. The chosen venue, date and time of the general meeting of shareholders should not prevent active participation of shareholders at the general meeting. In the notice of the general meeting of shareholders being convened, the company should specify the last day on which the proposed draft decisions should be submitted at the latest. | Yes | The Articles of Association of the Company provide that all persons, who on the day of the meeting are the shareholders of the Company, their authorized representatives, or persons with whom the voting rights transfer agreement has been concluded shall have the right to participate and vote in the general meeting of shareholders. A shareholder who has the right to vote and is familiar with the agenda may also inform the general meeting of shareholders in writing about his or her “for” or “against” choice with respect to each resolution individually. These notifications shall be credited to the quorum of the general meeting of shareholders as well as the voting results. Meetings of the Company’s shareholders are held at the registered office of the respective company of the Company Group (during quarantine/epidemics shareholders are encouraged to vote in writing). Ordinary meetings of shareholders are held in the second half of April.<br>The notice convening the general meeting of shareholders shall state that the proposed new draft resolutions must be submitted in writing at any time before the general meeting of shareholders. |
| 1.6 | With a view to ensure the right of shareholders living abroad to access the information, it is recommended, where possible, that documents prepared for the general meeting of shareholders in advance should be announced publicly not only in Lithuanian language but also in English and/or other foreign languages in advance. It is recommended that the minutes of the general meeting of shareholders after the signing thereof and/or adopted decisions should be made available publicly not only in Lithuanian language but also in English and/or other foreign languages. It is recommended that this information should be placed on the website of the company. Such documents may be published to the extent that their public disclosure is not detrimental to the company or the company’s commercial secrets are not revealed. | Yes | All documents and information related to the general meeting of shareholders, including notice of the meeting convened, draft resolutions, resolutions and minutes of the meeting, are announced publicly and at the same time in two languages - Lithuanian and English - through the Nasdaq regulated notice distribution system and on the Company’s website |
| 1.7 | Shareholders who are entitled to vote should be furnished with the opportunity to vote at the general meeting of shareholders both in person and in absentia. Shareholders should not be prevented from voting in writing in advance by completing the general voting ballot. | Yes | Shareholders of the Company may exercise the right to participate in the shareholders’ meeting either in person or through a representative, if the person has a proper Power of Attorney or a voting rights transfer agreement has been concluded in accordance with the procedure established by legal acts. The Company shall also furnish the opportunity to shareholders to vote by filling out a general ballot as required by law. |

| | | | |
|---|---|---|---|
| 1.8 | With a view to increasing the shareholders' opportunities to participate effectively at general meetings of shareholders, it is recommended that companies should apply modern technologies on a wider scale and thus provide shareholders with the conditions to participate and vote in general meetings of shareholders via electronic means of communication. In such cases the security of transmitted information must be ensured and it must be possible to identify the participating and voting person. | No | The Company does not comply with the provisions of this recommendation as the Company does not provide the possibility for the shareholders to participate and vote in the general meeting of shareholders by means of electronic communication. However, in all cases, the Company makes it possible for shareholders to vote in writing. |
| 1.9 | It is recommended that the notice on the draft decisions of the general meeting of shareholders being convened should specify new candidatures of members of the collegial body, their proposed remuneration and the proposed audit company if these issues are included into the agenda of the general meeting of shareholders. Where it is proposed to elect a new member of the collegial body, it is recommended that the information about his/her educational background, work experience and other managerial positions held (or proposed) should be provided. | Yes | The Company informs about the educational background, work experience, and position of the candidates to the members of the collegial body during the general meeting of shareholders by submitting the curriculum vitae of the candidates in the material of the meeting.<br>The name of the proposed audit firm shall be submitted to the general meeting in advance as a draft resolution.<br>During the election a new member to the collegial body, the Company will publish the above information on each member in the draft resolutions of the general meeting. |
| 1.10 | Members of the company's collegial management body, heads of the administration or other competent persons related to the company who can provide information related to the agenda of the general meeting of shareholders should take part in the general meeting of shareholders. Proposed candidates to member of the collegial body should also participate in the general meeting of shareholders in case the election of new members is included into the agenda of the general meeting of shareholders. | Yes | Members of the company's collegial management body, heads of the administration or other competent persons related to the company who can provide information related to the agenda of the general meeting of shareholders, as well as candidates proposed to members of the collegial body participate in the general meeting of shareholders. |
| | **Principle 2: Supervisory board**<br>**2.1. Functions and liability of the supervisory board**<br>**The supervisory board of the company should ensure representation of the interests of the company and its shareholders, accountability of this body to the shareholders and objective monitoring of the company's operations and its management bodies as well as constantly provide recommendations to the management bodies of the company.**<br>**The supervisory board should ensure the integrity and transparency of the company's financial accounting and control system.** | | |
| 2.1.1 | Members of the supervisory board should act in good faith, with care and responsibility for the benefit and in the interests of the company and its shareholders and represent their interests, having regard to the interests of employees and public welfare. | Yes | Vilkyškių pieninė AB the Supervisory board adheres to this principle. |
| 2.1.2 | Where decisions of the supervisory board may have a different effect on the interests of the company's shareholders, the supervisory board should treat all shareholders impartially and fairly. It should ensure that shareholders are properly informed about the company's strategy, risk management and control, and resolution of conflicts of interest. | Yes | The Supervisory Board ensures that shareholders are properly informed about actions that may affect the interests of the company's shareholders. |

| | | | |
|---|---|---|---|
| 2.1.3 | The supervisory board should be impartial in passing decisions that are significant for the company's operations and strategy. Members of the supervisory board should act and pass decisions without an external influence from the persons who elected them. | Yes | The Supervisory Board adheres to this principle. |
| 2.1.4 | Members of the supervisory board should clearly voice their objections in case they believe that a decision of the supervisory board is against the interests of the company. Independent members of the supervisory board should: a) maintain independence of their analysis and decision-making; b) not seek or accept any unjustified privileges that might compromise their independence. | Yes | The members of the Supervisory Board shall comply with the following provisions. |
| 2.1.5 | The supervisory board should oversee that the company's tax planning strategies are designed and implemented in accordance with the legal acts in order to avoid faulty practice that is not related to the long-term interests of the company and its shareholders, which may give rise to reputational, legal or other risks. | Yes | The Supervisory Board oversees the Company's strategy on tax planning matters. |
| 2.1.6 | The company should ensure that the supervisory board is provided with sufficient resources (including financial ones) to discharge their duties, including the right to obtain all the necessary information or to seek independent professional advice from external legal, accounting or other experts on matters pertaining to the competence of the supervisory board and its committees. | Yes | The company adheres to this principle. The Supervisory Board is provided with all necessary resources to perform its functions. The Supervisory Board is technically served by the Company's administration. |
| | **2.2. Formation of the supervisory board**<br>**The procedure of the formation of the supervisory board should ensure proper resolution of conflicts of interest and effective and fair corporate governance.** | | |
| 2.2.1 | The members of the supervisory board elected by the general meeting of shareholders should collectively ensure the diversity of qualifications, professional experience and competences and seek for gender equality. With a view to maintain a proper balance between the qualifications of the members of the supervisory board, it should be ensured that members of the supervisory board, as a whole, should have diverse knowledge, opinions and experience to duly perform their tasks. | Yes | The company's board of supervisors has the necessary professional experience and qualifications, it consists of representatives of both sexes. |
| 2.2.2 | Members of the supervisory board should be appointed for a specific term, subject to individual re-election for a new term in office in order to ensure necessary development of professional experience. | Yes | The Supervisory Board consists of 3 members elected for a period of 4 years. The number of terms of office of members of the Supervisory Board is unlimited.<br>The company's articles of association provide for the possibility to re-elect an individual member of the supervisory board. |

| | | | |
|---|---|---|---|
| 2.2.3 | Chair of the supervisory board should be a person whose current or past positions constituted no obstacle to carry out impartial activities. A former manager or management board member of the company should not be immediately appointed as chair of the supervisory board either. Where the company decides to depart from these recommendations, it should provide information on the measures taken to ensure impartiality of the supervision. | Yes | The company adheres to this principle. |
| 2.2.4 | Each member should devote sufficient time and attention to perform his duties as a member of the supervisory board. Each member of the supervisory board should undertake to limit his other professional obligations (particularly the managing positions in other companies) so that they would not interfere with the proper performance of the duties of a member of the supervisory board. Should a member of the supervisory board attend less than a half of the meetings of the supervisory board throughout the financial year of the company, the shareholders of the company should be notified thereof. | Yes | This principle is followed. |
| 2.2.5 | When it is proposed to appoint a member of the supervisory board, it should be announced which members of the supervisory board are deemed to be independent. The supervisory board may decide that, despite the fact that a particular member meets all the criteria of independence, he/she cannot be considered independent due to special personal or company-related circumstances. | Yes | When the members of the Supervisory board are elected (appointed), the draft decisions indicate which members are independent. |
| 2.2.6 | The amount of remuneration to members of the supervisory board for their activity and participation in meetings of the supervisory board should be approved by the general meeting of shareholders. | Yes | The amount of remuneration for the activities of the members of the Supervisory board is approved by the general meeting of shareholders. |
| 2.2.7 | 2.2.7. Every year the supervisory board should carry out an assessment of its activities. It should include evaluation of the structure of the supervisory board, its work organization and ability to act as a group, evaluation of the competence and work efficiency of each member of the supervisory board, and evaluation whether the supervisory board has achieved its objectives. The supervisory board should, at least once a year, make public respective information about its internal structure and working procedures. | Yes | This principle is followed. |
| | **Principle 3: Management Board**<br>**3.1. Functions and liability of the management board**<br>**The management board should ensure the implementation of the company's strategy and good corporate governance with due regard to the interests of its shareholders, employees and other interest groups.** | | |

| | | | |
|---|---|---|---|
| 3.1.1 | The management board should ensure the implementation of the company's strategy approved by the supervisory board if the latter has been formed at the company. In such cases where the supervisory board is not formed, the management board is also responsible for the approval of the company's strategy. | Yes | The Management board ensures the implementation of the Company's strategy. |
| 3.1.2 | As a collegial management body of the company, the management board performs the functions assigned to it by the Law and in the articles of association of the company, and in such cases where the supervisory board is not formed in the company, it performs inter alia the supervisory functions established in the Law. By performing the functions assigned to it, the management board should take into account the needs of the company's shareholders, employees and other interest groups by respectively striving to achieve sustainable business development. | Yes | The functions specified (except maintenance) in the recommendation are performed by the management board (except for Pieno logistika AB of the Company Group, where the management board is not formed), taking into account the needs of the Company, shareholders, employees, and other interest groups.<br>The Supervisory board of Vilkyškių pieninė AB performs the supervisory functions provided for in the Law.<br>The Management Board of Baltic dairy board SIA of the Company Group, located in Latvia, performs the functions provided for by the laws of Latvia and the Articles of Association of this company. |
| 3.1.3 | The management board should ensure compliance with the laws and the internal policy of the company applicable to the company or a group of companies to which this company belongs. It should also establish the respective risk management and control measures aimed at ensuring regular and direct liability of managers. | Yes | The management board ensures that the Company complies with laws, internal policies of the Company and approved procedures (e.g. Remuneration Policy, Procurement Process and Procedures, Equal Opportunities Policy, Personal Data Processing Rules, etc.), and, it also ensures the accountability of the management in accordance with the established internal measures of governance and control. |
| 3.1.4 | Moreover, the management board should ensure that the measures included into the OECD Good Practice Guidance on Internal Controls, Ethics and Compliance are applied at the company in order to ensure adherence to the applicable laws, rules and standards. | Yes | The management board ensures compliance with applicable laws, regulations, and standards. |
| 3.1.5 | When appointing the manager of the company, the management board should take into account the appropriate balance between the candidate's qualifications, experience and competence. | Yes | When appointing the manager of the company, the management board takes into account the candidate's qualifications, experience, and competence. |
| | **3.2. Formation of the management board** | | |

| | | | |
|---|---|---|---|
| 3.2.1 | The members of the management board elected by the supervisory board or, if the supervisory board is not formed, by the general meeting of shareholders should collectively ensure the required diversity of qualifications, professional experience and competences and seek for gender equality. With a view to maintain a proper balance in terms of the current qualifications possessed by the members of the management board, it should be ensured that the members of the management board would have, as a whole, diverse knowledge, opinions and experience to duly perform their tasks. | Yes | The Company follows the recommendations of this paragraph. The members of the management board have the necessary variety of knowledge, opinions, and experience to perform their tasks properly (2 board members have economic education, 2 board members have technical education, 1 board member has management education and one board member has education related to agriculture.) There is one woman on the management board of Vilkyškių pieninė AB and one on the management board of Modest AB and one on the management board of Baltic Dairy SIA Board of the Company Group; and two women on the management board of Kelmės pieninė AB and on the management board Kelmės pienas UAB of the Company Group. |
| 3.2.2 | Names and surnames of the candidates to become members of the management board, information on their educational background, qualifications, professional experience, current positions, other important professional obligations and potential conflicts of interest should be disclosed without violating the requirements of the legal acts regulating the handling of personal data at the meeting of the supervisory board in which the management board or individual members of the management board are elected. In the event that the supervisory board is not formed, the information specified in this paragraph should be submitted to the general meeting of shareholders. The management board should, on yearly basis, collect data provided in this paragraph on its members and disclose it in the company's annual report. | Yes | The curriculum vitae of the candidates to become members of the management board and information on the candidates' participation in the activities of other companies are submitted to the body electing them without violating the requirements of the legal acts regulating the handling of personal data. In the annual report, the company indicates the necessary information about the members of the Management Board: education, qualifications, professional experience, current position, etc. |
| 3.2.3 | All new members of the management board should be familiarized with their duties and the structure and operations of the company. | Yes | After the election, all members of the management board shall be familiarized with their rights and obligations under the legal acts of the Republic of Lithuania and the Articles of Association of the Company. Members of the management board are regularly informed at the Board meetings and individually, as required or per own request of the members, about the Company's activities and its changes, material changes in the legal acts regulating the Company's activities, and other circumstances affecting the Company's activities. |
| 3.2.4 | Members of the management board should be appointed for a specific term, subject to individual re-election for a new term in office in order to ensure necessary development of professional experience and sufficiently frequent reconfirmation of their status. | Yes | According to the Articles of Association of the Company, the members of the management board are elected for a term of four years, without limiting the number of their terms. The Articles of Association of the Company provide for the possibility of re-election of the entire management board or its individual member. |

| | | | |
|---|---|---|---|
| 3.2.5 | Chair of the management board should be a person whose current or past positions constitute no obstacle to carry out impartial activity. Where the supervisory board is not formed, the former manager of the company should not be immediately appointed as chair of the management board. When a company decides to depart from these recommendations, it should furnish information on the measures it has taken to ensure the impartiality of supervision. | Yes | Vilkyškių pieninė AB the chairman of its management board is the manager of the company. The impartiality of the activity is guaranteed by the Supervisory Board of the Company and five other members of the Board. |
| 3.2.6 | Each member should devote sufficient time and attention to perform his duties as a member of the management board. Should a member of the management board attend less than a half of the meetings of the management board throughout the financial year of the company, the supervisory board of the company or, if the supervisory board is not formed at the company, the general meeting of shareholders should be notified thereof. | Yes | In 2024, the management board members attended the management board meetings (a quorum was present during all meetings), with each member devoting sufficient time to perform the duties of the management board member.<br>There were no management board members who attended less than half of the management board meetings during fiscal year of 2024. |
| 3.2.7 | In the event that the management board is elected in the cases established by the Law where the supervisory board is not formed at the company, and some of its members will be independent , it should be announced which members of the management board are deemed as independent. The management board may decide that, despite the fact that a particular member meets all the criteria of independence established by the Law, he/she cannot be considered independent due to special personal or company-related circumstances. | Not applicable | The company has a supervisory board. |
| 3.2.8 | The general meeting of shareholders of the company should approve the amount of remuneration to the members of the management board for their activity and participation in the meetings of the management board. | Yes | Members of the management board of Vilkyškių pieninė AB, Modest AB, Kelmės pieninė AB, Kelmės pienas UAB and Baltic dairy board SIA may be compensated for their work in the management board with tantiemes approved by the general meeting of shareholders. No tantiemes were paid to management board members in 2024. |
| 3.2.9 | The members of the management board should act in good faith, with care and responsibility for the benefit and the interests of the company and its shareholders with due regard to other stakeholders. When adopting decisions, they should not act in their personal interest; they should be subject to no-compete agreements and they should not use the business information or opportunities related to the company's operations in violation of the company's interests. | Yes | According to the information available to the Company, the members of the management board act in good faith with respect to the Company, following the interests of the Company and not their own or those of third parties, adhering to the principles of honesty, reasonableness, confidentiality, and responsibility, trying to remain independent during the decision-making. |

| | | | |
|---|---|---|---|
| 3.2.10 | Every year the management board should carry out an assessment of its activities. It should include evaluation of the structure of the management board, its work organization and ability to act as a group, evaluation of the competence and work efficiency of each member of the management board, and evaluation whether the management board has achieved its objectives. The management board should, at least once a year, make public respective information about its internal structure and working procedures in observance of the legal acts regulating the processing of personal data. | Yes | Every year the management board is carry out an assessment of its activities, review the management board's annual performance goals and evaluate their achievement. The management structure of the Company is published annually in the annual report of the Company. |
| | **Principle 4: Rules of procedure of the supervisory board and the management board of the company**<br>**The rules of procedure of the supervisory board, if it is formed at the company, and of the management board should ensure efficient operation and decision-making of these bodies and promote active cooperation between the company's management bodies.** | | |
| 4.1 | The management board and the supervisory board, if the latter is formed at the company, should act in close cooperation in order to attain benefit for the company and its shareholders. Good corporate governance requires an open discussion between the management board and the supervisory board. The management board should regularly and, where necessary, immediately inform the supervisory board about any matters significant for the company that are related to planning, business development, risk management and control, and compliance with the obligations at the company. The management board should inform he supervisory board about any derogations in its business development from the previously formulated plans and objectives by specifying the reasons for this. | Yes | The company will follow this principle. The management board informs the supervisory board about all important issues for the Company. |
| 4.2 | It is recommended that meetings of the company's collegial bodies should be held at the respective intervals, according to the pre-approved schedule. Each company is free to decide how often meetings of the collegial bodies should be convened but it is recommended that these meetings should be convened at such intervals that uninterruptable resolution of essential corporate governance issues would be ensured. Meetings of the company's collegial bodies should be convened at least once per quarter. | Yes | Management board meetings are held at least once a month at the end of the month, and more frequently if the need arises. Meetings of the company's supervisory board are organized at least quarterly. |

| | | | |
|---|---|---|---|
| 4.3 | Members of a collegial body should be notified of the meeting being convened in advance so that they would have sufficient time for proper preparation for the issues to be considered at the meeting and a fruitful discussion could be held and appropriate decisions could be adopted. Along with the notice of the meeting being convened all materials relevant to the issues on the agenda of the meeting should be submitted to the members of the collegial body. The agenda of the meeting should not be changed or supplemented during the meeting, unless all members of the collegial body present at the meeting agree with such change or supplement to the agenda, or certain issues that are important to the company require immediate resolution. | Yes | Members of a collegial body shall be provided in advance with the information of the meeting convened, the agenda of the meeting, and any material related to the issues to be discussed at the meeting. Each member of the collegial body shall have access to the materials of the meeting before the date of the meeting. As a general rule, the published agenda of a meeting shall not be changed, unless otherwise decided at a meeting where all the members of the collegial body of the Company are present, and the material submitted for the meeting shall be sufficient for the additional issue to reach a decision on the issue that is not announced in the agenda. |
| 4.4 | In order to coordinate the activities of the company's collegial bodies and ensure effective decision-making process, the chairs of the company's collegial supervision and management bodies should mutually agree on the dates and agendas of the meetings and close cooperate in resolving other matters related to corporate governance. Meetings of the company's supervisory board should be open to members of the management board, particularly in such cases where issues concerning the removal of the management board members, their responsibility or remuneration are discussed. | Yes | The chairpersons of the collegial bodies coordinate with each other the dates and issues of the meetings of the convened bodies. |
| | **Principle 5: Nomination, remuneration and audit committees**<br>**5.1. Purpose and formation of committees**<br>**The committees formed at the company should increase the work efficiency of the supervisory board or, where the supervisory board is not formed, of the management board which performs the supervisory functions by ensuring that decisions are based on due consideration and help organise its work in such a way that the decisions it takes would be free of material conflicts of interest.**<br>**Committees should exercise independent judgment and integrity when performing their functions and provide the collegial body with recommendations concerning the decisions of the collegial body. However, the final decision should be adopted by the collegial body.** | | |
| 5.1.1 | Taking due account of the company-related circumstances and the chosen corporate governance structure, the supervisory board of the company or, in cases where the supervisory board is not formed, the management board which performs the supervisory functions, establishes committees. It is recommended that the collegial body should form the nomination, remuneration and audit committees. | Yes | Vilkyškių pieninė AB has 2 committees: Nomination and Remuneration Committee and Audit Committee. Appointments and Remuneration Committee is formed by the Supervisory Board. The members of the Audit Committee and the Regulations of the Committee is approved by the general meeting of shareholders. Modest AB, Kelmės pieninė AB, Pieno logistika AB, Kelmės pienas UAB and Baltic dairy board SIA have no committees. |
| 5.1.2 | Companies may decide to set up less than three committees. In such case companies should explain in detail why they have chosen the alternative approach, and how the chosen approach corresponds with the objectives set for the three different committees. | Yes | The functions of the Nomination and Remuneration Committee shall be carried out by a formed single Nomination and Remuneration Committee. |

| | | | |
|---|---|---|---|
| 5.1.3 | In the cases established by the legal acts the functions assigned to the committees formed at companies may be performed by the collegial body itself. In such case the provisions of this Code pertaining to the committees (particularly those related to their role, operation and transparency) should apply, where relevant, to the collegial body as a whole. | Not applicable | |
| 5.1.4 | Committees established by the collegial body should normally be composed of at least three members. Subject to the requirements of the legal acts, committees could be comprised only of two members as well. Members of each committee should be selected on the basis of their competences by giving priority to independent members of the collegial body. The chair of the management board should not serve as the chair of committees. | Yes | Each committee of Vilkyškių pieninė AB is composed of 3 members. All members of the Audit Committee have financial education, and 2 of them are independent members. All members of the Nomination and Remuneration Committee have experience in management and the development of remuneration systems, and one of them is independent. |
| 5.1.5 | The authority of each committee formed should be determined by the collegial body itself. Committees should perform their duties according to the authority delegated to them and regularly inform the collegial body about their activities and performance on a regular basis. The authority of each committee defining its role and specifying its rights and duties should be made public at least once a year (as part of the information disclosed by the company on its governance structure and practice on an annual basis). In compliance with the legal acts regulating the processing of personal data, companies should also include in their annual reports the statements of the existing committees on their composition, the number of meetings and attendance over the year as well as the main directions of their activities and performance. | Yes | Vilkyškių pieninė AB activities of the Nomination and Remuneration Committee are regulated by the Committee's regulations approved by the Supervisory Board. Regulations of the Audit Committee of Vilkyškių pieninė AB are approved by the general meeting of shareholders. Both committees regularly inform the collegial body about their activities and results. Information on Committee activities and attendance of Committee meetings is presented in the consolidated annual report of 2024. |
| 5.1.6 | With a view to ensure the independence and impartiality of the committees, the members of the collegial body who are not members of the committees should normally have a right to participate in the meetings of the committee only if invited by the committee. A committee may invite or request that certain employees of the company or experts would participate in the meeting. Chair of each committee should have the possibility to maintain direct communication with the shareholders. Cases where such practice is to be applied should be specified in the rules regulating the activities of the committee. | Yes | The members of the collegial body, who are not members of the Committee, shall participate in the meetings of the committees, if necessary, at the invitation of the respective Committee. If necessary, the Committee may invite relevant Company personnel, responsible for the matters discussed in the Committee, to attend the meeting. The chairman of the committee is also provided with the possibility to communicate with the shareholders as necessary. |
| | **5.2. Nomination committee** | | |

| | | | |
|---|---|---|---|
| 5.2.1 | The key functions of the nomination committee should be the following:<br>1) to select candidates to fill vacancies in the membership of supervisory and management bodies and the administration and recommend the collegial body to approve them. The nomination committee should evaluate the balance of skills, knowledge and experience in the management body, prepare a description of the functions and capabilities required to assume a particular position and assess the time commitment expected;<br>2) assess, on a regular basis, the structure, size and composition of the supervisory and management bodies as well as the skills, knowledge and activity of its members, and provide the collegial body with recommendations on how the required changes should be sought;<br>3) devote the attention necessary to ensure succession planning. | Yes | The functions of the Nomination Committee specified in this recommendation are essentially performed by the Nomination and Remuneration Committee of Vilkyškių pieninė AB. |
| 5.2.2 | When dealing with issues related to members of the collegial body who have employment relationships with the company and the heads of the administration, the manager of the company should be consulted by granting him/her the right to submit proposals to the Nomination Committee. | Yes | |
| | **5.3. Remuneration committee** | | |
| | The main functions of the remuneration committee should be as follows:<br>1) submit to the collegial body proposals on the remuneration policy applied to members of the supervisory and management bodies and the heads of the administration for approval. Such policy should include all forms of remuneration, including the fixed-rate remuneration, performance-based remuneration, financial incentive schemes, pension arrangements and termination payments as well as conditions which would allow the company to recover the amounts or suspend the payments by specifying the circumstances under which it would be expedient to do so;<br>2) submit to the collegial body proposals regarding individual remuneration for members of the collegial bodies and the heads of the administration in order to ensure that they would be consistent with the company's remuneration policy and the evaluation of the performance of the persons concerned;<br>3) review, on a regular basis, the remuneration policy and its implementation. | Yes | The functions of the Remuneration Committee specified in this recommendation are essentially performed by the Nomination and Remuneration Committee of Vilkyškių pieninė AB.<br>The Nomination and Remuneration Committee submits proposals to the collegial body on the remuneration policy, reviews it regularly, and monitors its implementation. |
| | **5.4. Audit committee** | | |
| 5.4.1 | The key functions of the audit committee are defined in the legal acts regulating the activities of the audit committee . | Yes | The functions of the Audit Committee are defined in the Regulations of the Audit Committee approved by the General Meeting of Shareholders. |

| | | | |
|---|---|---|---|
| 5.4.2 | All members of the committee should be provided with detailed information on specific issues of the company's accounting system, finances and operations. The heads of the company's administration should inform the audit committee about the methods of accounting for significant and unusual transactions where the accounting may be subject to different approaches. | Yes | The members of the Committee shall be provided with all the detailed information necessary for the performance of its functions. |
| 5.4.3 | The audit committee should decide whether the participation of the chair of the management board, the manager of the company, the chief finance officer (or senior employees responsible for finance and accounting), the internal and external auditors in its meetings is required (and, if required, when). The committee should be entitled, when needed, to meet the relevant persons without members of the management bodies present. | Yes | After the members of the Audit Committee decide who must attend the meeting of the Committee, these persons shall be invited, ensuring possibility that the members of the managerial bodies would not be present at the same meeting. |
| 5.4.4 | The audit committee should be informed about the internal auditor's work program and should be furnished with internal audit reports or periodic summaries. The audit committee should also be informed about the work program of external auditors and should receive from the audit firm a report describing all relationships between the independent audit firm and the company and its group. | Yes | External auditors shall regularly present their activity plans and reports to the Audit Committee. |
| 5.4.5 | The audit committee should examine whether the company complies with the applicable provisions regulating the possibility of lodging a complaint or reporting anonymously his/her suspicions of potential violations committed at the company and should also ensure that there is a procedure in place for proportionate and independent investigation of such issues and appropriate follow-up actions. | Yes | The Audit Committee shall have the opportunity to periodically verify whether employees have the possibility to lodge a complaint or report anonymously any suspected violations by the Company. Complaints are filed in the Company through the established complaint/report handling channels. |
| 5.4.6 | The audit committee should submit to the supervisory board or, where the supervisory board is not formed, to the management board its activity report at least once in every six months, at the time that annual and half-yearly reports are approved. | Yes | Reports of the Audit Committee are presented at Supervisory board meetings twice a year. |

**Principle 6: Prevention and disclosure of conflicts of interest**

**The corporate governance framework should encourage members of the company's supervisory and management bodies to avoid conflicts of interest and ensure a transparent and effective mechanism of disclosure of conflicts of interest related to members of the supervisory and management bodies.**

**The Corporate Governance Framework should recognize the rights of the stakeholders as established by law and promote active cooperation between the company and its stakeholders in the creation of the well-being, jobs, and financial stability of the Company. Within the context of this principle, the term "stakeholders" includes investors, employees, creditors, suppliers, customers, the local community, and other persons with interests in a particular company.**

| | | | |
|---|---|---|---|
| | Any member of the company's supervisory and management body should avoid a situation where his/her personal interests are or may be in conflict with the company's interests. In case such a situation did occur, a member of the company's supervisory or management body should, within a reasonable period of time, notify other members of the same body or the body of the company which elected him/her or the company's shareholders of such situation of a conflict of interest, indicate the nature of interests and, where possible, their value. | Yes | Members of the company's supervisory and management boards avoid situations where their personal interests may be in conflict with the company's interests. |
| | **Principle 7: Remuneration policy of the company**<br>**The remuneration policy and the procedure for review and disclosure of such policy established at the company should prevent potential conflicts of interest and abuse in determining remuneration of members of the collegial bodies and heads of the administration, in addition it should ensure the publicity and transparency of the company's remuneration policy and its long-term strategy.** | | |
| 7.1 | The company should approve and post the remuneration policy on the website of the company; such policy should be reviewed on a regular basis and be consistent with the company's long-term strategy. | Yes | Approved remuneration policy is published on the Company's website and is regularly reviewed. |
| 7.2 | The remuneration policy should include all forms of remuneration, including the fixed-rate remuneration, performance-based remuneration, financial incentive schemes, pension arrangements and termination payments as well as the conditions specifying the cases where the company can recover the disbursed amounts or suspend the payments. | Yes | |
| 7.3 | With a view to avoid potential conflicts of interest, the remuneration policy should provide that members of the collegial bodies which perform the supervisory functions should not receive remuneration based on the company's performance. | Yes | The approved Remuneration Policy does not provide for the possibility to receive remuneration depending on the Company's performance. |
| 7.4 | The remuneration policy should provide sufficient information on the policy regarding termination payments. Termination payments should not exceed a fixed amount or a fixed number of annual wages and in general should not be higher than the non-variable component of remuneration for two years or the equivalent thereof. Termination payments should not be paid if the contract is terminated due to inadequate performance. | Yes | The Company adheres to the requirements of applicable laws (provisions of the Labor Code of the Republic of Lithuania) regarding termination payments. |
| 7.5 | In the event that the financial incentive scheme is applied at the company, the remuneration policy should contain sufficient information about the retention of shares after the award thereof. Where remuneration is based on the award of shares, shares should not be vested at least for three years after the award thereof. After vesting, members of the collegial bodies and heads of the administration should retain a certain number of shares until the end of their term in office, subject to the need to compensate for any costs related to the acquisition of shares. | Not applicable | The Company has no system of employee incentivisation or remuneration with Company shares. |

| | | | |
|---|---|---|---|
| 7.6 | The company should publish information about the implementation of the remuneration policy on its website, with a key focus on the remuneration policy in respect of the collegial bodies and managers in the next and, where relevant, subsequent financial years. It should also contain a review of how the remuneration policy was implemented during the previous financial year. The information of such nature should not include any details having a commercial value. Particular attention should be paid on the major changes in the company's remuneration policy, compared to the previous financial year. | Yes | The implementation of the Remuneration Policy is disclosed in the Remuneration Report, which is published on the Company's website. |
| 7.7 | It is recommended that the remuneration policy or any major change of the policy should be included on the agenda of the general meeting of shareholders. The schemes under which members and employees of a collegial body receive remuneration in shares or share options should be approved by the general meeting of shareholders. | Yes | In the event of a material change in the remuneration policy, such change shall be included in the agenda of the general meeting of shareholders.<br>The Company does not employ schemes under which the remuneration is provided in shares or share options, or other rights to purchase shares or receive remuneration based on the changes in the share price. |
| | **Principle 8: Role of stakeholders in corporate governance**<br>**The corporate governance framework should recognize the rights of stakeholders entrenched in the laws or mutual agreements and encourage active cooperation between companies and stakeholders in creating the company value, jobs and financial sustainability. In the context of this principle the concept "stakeholders" includes investors, employees, creditors, suppliers, clients, local community and other persons having certain interests in the company concerned.** | | |
| 8.1 | The corporate governance framework should ensure that the rights and lawful interests of stakeholders are protected. | Yes | All stakeholders are provided with the possibility to participate in corporate governance and access to the necessary information. |
| 8.2 | The corporate governance framework should create conditions for stakeholders to participate in corporate governance in the manner prescribed by law. Examples of participation by stakeholders in corporate governance include the participation of employees or their representatives in the adoption of decisions that are important for the company, consultations with employees or their representatives on corporate governance and other important matters, participation of employees in the company's authorized capital, involvement of creditors in corporate governance in the cases of the company's insolvency, etc. | Yes | All stakeholders are provided with the possibility to participate in corporate governance in the manner prescribed by law. |
| 8.3 | Where stakeholders participate in the corporate governance process, they should have access to relevant information. | Yes | The stakeholders involved in the corporate governance process shall be granted access to the necessary information, without prejudice to the interests of the Company and other related parties. |
| 8.4 | Stakeholders should be provided with the possibility of reporting confidentially any illegal or unethical practices to the collegial body performing the supervisory function. | Yes | The Company provides the possibility to confidentially report any illegal or unethical practices to the collegial body performing the supervisory function. |
| | **Principle 9: Disclosure of information**<br>**The corporate governance framework should ensure the timely and accurate disclosure of all material corporate issues, including the financial situation, operations and governance of the company.** | | |

| | | | |
|---|---|---|---|
| 9.1 | In accordance with the company's procedure on confidential information and commercial secrets and the legal acts regulating the processing of personal data, the information publicly disclosed by the company should include but not be limited to the following: | Yes | |
| 9.1.1 | operating and financial results of the company; | Yes | On a quarterly basis, the Company reports its operating and financial results on the Company's website and through the information disclosure system used by Nasdaq Vilnius. |
| 9.1.2 | objectives and non-financial information of the company; | Yes | Information on the Company's activities, objectives and corporate governance is disclosed through press releases and notifications on material events, as well as on the Company's website, and the information disclosure system used by Nasdaq Vilnius. |
| 9.1.3 | persons holding a stake in the company or controlling it directly and/or indirectly and/or together with related persons as well as the structure of the group of companies and their relationships by specifying the final beneficiary; | Yes | Information is provided on the Company's website and in its interim and annual reports. |
| 9.1.4 | members of the company's supervisory and management bodies who are deemed independent, the manager of the company, the shares or votes held by them at the company, participation in corporate governance of other companies, their competence and remuneration; | Yes | Information is provided on the Company's website and in its interim and annual reports. |
| 9.1.5 | reports of the existing committees on their composition, number of meetings and attendance of members during the last year as well as the main directions and results of their activities; | Yes | Information on the composition of committees and the number of meetings is provided in the annual reports. |
| 9.1.6 | potential key risk factors, the company's risk management and supervision policy; | Yes | The information is provided in interim and annual reports |
| 9.1.7 | the company's transactions with related parties; | Yes | Information is provided on the Company's website and in its interim and annual reports. |
| 9.1.8 | main issues related to employees and other stakeholders (for instance, human resource policy, participation of employees in corporate governance, award of the company's shares or share options as incentives, relationships with creditors, suppliers, local community, etc.); | Yes | The information is provided in interim and annual reports. |
| 9.1.9 | structure and strategy of corporate governance; | Yes | Information is provided on the Company's website and in its interim and annual reports. |
| 9.1.10 | initiatives and measures of social responsibility policy and anti-corruption fight, significant current or planned investment projects. This list is deemed minimum and companies are encouraged not to restrict themselves to the disclosure of information included into this list. This principle of the Code does not exempt companies from their obligation to disclose information as provided for in the applicable legal acts. | Yes | Information is provided in interim and annual reports, notifications on material events, on the Company's website, and in the Company's Sustainability Statement. |

| | | | |
|---|---|---|---|
| 9.2 | When disclosing the information specified in paragraph 9.1.1 of recommendation 9.1, it is recommended that the company which is a parent company in respect of other companies should disclose information about the consolidated results of the whole group of companies. | Yes | When disclosing the information specified in paragraph 9.1.1 of recommendation 9.1, the company which is a parent company in respect of other companies discloses information about the consolidated results of the whole group of companies in the interim and annual reports. |
| 9.3 | When disclosing the information specified in paragraph 9.1.4 of recommendation 9.1, it is recommended that the information on the professional experience and qualifications of members of the company's supervisory and management bodies and the manager of the company as well as potential conflicts of interest which could affect their decisions should be provided. It is further recommended that the remuneration or other income of members of the company's supervisory and management bodies and the manager of the company should be disclosed, as provided for in greater detail in Principle 7. | Yes | The Company discloses in its consolidated annual report information on the amount of annual remuneration and other income paid to the Company's key management and members of the managerial and supervisory bodies, as well as education, qualifications and participation in the activities and capital of other companies. |
| 9.4 | Information should be disclosed in such manner that no shareholders or investors are discriminated in terms of the method of receipt and scope of information. Information should be disclosed to all parties concerned at the same time. | Yes | Vilkyškių pieninė AB submits information via the information disclosure system used by Nasdaq Vilnius in Lithuanian and English at the same time, thus ensuring simultaneous disclosure of information to everyone. The Company seeks to publish the information before or after the Nasdaq Vilnius trading session and simultaneously submit it to all markets where the Company's securities are traded, and also makes it publicly available on the website. |
| | **Principle 10: Selection of the company's audit firm**<br>**The company's audit firm selection mechanism should ensure the independence of the report and opinion of the audit firm.** | | |
| 10.1 | With a view to obtain an objective opinion on the company's financial condition and financial results, the company's annual financial statements and the financial information provided in its annual report should be audited by an independent audit firm. | Yes | The Company adheres to this recommendation because the Company's annual consolidated financial information is audited by an independent audit firm. |
| 10.2 | It is recommended that the audit firm would be proposed to the general meeting of shareholders by the supervisory board or, if the supervisory board is not formed at the company, by the management board of the company. | Yes | The management board of the Company ( Vilkyškiu pienine AB Supervisory board, manager in Pieno logistika AB of the Company Group) submits the candidacy of the audit company to the meeting of shareholders. The Audit Company shall be approved by the general meeting of shareholders of the Company. |
| 10.3 | In the event that the audit firm has received remuneration from the company for the non-audit services provided, the company should disclose this publicly. This information should also be available to the supervisory board or, if the supervisory board is not formed at the company, by the management board of the company when considering which audit firm should be proposed to the general meeting of shareholders. | Yes | In 2024, the audit company did not provide non-audit services to the Company. Should the audit company provide non-audit services, then the Company would inform about it publicly. |

# FINANCIAL STATEMENTS:



**CONSOLIDATED AND THE PARENT COMPANY'S SEPARATE:**



# Company details

## VILKYŠKIŲ PIENINĖ AB

Telephone: +370 441 55330
Company code: 277160980
Registered office address: P. Lukošaičio g. 14, Vilkyškiai, LT-99254 Pagėgiai municipality, Lithuania

### Supervisory Board

Algimantas Lekevičius (Chairman)
Marijana Juškienė
Martynas Bertašius

### Board

Gintaras Bertašius (Chairman)
Sigitas Trijonis
Rimantas Jancevičius
Vilija Milaševičiutė
Andrej Cyba
Linas Strėlis

### Management

Gintaras Bertašius, CEO
Vaidotas Juškys, Executive Director
Sigitas Trijonis, Director of the Investment Projects Department
Rimantas Jancevičius, Director of Raw Material Purchase
Arvydas Zaranka, Production Director
Vilija Milaševičiutė, Director of Economics and Finance
Rita Juodikienė, Director of Management and Quality
Paulinas Stanaitis, Director for Transport and Logistics

### Auditor

PricewaterhouseCoopers UAB

### Banks

AB SEB bankas
AB Swedbank"
AB „Luminor Bank"
AB Šiaulių bankas
OP „Corporate Bank plc" Lithuanian branch
AS „Citadele banka" Lithuanian branch
SC „Citadele bank"

# Management's statement on the consolidated and parent company's separate annual financial statements

On this day the management has discussed and authorised for issue the following set of separate and consolidated annual financial statements.

The separate and consolidated annual financial statements have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union. In our opinion, the accounting policies applied are appropriate and the separate and consolidated annual financial statements give a true and fair view, in all material respects, in accordance with International Financial Reporting Standards as adopted by the European Union.

We recommend that the General Meeting of Shareholders approve the separate and consolidated annual financial statements.

Vilkyškiai, 8 April 2025

Gintaras Bertašius
CEO
(The document has been signed by a qualified electronic signature)

Vilija Milaševičiutė
Director of Economics and Finance
(The document has been signed by a qualified electronic signature)

# CONSOLIDATED AND SEPARATE STATEMENTS OF FINANCIAL POSITION

EUR '000

| GROUP | | | | COMPANY | |
|---|---|---|---|---|---|
| At 31 December | | | | At 31 December | |
| **2024** | **2023** | **Assets** | Note | **2024** | **2023** |
| - | - | Investment property | 14 | 8,045 | 6,903 |
| 89,269 | 56,178 | Property, plant and equipment | 12 | 18,731 | 18,370 |
| 2,366 | 1,542 | Right-of-use assets | 12,13 | 2,270 | 1,483 |
| 4,200 | 4,168 | Intangible assets | 15 | 30 | 2 |
| - | - | Investments in subsidiaries | 16 | 27,388 | 11,318 |
| 243 | 913 | Non-current amounts receivable | 17 | 1,404 | 2,022 |
| **96,078** | **62,801** | **Non-current assets** | | **57,868** | **40,098** |
| 14,254 | 17,627 | Inventories | 18 | 7,104 | 8,988 |
| 22,411 | 17,207 | Trade and other receivables | 19 | 22,383 | 17,686 |
| 711 | 679 | Prepayments | 20 | 483 | 527 |
| 18,872 | 8,725 | Cash and cash equivalents | 21 | 13,286 | 2,854 |
| **56,248** | **44,238** | **Current assets** | | **43,256** | **30,055** |
| **152,326** | **107,039** | **Total assets** | | **101,124** | **70,153** |
| | | **Equity** | | | |
| 3,463 | 3,463 | Share capital | | 3,463 | 3,463 |
| 3,301 | 3,301 | Share premium | | 3,301 | 3,301 |
| 3,240 | 1,883 | Reserves | | 1,262 | 1,248 |
| 74,458 | 52,379 | Retained earnings | | 51,470 | 38,610 |
| **84,462** | **61,026** | **Equity attributable to owners of the Company** | | **59,496** | **46,622** |
| 20 | 5 | Non-controlling interest | | - | - |
| **84,482** | **61,031** | **Equity** | 22 | **59,496** | **46,622** |
| | | **Liabilities** | | | |
| 33,280 | 15,706 | Borrowings | 23 | 5,778 | 2,569 |
| 1,551 | 775 | Lease liabilities | 23 | 1,190 | 728 |
| 4,043 | 3,598 | Government grants | 24 | 1,387 | 671 |
| 2,059 | 930 | Deferred income tax liabilities | 25 | 1,318 | 568 |
| **40,933** | **21,009** | **Non-current liabilities** | | **9,673** | **4,536** |
| 3,649 | 3,235 | Borrowings | 23 | 1,771 | 1,356 |
| 742 | 469 | Lease liabilities | 23 | 614 | 432 |
| 819 | 512 | Income tax payable | | - | - |
| 21,701 | 20,783 | Trade and other payables | 26 | 29,570 | 17,207 |
| **26,911** | **24,999** | **Current liabilities** | | **31,955** | **18,995** |
| **67,844** | **46,008** | **Liabilities** | | **41,628** | **23,531** |
| **152,326** | **107,039** | **Total equity and liabilities** | | **101,124** | **70,153** |

The notes on pages 151 to 196 form an integral part of these separate and consolidated financial statements, which were issued and signed on 8 April 2025.

CEO

(the document has been signed by a qualified electronic signature) Gintaras Bertašius

Director of Economics and Finance

(the document has been signed by a qualified electronic signature) Vilija Milaševičiutė

# CONSOLIDATED AND SEPARATE STATEMENTS OF PROFIT OR LOSS

EUR '000

| GROUP | | | | COMPANY | |
|---|---|---|---|---|---|
| **2024** | **2023** | | | **2024** | **2023** |
| 245,429 | 210,536 | Revenue | 1 | 262,079 | 245,072 |
| -203,648 | -182,849 | Cost of sales | 2 | -245,737 | -236,059 |
| **41,781** | **27,687** | **Gross profit** | | **16,342** | **9,013** |
| 348 | 275 | Other operating income | 3 | 12,890 | 5,598 |
| -5,034 | -4,438 | Distribution expenses | 6 | -3,547 | -4,224 |
| -7,901 | -6,662 | Administrative expenses | 7 | -6,023 | -4,434 |
| -257 | -305 | Other operating expenses | 4 | -2,695 | -3,264 |
| 106 | 221 | Other gain (loss) – net | 5 | 545 | 223 |
| **29,043** | **16,778** | **Results of operating activities** | | **17,512** | **2,912** |
| 118 | 39 | Finance income | | 124 | 100 |
| -1,481 | -1,378 | Finance costs | | -579 | -438 |
| **-1,363** | **-1,339** | **Finance costs, net** | 9 | **-455** | **-338** |
| **27,680** | **15,439** | **Profit (loss) before income tax** | | **17,057** | **2,574** |
| -2,011 | -787 | Income tax | 10 | -698 | -47 |
| **25,669** | **14,652** | **Profit (loss) for the reporting year** | | **16,359** | **2,527** |
| | | Attributable to: | | | |
| 25,654 | 14,666 | Shareholders of the Company | | 16,359 | 2,527 |
| 15 | -14 | Non-controlling interest | | - | - |
| **25,669** | **14,652** | **Profit (loss) for the reporting year** | | **16,359** | **2,527** |
| 2.15 | 1.23 | Basic and diluted earnings per share (in EUR) | 11 | 1.37 | 0.21 |

The notes on pages 151 to 196 form an integral part of these separate and consolidated financial statements.

# CONSOLIDATED AND SEPARATE STATEMENTS OF OTHER COMPREHENSIVE INCOME

| GROUP | | | COMPANY | |
|---|---|---|---|---|
| **2024** | **2023** | EUR '000 | **2024** | **2023** |
| **25,669** | **14,652** | **Profit (loss) for the reporting year** | **16,359** | **2,527** |
| | | **Other comprehensive income** | | |
| - | - | Items that will not be reclassified to profit or loss | - | - |
| 1,787 | - | Profit (loss) due to the revaluation of tangible fixed assets | 268 | - |
| -303 | - | Deferred income tax liability | -51 | - |
| - | - | Items that are or may be subsequently reclassified to profit or loss | - | - |
| **1,484** | - | **Other comprehensive income for the year, net of** | 217 | - |
| **27,153** | **14,652** | **Total comprehensive income for the year** | **16,576** | **2,527** |
| | | Attributable to: | | |
| 27,138 | 14,666 | Shareholders of the Company | 16,576 | 2,527 |
| 15 | -14 | Non-controlling interest | - | - |
| **27,153** | **14,652** | **Total comprehensive income for the year** | **16,576** | **2,527** |

The notes on pages 151 to 196 form an integral part of these separate and consolidated financial statements.

# SEPARATE STATEMENT OF CHANGES IN EQUITY

EUR '000

| | Share capital | Share premium | Revaluation reserve | Legal reserve | Retained earnings | Total |
|---|---|---|---|---|---|---|
| Balance at 1 January 2023 | 3,463 | 3,301 | 1,054 | 346 | 39,096 | 47,260 |
| Profit (loss) for the period | - | - | - | - | 2,527 | 2,527 |
| **Other comprehensive income** | - | - | - | - | **-** | **-** |
| **Total comprehensive income for the year** | **-** | **-** | **-152** | **-** | **2,679** | **2,527** |
| Depreciation, write-off of revalued assets | - | - | -152 | - | 152 | - |
| **Transactions with owners recognised directly in equity** | | | | | | |
| Dividends | - | - | - | - | -3,165 | -3,165 |
| Total transactions with owners recognised directly in equity | **-** | **-** | **-** | **-** | **-3,165** | **-3,165** |
| Balance at 31 December 2023 | 3,463 | 3,301 | 902 | 346 | 38,610 | 46,622 |
| Balance at 1 January 2024 | 3,463 | 3,301 | 902 | 346 | 38,610 | 46,622 |
| Profit (loss) for the period | - | - | - | - | 16,359 | 16,359 |
| **Other comprehensive income** | - | - | - | - | - | - |
| **Total comprehensive income for the year** | **-** | **-** | **14** | **-** | **16,562** | **16,576** |
| Value gains/decreases of revalued assets | - | - | 217 | - | - | 217 |
| Depreciation, write-off of revalued assets | - | - | -203 | - | 203 | - |
| **Transactions with owners recognised directly in equity** | | | | | | |
| Dividends | - | - | - | - | -3,702 | -3,702 |
| **Total transactions with owners recognised directly in equity** | - | - | - | - | -3,702 | -3,702 |
| Balance at 31 December 2024 | 3,463 | 3,301 | 916 | 346 | 51,470 | 59,496 |

The notes on pages 151  to 196 form an integral part of these separate and consolidated financial statements.

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

EUR '000

| | Equity attributable to owners of the Company | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | Share capital | Share premium | Revaluation reserve | Legal reserve | Retained earnings (deficit) | Total | Non-controlling interest | Total equity |
| At 1 January 2023 | **3,463** | **3,301** | **1,722** | **346** | **40,749** | **49,581** | **321** | **49,902** |
| **Comprehensive income for the year** | | | | | | | | |
| Net profit (loss) | - | - | - | - | 14,666 | 14,666 | -14 | 14,652 |
| **Other comprehensive income** | - | - | -185 | - | 185 | - | - | - |
| **Total comprehensive income for the year** | **-** | **-** | **-185** | **-** | **14,851** | **14,666** | **-14** | **14,652** |
| Depreciation, write-off of revalued assets | - | - | -185 | - | 185 | - | - | - |
| **Transactions with owners recognised directly in equity** | | | | | | | | |
| Dividends | **-** | **-** | **-** | **-** | -3,165 | -3,165 | - | -3,165 |
| Change in fair value of put option | **-** | **-** | **-** | **-** | 42 | 42 | - | 42 |
| Total transactions with owners recognised directly in equity | **-** | **-** | **-** | **-** | **-3,123** | **-3,123** | **-** | **-3,123** |
| **Changes in the Group not resulting in a loss of control** | | | | | | | | |
| Non-controlling interests on acquisition of subsidiary | - | - | - | - | -98 | -98 | -302 | -400 |
| **Total transactions with owners** | **-** | **-** | **-** | **-** | **-3,221** | **-3,221** | **-302** | **-3,523** |
| At 31 December 2023 | **3,463** | **3,301** | **1,537** | **346** | **52,379** | **61,026** | **5** | **61,031** |
| At 1 January 2024 | **3,463** | **3,301** | **1,537** | **346** | **52,379** | **61,026** | **5** | **61,031** |
| **Comprehensive income for the year** | | | | | | | | |
| Net profit (loss) | - | - | - | - | 25,654 | 25,654 | 15 | 25,669 |
| **Other comprehensive income** | - | - | 1,357 | - | 127 | 1,484 | - | 1,484 |
| **Total comprehensive income for the year** | **-** | **-** | **1,357** | **-** | **25,781** | **27,138** | **15** | **27,153** |
| Value gains/decreases of revalued assets | - | - | 1,484 | - | - | 1,484 | - | 1,484 |
| Depreciation, write-off of revalued assets | - | - | -127 | - | 127 | - | - | - |
| **Transactions with owners recognised directly in equity** | | | | | | | | |
| Dividends | - | - | - | - | -3,702 | -3,702 | - | -3,702 |
| Change in fair value of put option | - | - | - | - | - | - | - | - |
| **Total transactions with owners recognised directly in equity** | **-** | **-** | **-** | **-** | **-3,702** | **-3,702** | **-** | **-3,702** |
| **Changes in the Group not resulting in a loss of control** | | | | | | | | |
| Non-controlling interests on acquisition of subsidiary | - | - | - | - | - | - | - | - |
| **Total transactions with owners** | **-** | **-** | **-** | **-** | **-3,702** | **-3,702** | **-** | **-3,702** |
| At 31 December 2024 | **3,463** | **3,301** | **2,894** | **346** | **74,458** | **84,462** | **20** | **84,482** |

The notes on pages 151 to 196 form an integral part of these separate and consolidated financial statements.

# CONSOLIDATED AND SEPARATE STATEMENTS OF CASH FLOWS

EUR ‘000

| GROUP | | | | COMPANY | |
|---|---|---|---|---|---|
| **2024** | **2023** | | Note | **2024** | **2023** |
| | | **Cash flows from operating activities** | | | |
| 25,669 | 14,652 | Profit (loss) for the year | | 16,359 | 2,527 |
| | | Adjustments for: | | | |
| 4,966 | 4,648 | Depreciation of property, plant and equipment | | 1,879 | 1,719 |
| - | - | Loss (gain) on change in fair value of investment property | | -449 | -123 |
| 3 | 7 | Amortisation of intangible assets | | 2 | 3 |
| -456 | -430 | Amortisation and write-off of grants | | -177 | -134 |
| 1,211 | -1,413 | Change in inventory write-down allowance | | 899 | 59 |
| -74 | -33 | Loss (gain) from disposal and write-off of property, plant and equipment | | -69 | 12 |
| - | - | Other operating income | | -8,993 | -1,523 |
| 2,011 | 787 | Income tax expenses | | 698 | 47 |
| 1,363 | 1,339 | Finance costs, net | | 455 | 338 |
| **34,693** | **19,557** | | | **10,604** | **2,925** |
| 2,170 | 9,278 | Change in inventories | | 985 | 141 |
| 670 | -802 | Change in non-current amounts receivable | | 618 | -1,014 |
| -5,758 | 541 | Change in trade and other receivables and prepayments | | -5,154 | 8,566 |
| 1,417 | -292 | Change in trade and other payables | | 21,644 | 2,100 |
| **33,192** | **28,282** | | | **28,697** | **12,718** |
| -1,410 | -1,225 | Interest paid | | -524 | -287 |
| -1,116 | -364 | Income tax paid | | - | - |
| **30,666** | **26,693** | **Net cash flows generated from operating activities** | | **28,173** | **12,431** |

# CONSOLIDATED AND SEPARATE STATEMENTS OF CASH FLOWS (CONT.)

EUR '000

| GROUP | | | | COMPANY | |
|---|---|---|---|---|---|
| **2024** | **2023** | | Note | **2024** | **2023** |
| | | **Cash flows from investing activities** | | | |
| -35,956 | -12,151 | Payments for acquisition of property, plant and equipment | | -2,421 | -6,773 |
| -35 | - | Payments for acquisition of intangible assets | | -30 | - |
| 980 | 557 | Proceeds from sale of property, plant and equipment | | 350 | 137 |
| - | - | Acquisition of ownership interest in subsidiary | | -16,070 | -400 |
| - | -170 | Loans granted | | - | -320 |
| 901 | 285 | Government grants | | 893 | 285 |
| - | - | Dividends received | | - | 1,631 |
| 600 | 381 | Repayment of loans | | 600 | 381 |
| - | -400 | Outflow of cash to acquire subsidiary, net of cash acquired | | - | - |
| **-33,510** | **-11,498** | **Net cash flows (used in) investing activities** | | **-16,678** | **-5,059** |
| | | **Cash flows from financing activities** | | | |
| 23,409 | 2,134 | Proceeds from borrowings | 23 | 7,166 | 2,134 |
| -5,421 | -5,410 | Repayments of borrowings | 23 | -3,542 | -3,191 |
| -1,295 | -650 | Lease payments | | -985 | -621 |
| -3,702 | -3,165 | Payment of dividends | | -3,702 | -3,165 |
| **12,991** | **-7,091** | **Net cash flows (used in) financing activities** | | **-1,063** | **-4,843** |
| 10,147 | 8,104 | **Net increase (decrease) in cash and cash equivalents** | | 10,432 | 2,529 |
| 8,725 | 621 | Cash and cash equivalents as at 1 January | | 2,854 | 325 |
| **18,872** | **8,725** | **Cash and cash equivalents as at 31 December** | 21 | **13,286** | **2,854** |

The notes on pages 151  to 196 form an integral part of these separate and consolidated financial statements.

# Notes to the consolidated and separate financial statements

## General information

The following companies are part of the VILVI Group (hereinafter the "Group"):

- VILKYŠKIŲ PIENINĖ AB, a parent company (hereinafter the "Parent" or the "Company");
- Modest AB, a subsidiary (hereinafter the "subsidiary Modest AB" or "Modest AB");
- Kelmės Pieninė AB, a subsidiary (hereinafter the "subsidiary Kelmės Pieninė AB" or "Kelmės Pieninė AB").
- Kelmės Pienas UAB, a subsidiary of Kelmės Pieninė AB (hereinafter the "Kelmės Pienas UAB").
- Pieno Logistika AB, a subsidiary of Kelmės Pienas UAB (hereinafter "Pieno Logistika AB").
- Baltic Dairy Board SIA, a subsidiary (hereinafter the "subsidiary Baltic Dairy Board SIA" or "Baltic Dairy Board SIA").

VILKYŠKIŲ PIENINĖ AB was established in 1993. The Parent has no branches or representative offices.

VILKYŠKIŲ PIENINĖ AB is a Lithuanian company listed on the Nasdaq OMX Vilnius AB stock exchange.

**As at 31 December 2024, the Company's shareholder structure was as follows:**

| Shareholder | Number of shares held | Nominal value, EUR | Total value, EUR |
|---|---|---|---|
| Swisspartners Versicherung AG Zweigniederlassung Österreich | 7,213,680 | 0.29 | 2,091,968 |
| Multi Asset Selection Fund | 2,035,729 | 0.29 | 590,361 |
| Other minority shareholders | 2,693,591 | 0.29 | 781,141 |
| **Total capital** | **11,943,000** | **0.29** | **3,463,470** |

**As at 31 December 2023, the Company's shareholder structure was as follows:**

| Shareholder | Number of shares held | Nominal value, EUR | Total value, EUR |
|---|---|---|---|
| Swisspartners Versicherung AG Zweigniederlassung Österreich | 6,994,316 | 0.29 | 2,028,352 |
| Multi Asset Selection Fund | 2,035,729 | 0.29 | 590,361 |
| Other minority shareholders | 2,693,591 | 0.29 | 781,141 |
| **Total capital** | **11,943,000** | **0.29** | **3,463,470** |

The Company's ultimate controlling party is Mr. Gintaras Bertašius and persons related to him.

According to the data as of 31 December 2023 and 31 December 2024, Gintaras Bertašius did not hold shares in AB Vilkyškių pieninė but owned 60.4% of the votes at the general meeting of shareholders (since 2018, a joint life insurance policy was established with Swisspartners Versicherung AG Zweigniederlassung Österreich, which, according to the data as of 31 December 2024, acquired ownership rights to 7,213,680 shares of AB Vilkyškių pieninė).

The Parent's core line of business is production and sale of fermented cheese, industrial cream, whey products. Business activities are carried out at the main production facilities located in Vilkyškiai, Pagėgiai region municipality.

The Parent controls the subsidiary Modest AB, which is engaged in production of blue-veined cheese, processed cheese, smoked cheese, Mozzarella cheese, and industrial cream. At 2024 The Company owns 99.7% of shares with voting rights in the subsidiary Modest, AB (at 2023: 99.7%).

The Parent also controls the subsidiary Kelmės Pieninė AB, which is engaged in production of dry milk products – WPC, skimmed milk, permeate, and whey powder. At 2024 The Company owns 100% of shares with voting rights in the subsidiary Kelmės Pieninė AB (at 2023: 100%).

As from 28 February 2021, Kelmės Pieninė AB controls the subsidiary Kelmės Pienas UAB, which is engaged in production of fresh milk products – kefir, sour cream, yoghurts, curd, glazed curd cheese, butter. At 2024 Kelmės Pieninė AB owns 100% of shares in Kelmės Pienas UAB (at 2023: 100%).

Kelmės Pienas UAB controls the subsidiary Pieno Logistika AB with the main business activity of collection and transportation of raw milk, lease of buildings. At 2024 Kelmės Pienas UAB owns 59.0% of shares with voting rights in Pieno Logistika AB (at 2023: 58.9%).

Since 1 April 2021, the group also includes the subsidiary Baltic Dairy Board SIA, which specializes in milk and whey separation. As from 14 April 2023, the Company owns 100% of shares with voting rights in the subsidiary Baltic Dairy Board SIA.

As at 31 December2024, the Group had 938 (31 December 2023: 919) employees.

As at 31 December 2024, the Company had 400 (31 December 2023: 424) employees.

## Basis of preparation

### Statement of compliance

The Group's consolidated and the Company's separate financial statements (hereinafter the "financial statements" or the "consolidated and separate financial statements") have been prepared in accordance with International Financial Reporting Standards (IFRS), as adopted by the European Union (hereinafter "the EU").

Pursuant to the Law on Companies of the Republic of Lithuania, the annual financial statements prepared by management shall be approved by the General Meeting of Shareholders. The shareholders of the Company have a statutory right to approve these financial statements or not to approve them, and to request preparation of a new set of the annual financial statements.

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

### Measurement basis

The financial statements have been prepared on a historical cost basis except for:

- buildings that are a part of property, plant and equipment measured at fair value, less any subsequent accumulated depreciation and impairment loss;
- buildings that a part of investment property measured at fair value.

### Functional and presentation currency

All amounts in these financial statements are presented in the euros (EUR) and they have been rounded to the nearest thousand.

### Foreign currency transactions

Foreign currency transactions are translated into the euros using the exchange rate prevailing at the date of the transaction. Monetary assets and liabilities denominated in a foreign currency are translated in the euros using the exchange rate prevailing at the date of the preparation of the statement of financial position. All foreign currency transactions have been translated in accordance with the provisions of the Law on Accounting using the exchange rate of the euro against the foreign currency prevailing at the date of the transaction.

Foreign exchange differences arising from the settlement of such transactions are recognised in the statement of profit or loss. Non-monetary assets and liabilities that are measured at historical cost in a foreign currency are translated into the euros using the official exchange rate prevailing at the date of the transaction.

### Consolidation basis

Subsidiaries are all entities (including structured entities) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The financial statements of the subsidiaries are included in the Group's consolidated financial statements from the date on which the Group obtains control, and continue to be included until the date that such control ceases.

All intra-group transactions and balances are eliminated for the purpose of the consolidated financial statements.

The acquisition method is used to account for business combinations. The consideration transferred in return for the acquisition of the subsidiary is the fair value of the assets transferred, the liabilities assumed and the Group's equity interest. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Acquisition-related costs are expensed when incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. Under the acquisition method, the Group recognises the non-controlling interest in the acquiree either at the fair value or at the non-controlling interest's proportionate share of net assets in the acquiree.

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill. If the cost of acquisition is less than the fair value of the Group's share of net assets in the acquiree, the difference is recognised directly in the statement of profit and loss as negative goodwill.

## Summary of material accounting policies

The accounting policies set out below have been consistently applied by the Group/Company to all the periods presented in these financial statements, except for those which have changed due to the IFRS amendments and newly issued IFRS, as presented in the section below Impact of adoption of new standards, amendments and interpretations on the financial statements.

### Property, plant and equipment

Property, plant and equipment, excluding buildings, is stated at acquisition cost, less subsequent accumulated depreciation and impairment losses. Costs related to the acquisition of the assets are included in the acquisition cost. The cost of assets produced internally by the Parent and the subsidiaries comprises the cost of materials, direct labour costs and indirect labour costs allocated on a proportionate basis. When parts of the items of property, plant and equipment have different useful lives, they are accounted for as separate items of property, plant and equipment.

Buildings are recorded at revalued amounts, being their fair value at the date of the revaluation less any subsequent accumulated depreciation and impairment. Revaluations are carried out at regular intervals, i.e. at least every five years, to ensure that the carrying amount of buildings does not materially differ from their fair value at the date of the preparation of the statement of financial position. The fair value of buildings is determined by certified independent property valuers. Depreciation is calculated on a straight-line basis over the estimated useful lives of assets. The revaluation reserve for buildings is transferred to retained earnings in proportion to the depreciation of revalued buildings.

In case of revaluation, when the estimated fair value of an asset is lower than its net book value, the net book value of the asset is immediately reduced to the fair value and such impairment is recognised as expenses. However, such impairment is deducted from the previous revaluation increase of the asset accounted for in the revaluation reserve, to the extent it does not exceed the amount of such increase.

In case of revaluation, when the estimated fair value of an asset is higher than its net book value, the net book value of the asset is increased to the fair value and such increase is recorded in the revaluation reserve of property, plant and equipment under the shareholder's equity in the statement of other comprehensive income. Depreciation is recognised on a straight-line basis to write down the cost of the asset over its useful life, less its residual amount.

The estimated useful lives are as follows:

| | |
|---|---|
| Buildings | 8-40 years |
| Plant and machinery | 4-20 years |
| Other PP&E | 3-15 years |

The useful lives, residual values and depreciation methods are reviewed regularly to ensure that the deprecation period and other estimates are consistent with the expected pattern of economic benefits from property, plant and equipment.

### Investment property

Property that is held for long-term rental yields or for capital appreciation or both, and that is not occupied by the Company, is classified as investment property. Investment property also includes property that is being constructed or developed for future use as investment property.

Investment property is measured initially at its cost, including related transaction costs and where applicable borrowing costs.

After initial recognition, investment property is carried at fair value. Investment property that is being redeveloped for continuing use as investment property, or for which the market has become less active, continues to be measured at fair value. Investment property under construction is measured at fair value if the fair value is considered to be reliably determinable. Investment properties under construction for which the fair value cannot be determined reliably, but for which the Company expects the fair value of the property will be reliably determinable when construction is completed, are measured at cost less impairment until the fair value becomes reliably determinable or construction is completed - whichever is earlier).

It may sometimes be difficult to determine reliably the fair value of the investment property under construction. In order to evaluate whether the fair value of an investment property under construction can be determined reliably, management considers the following factors, among others:

- the provisions of the construction contract;
- the stage of completion;
- whether the project/property is standard (typical for the market) or non-standard;
- the level of reliability of cash inflows after completion;
- the development risk specific to the property;

Fair value is based on active market prices, adjusted, if necessary, for differences in the nature, location or condition of the specific asset. If this information is not available, the Company uses alternative valuation methods, such as recent prices on less active markets or discounted cash flow projections. Valuations are performed as at the financial position date by professional valuers who hold recognised and relevant professional qualifications and have recent experience in the location and category of the investment property being valued. These valuations form the basis for the carrying amounts in the Company's financial statements.

The fair value of investment property reflects, among other things, rental income from current leases and other assumptions market participants would make when pricing the property under current market conditions.

Subsequent expenditure is capitalised to the asset's carrying amount only when it is probable that future economic benefits associated with the expenditure will flow to the Company and the cost of the item can be measured reliably. All other repairs and maintenance costs are expensed when incurred. When part of an investment property is replaced, the cost of the replacement is included in the carrying amount of the property, and the fair value is remeasured.

Changes in fair values are recognised in the statement of profit and loss. Investment properties are derecognised when they have been disposed of.

Where the Company disposes of a property at fair value in an arm's length transaction, the carrying value immediately prior to the sale is adjusted to the transaction price, and the adjustment is recorded in the income statement within net gain from fair value adjustment on investment property.

If an investment property becomes owner occupied, it is reclassified as property, plant and equipment. Its fair value as at the date of reclassification becomes its cost for subsequent accounting purposes.

If an item of owner-occupied property becomes an investment property because its use has changed, any difference resulting between the carrying amount and the fair value of this item as at the date of transfer is treated in the same way as a revaluation under IAS 16.

Any resulting increase in the carrying amount of the property is recognised in the income statement to the extent that it reverses a previous impairment loss, with any remaining increase recognised in other comprehensive income and increased directly to equity in revaluation surplus within equity. Any resulting decrease in the carrying amount of the property is initially charged in other comprehensive income against any previously recognised revaluation surplus, with any remaining decrease charged to the income statement.

Where an investment property undergoes a change in use, such as commencement of development with a view to sell, the property is transferred to inventories. A property's deemed cost for subsequent accounting as inventories is its fair value at the date of change in use.

### Intangible assets

Intangible assets with definite useful lives acquired by the Parent and the subsidiaries are stated at cost, less accumulated amortisation and impairment loss. Amortisation is calculated on a straight-line basis over the period of 3 years and reported in the statement of profit or loss.

### Goodwill

Goodwill is an asset representing the future economic benefits arising from assets that cannot be separated from other assets and recognised on a business combination.

Goodwill arising on acquisition of subsidiaries is recognised as intangible assets.

Following initial recognition, goodwill is measured at cost less any accumulated impairment losses (tested on an annual basis). For the purposes of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units. Cash-generating units are operations of Modest AB relating to production and sale of cheese and cheese products, and operations of Kelmės Pienas UAB relating to production and sale of fresh milk products.

Where goodwill is a portion of a cash-generating unit, and a portion of an operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured based on the carrying amounts of the operation disposed of and the portion of the cash-generating unit retained.

### Non-controlling interest

Non-controlling interest is the equity in a subsidiary not attributable directly or indirectly to the Parent. Acquisitions of non-controlling interests are accounted for as transactions with owners in their capacity as owners and therefore no goodwill is recognised as a result of such transactions. Adjustments to non-controlling interest not resulting in a loss of control are based on a proportionate amount of the controlled net assets of the subsidiary.

### Investments in subsidiaries

Investments in subsidiaries in the separate financial statements are stated at acquisition cost, less impairment loss.

### Inventories

Inventories comprise finished products, work in progress, and goods and materials.

Inventories are initially measured at acquisition or production cost. The production cost includes direct labour costs, costs of materials and conversion costs incurred during the production period. Production costs also include a systematic allocation of fixed and variable production overheads.

At the end of the reporting period inventories are measured at the lower of cost or net realisable value, less any write-downs. Net realisable value is the estimated selling price, less the estimated costs of completion and selling expenses. Write-downs of inventories to net realisable value are included in the cost of sales.

The utilisation of inventories is determined using the first-in, first-out (FIFO) method.

### Financial assets and liabilities

The Group/Company classifies the financial assets into the following categories:

- financial assets subsequently measured at fair value (either at fair value through other comprehensive income or at fair value through profit or loss), and the Group/Company has no such assets;
- financial assets measured at amortised cost.

The classification depends on the entity's business model for managing the financial assets and the contractual terms of the cash flows. The Group reclassifies debt instruments when and only when its business model for managing those assets changes.

All regular way purchases and sales of financial assets are recognised on trade-date, the date on which the group commits to purchase or sell the asset. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the group has transferred substantially all the risks and rewards of ownership.

On initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss (FVPL), transaction costs that are directly attributable to the acquisition of the financial asset.

Financial assets measured at amortised cost: Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Interest income from these financial assets is included in finance income using the effective interest rate method. Any gain or loss arising on derecognition is recognised directly in profit or loss and presented in other gains/(losses) together with foreign exchange gains and losses.

*Trade receivables*

Trade receivables are amounts due from customers for goods sold or services performed in the ordinary course of business. They are generally due for settlement within 30 days, and therefore, are all classified as current. Trade receivables are recognised initially at the amount of consideration that is unconditional. The Group/Company holds the trade receivables with the objective to collect the contractual cash flows and therefore measures them subsequently at amortised cost using the effective interest method.

The carrying amounts of the trade receivables include receivables which are subject to a factoring arrangement. Under this arrangement, the Group/Company has transferred the relevant receivables to the factor in exchange for cash and the Group/Company is prevented from selling or pledging the receivables. Under the factoring with recourse agreements, the Group/Company retains the risk of late payment and credit risk. The Group/Company, therefore, continues recognising the transferred assets in their entirety in the statement of financial position. The amount repayable under the factoring agreement is presented as secured borrowing. The Group/Company considers the 'hold to collect' business model to remain appropriate for these receivables and hence continues measuring them at amortised cost. Under the factoring without recourse agreements, the Group/Company does not retain any risks, and therefore, these assets are derecognised from the statement of financial position and there is no balances outstanding at year-end.

*Impairment*

The Group/Company assesses on a forward-looking basis the expected credit losses associated with its debt instruments measured at amortised cost. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

For trade receivables, the Group applies the simplified approach permitted by IFRS 9, which requires expected lifetime losses to be recognised from initial recognition of the trade receivables and contract assets.

To measure the expected credit losses, trade and other receivables have been grouped based on shared credit risk characteristics and the days past due. The expected loss rates are based on the profiles of receivables from sale of goods over the period of 48 months before 31 December 2024 or 31 December 2023, respectively, and the corresponding historical credit losses experienced within this period. The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to the amounts due.

Trade receivables are written off when there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include, amongst others, failure of a debtor to engage in a repayment plan with the Group, and contractual payments past due more than 180 days.

Impairment losses on trade receivables are presented as net impairment losses within operating profit. Subsequent recoveries of amounts previously written off are credited against the same line item.

*Trade and other payables*

These amounts represent outstanding liabilities for goods and services provided to the Group prior to the end of the financial year. The amounts payable are unsecured and are usually paid within 30 days after their recognition. Trade and other payables are presented as current liabilities unless payment is not due within 12 months after the reporting period. They are recognised initially at their fair value and subsequently measured at amortised cost using the effective interest rate method.

*Borrowings costs*

General and specific borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalised during the period of time that is required to complete and prepare the asset for its intended use or sale. Qualifying assets are assets that necessarily take a substantial period of time to get ready for their intended use or sale. Other borrowing costs are expensed in the period in which they are incurred.

*Borrowings*

Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in profit or loss over the period of the borrowings using the effective interest rate method. Costs incurred in relation to collateralisation of borrowing facilities are recognised as transaction costs of the borrowings to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the related costs are capitalised as a prepayment for liquidity services and amortised over the period of the loan facility to which it relates.

*Interest-bearing amounts*

Interest-bearing amounts are recognised initially at fair value, plus transaction costs. Subsequently, interest-bearing amounts are recognised at amortised cost using the effective interest method.

*Reversal of impairment*

An impairment loss on amounts receivable carried at amortised cost is reversed, if, in a subsequent period, the increase in the recoverable amount can be related to an event occurring after the impairment loss was recognised.

The impairment loss is reversed to the extent that the carrying value of the asset does not exceed its value that would have been determined had no impairment loss been recognised.

## Fair value measurement

The fair value of investments traded in an active market is based on quoted market prices at the reporting date. If the market for a financial asset is not active (and for unlisted securities), the Group/Parent establishes the fair value by using the valuation techniques. These include the use of recent arm's length transactions, reference to other instruments that are substantially the same, discounted cash flow analysis or other valuation models.

In determining the fair value of assets or liabilities the Group/Company uses, if possible, inputs that are observable in the market. A fair value hierarchy categorises into three levels inputs used in the valuation techniques to measure the fair value:

Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities;

Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices);

Level 3: inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs).

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

The Group/Company recognises the amounts transferred within the fair value hierarchy levels at the end of the reporting period in which the change occurred.

Fair values measured for the purposes of assessment and (or) disclosure are calculated using the below presented methods. When applicable, further information on assumptions used in determining fair values is disclosed in the note related to specific assets or liabilities.

## Derecognition of financial assets and financial liabilities

*Financial assets*

A financial asset (or a part of a financial asset or part of a group of similar financial assets) is derecognised when:

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

Where the Group/Company has transferred their rights to receive cash flows from the asset and has neither transferred nor retained all the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of the Parent’s/subsidiary’s continuing involvement in the asset.

*Financial liabilities*

A financial liability is derecognised when the obligation under the liability is settled, cancelled or expires.

## Cash and cash equivalents

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

For the purpose of the cash flow statement, cash and cash equivalents comprise cash on hand, demand deposits in bank accounts and other short-term liquid investments. Bank overdrafts are recognised in the statement of financial position as current borrowings and are not attributed to cash equivalents in the statement of cash flows as usually their balance is negative. Interest and dividends received are attributed to cash flows of investing activities, interest paid are attributed to cash flows from operating activities, whereas dividends paid – to cash flows from financing activities.

## Impairment

*Non-financial assets*

Non-financial assets, except for inventories and deferred tax assets, are reviewed for impairment whenever events or changes in circumstance indicate that the asset may be impaired. If such an indication exists, the asset's recoverable amount is estimated.

The recoverable amount of an asset or cash-generating unit is the higher of its value in use and its fair value, less costs to sell. The asset's value in use is calculated by discounting future cash flows to their present value using a pre-tax discount rate reflecting current market assumptions regarding time value of money and risk specific to the asset concerned.

For the purpose of impairment testing, assets that cannot be tested individually are grouped into the smallest group of assets that generates cash inflows through the asset's continuous use and is independent from cash flows generated by other assets or the groups of assets ("the cash generating unit" or "CGU").

Whenever the net book value of an asset exceeds its recoverable amount, an impairment loss is recognised in the statement of profit or loss. Impairment losses recognised in respect of CGUs are allocated first to reduce the carrying amount of goodwill allocated to the unit and then to reduce the carrying amount of the other assets in the unit (group of units) on a pro rata basis.

Reversal of impairment losses recognised in prior years is recorded when there is an indication that the impairment losses recognised for the asset no longer exist or have decreased.  Reversal is accounted for in the statement of profit or loss under the same caption as impairment loss. An impairment loss allocated to goodwill is not reversed.

## Provisions

Provisions for liabilities are recognised in the statement of financial position when there are commitments as a result of past events and it is probable that additional funds will be required to settle these obligations. If the impact is material, provisions are estimated by discounting future cash flows to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the liability.

## Leases

*Where the Group/Company is a lessee*

The Group/Company leases out buildings, motor vehicles, plant and machinery, and other assets. The Group's term of lease ranges up to 8 years, but they contain an extension option.

As the management determines the lease term, it considers all relevant facts and circumstances that create an economic incentive for the lessee to exercise the option to extend the lease, or not to exercise the option to terminate the lease. The extension option is included in the lease term only when it is reasonably certain that the lease will be extended (or will not be terminated).

The lease terms and conditions are negotiated individually, however, there are no non-standard terms and conditions. The lease contracts do not stipulate any financial performance covenants that the Group/Company would be required to comply with.

The lease liabilities arising from a lease are measured by a lessee at the commencement date on a present value basis, including the following payments:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable;
- variable lease payment that are based on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable by the group under residual value guarantees;
- payments of penalties for terminating the lease, if the lease term reflects the group exercising that option.

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, the lessee's incremental borrowing rate is used.

The interest rate implicit in the lease is the interest rate as a result of which the present value of the lease payments and unguaranteed residual value is equal to the sum of fair value of leased assets and any other initial direct costs of the lessor.

The lease liability is measured at amortised cost using the effective interest rate, which represents the discount rate used in discounting of lease payments. Interest expenses relating to the lease liability are allocated over the lease period and recognised through profit or loss.

Right-of-use assets are initially measured at cost comprising the following:

- the amount of the initial measurement of lease liability;
- any lease payments made at or before the commencement date, less any lease incentives received;
- any initial direct costs incurred by a lessee; and
- restoration costs.

Subsequently the right-of-use assets are recognised by the lessee at cost less accumulated depreciation and impairment losses. When the title of ownership is transferred to the lessee at the end of the lease period or when the price of the right-of-use assets shows that the lessee will exercise the buy option, then the lessee estimates depreciation of right-of-use assets from the commencement date to the end of the useful life of the leased assets. Otherwise, the lessee estimated depreciation for right-of-use assets from the commencement date to the end of the useful life of the right-of-use assets or the end of the lease period, depending on which occurs earlier. Payments associated with short-term leases and leases of low-value assets are recognised on a straight-line basis as an expense in profit or loss. Short-term leases are leases that, at the commencement date, have a lease term of 12 months or less, and that do not contain a purchase option. Low-value assets mostly represent milk products.

*Operating lease -– where the Group/Company is a lessee*

Operating lease payments are recognised as expenses in profit or loss using the straight-line method over the lease term.

### Dividends

Dividends are recorded as a liability or an amount receivable in the period in which they are declared.

### Government grants

Grants received as a compensation for the costs incurred are recognised in profit or loss over the period in which the costs are incurred.

Government and the EU grants and third-party compensations received in the form of non-current assets or intended for the purchase of non-current assets are considered as asset-related grants. Grants are initially recorded at the fair value of the asset received and subsequently amortised. Amortisation costs of grants are included in the cost of production or administrative expenses as well as in the depreciation charge of property, plant and equipment for which the grant was received.

### Revenue

The Group/Company manufactures and sells a range of cheese and milk products in the wholesale market. Sales are recognised when control of the products has been transferred, being when the products are delivered to the buyer, the buyer has full discretion over the channel and price to sell the products, and there is no unfulfilled obligation that could affect the buyer's acceptance of the products. Delivery occurs when the products have been shipped to the specific location, the risks of obsolescence and loss have been transferred to the wholesaler, and either the wholesaler has accepted the products in accordance with the sales contract, the acceptance provisions have lapsed, or the Group/Company has objective evidence that all criteria for acceptance have been satisfied.

Income from transport services is recognised in the period in which the services are rendered.

The goods are sometimes sold with retrospective volume discounts based on aggregate sales over a month or a 12-months period. Revenue from these sales is recognised based on the price specified in the contract, net of the estimated volume discounts. Accumulated historical experience is used to estimate and provide for the discounts, using the expected value method, and revenue is only recognised to the extent that it is highly probable that a significant reversal will not occur. A refund liability is recognised for expected volume discounts payable to customers in relation to sales made until the end of the reporting period. It is considered that there is no significant financing component, since customers are offered a credit period of 30 days to settle their obligations, which is in line with the market practice.

Receivable is recognised when the goods are delivered as this is the point in time that the consideration is unconditional because only the passage of time is required before the payment is due.

The Group/Company does not expect to have any contracts where the period between the transfer of the promised goods or services to the customer and payment by the customer exceeds one year. As a consequence, the Group does not adjust any of the transaction prices for the time value of money.

Contract liabilities are recognised and presented as advance amounts received.

### Cost of sales

Cost of sales consists of direct and indirect costs, including depreciation and remuneration expenses incurred in order to achieve the turnover set for a respective year. Expenses are recognised on an accrual basis and matching principle.

### Distribution and administrative expenses

Distribution and administrative expenses comprise expenses related to transportation, administrative staff, coordination activities, office supplies, etc. and also comprise depreciation and amortisation expenses. Operating expenses are recognised on an accrual basis.

### Other operating income and expenses

Other operating income and expenses comprise gain or loss from the disposal of non-current assets as well as other income and expenses not directly related to the operating activities of the Group/Company.

### Finance income and costs

Income and expenses of financing activities include interest receivable and payable, realised and unrealised foreign exchange gain and loss related to borrowings and financial liabilities denominated in foreign currencies.

Interest income is recognised in profit or loss using the effective interest method. Interest expenses on leases is recognised in profit or loss using the effective interest rate method.

*Capitalization of Interest*

Interest directly attributable to the acquisition, construction, or production of assets meeting capitalization criteria is capitalized as part of the self-cost of the asset. The capitalization period begins when costs related to the asset are incurred, borrowing costs start to accrue, and actions are taken to prepare the asset for its intended use. Capitalization ends when the asset is ready for use or sale.

### Employee benefits

Short-term employee benefits are recognised as current expenses of the period in which the services have been rendered. Such employee benefits include wages and salaries, social security contributions, extra pays, paid vacation, contributions to pension funds, and other benefits. There are no long-term employee benefits.

The Company also pays contributions to Pillar III investment fund on behalf of its employees based on the defined contribution plan. The contributions are recognised as expenses on an accrual basis and included in general and administrative expenses.

### Income tax

Income tax comprises current and deferred tax. Income tax is recognised in the statement of profit or loss, except to the extent that it relates to line items recognised directly in equity or through other comprehensive income, in which case the tax is recognised in equity through other comprehensive income.

Current income tax is calculated in accordance with the tax legislation, using the tax rates enacted and effective as at the reporting date in the countries where the Company and its subsidiaries generate revenue. A standard income tax rate of 15% is applied to companies registered in the Republic of Lithuania. Tax losses, except for those arising on disposal of securities and/or derivative financial instruments, can be carried forward for unlimited period, provided the entity continues the operations, which generated these tax losses. Tax losses available for carry forward cannot exceed 70% of income for the tax period, calculated by deducting non-taxable income, allowable deductions and limited allowable deductions.

The procedure of carrying forward losses arising on disposal of securities and/or derivative financial instruments has not changed, therefore, these losses can be carried forward for the period of 5 years and can only be used to reduce taxable income earned from transactions of the similar nature.

The Group companies operating in the Republic of Latvia pay income tax upon distribution of profit.

Income tax rate of 20% is payable on distributed profit (calculated dividends, dividend equivalent income and conditional dividends) and conditional distributed profit (non-operating expenses, etc.). Income tax rate of 20% is applied to gross taxable amount. Gross tax base for the tax period is calculated as net tax base (distributed profit and conditionally distributed profit) divided by 0.8 coefficient.

Deferred income tax is calculated on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts reported in the financial statements. Deferred income tax is not calculated on temporary differences arising on initial recognition of an asset or liability, which at the time of the transaction affect neither accounting nor taxable profit. Deferred income tax is determined using the tax rates that are expected to apply when the related temporary differences are expected to reverse and that are known at the date of the preparation of the statement of financial position. Deferred income tax assets are recognised only when the Group/Company expects that future taxable profit will be available against which tax assets can be utilised. Deferred income tax is reviewed at each date of the statement of financial position and reduced by the amount of tax assets that will not be utilised.

### Earnings per share

The Group/ Company discloses information on basic and diluted earnings per share. Basic earnings per share are calculated by dividing profit or loss attributable to the shareholders of the Parent by the weighted average number of ordinary shares during the period. Diluted earnings per share are calculated by adjusting profit or loss attributable to the shareholders, and the weighted average number of ordinary shares during the year, for the effects of all potential ordinary shares. During the reporting periods, the Group/Company did not issue potential ordinary shares.

### Segment information

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

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including intra-segment revenues and expenses. In 2024, the Group has 4 accounted segments based on different product categories: cheese, cheese products and etc., dry dairy products, fresh dairy products, and industrial cream (In 2023, there were 3 accounted segments: cheese, cheese products and etc., dry dairy products, fresh dairy products). Starting from 2024, by management decision, it was decided to separate industrial cream as a business segment due to the significant volume of sales and income.

### Impact of adoption of new standards, amendments and interpretations on the financial statements

The accounting policies applied in the preparation of these financial statements are consistent with those applied in the previous periods, except for the following:

**Standards and amendments to the existing standards that became effective on 1 January 2024**

There are no standards, amendments to standards or interpretations that are effective for annual periods commencing on 1 January 2024 and that would have a material impact on the Group's financial statements.

*Amendment to IAS 1 – "Classification of Liabilities as Short-Term or Long-Term" (first issued on 23 January 2020, later amended on 15 July 2020, and 31 October 2022, and finally applicable to annual periods beginning on or after 1 January 2024).* The amendments clarify the principle of classifying liabilities. It is explained that liabilities are classified as short-term or long-term based on the rights of the entity at the end of the reporting period, not on management's expectations or future events.

*Amendments to IAS 7 – "Cash Flow Report" and IFRS 7 – "Financial Instruments: Disclosures: Supplier's Financing Arrangements" (issued on 25 May 2023, and applicable to annual periods beginning on or after 1 January 2024).* The amendments require economic entities to disclose more information about supplier's financing arrangements to increase transparency. Entities must provide data that allows users of financial statements to assess the impact of such arrangements on liabilities, cash flows, and liquidity risks. These amendments do not change the principles of recognition or measurement of financial instruments but strengthen the disclosure requirements.

*Amendments to IFRS 16 – Lease Liabilities in Sale and Leaseback Transactions (issued on 22 September 2022, and applicable to annual periods beginning on or after 1 January 2024).* The amendments stipulate that in sale and leaseback transactions, the seller-lessee must account for the liabilities in such a way that no profit or loss is recognized for the right-of-use asset that remains with the seller-lessee. This applies even in cases of variable lease payments that are not based on an index or rate. The amendments aim to ensure consistent accounting treatment in such transactions.

**Standards and Amendments to Existing Standards Effective After 1 January 2025**

Several new standards, amendments to standards, and interpretations will become effective for annual periods beginning after 1 January 2025 and were not applied in preparing these financial statements. None of these are expected to have a significant impact on the group's and company's financial statements.

*Amendments to IAS 21 – "The Effect of Changes in Foreign Exchange Rates" – "Currency Inconvertibility" (issued on 15 August 2023, and applicable to annual periods beginning on or after 1 January 2025).* These amendments establish principles for evaluating currency inconvertibility and determining the current exchange rate in cases where a currency is not convertible. They apply to entities that conduct transactions in a foreign currency that is not freely convertible. The amendments do not require adjustments to the comparative information for prior periods; however, they do require recalculating the affected amounts based on the current exchange rate on the day of first application, adjusting the non-allocated profit or the currency translation reserve accordingly.

**The following standards have been issued, but not yet endorsed by the EU**

There are no other IFRS or IAS amendments or IFRIC interpretations that are not yet effective and that would be expected to have a significant impact on the Company/Group.

## Events after the reporting period

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

## Offsetting financial assets and financial liabilities

Financial assets and liabilities are offset and the net amount reported in the balance sheet when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy of the company or the counterparty.

## Accounting estimates and assumptions

The preparation of financial statements in conformity with IFRS as adopted by the European Union requires the use of accounting estimates and assumption by management that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expenses. The accounting estimates and the related assumptions are based on historical experience and other factors that are believed to be reasonable under the circumstances, the results of which form the basis for making judgements about the net book amounts of assets and liabilities that are not readily apparent from other sources. The actual results may ultimately differ from those estimates. The accounting estimates and underlying assumptions are regularly reviewed and are based on historical experience, other factors reflecting a current situation and reasonably possible future events.

The Group/Company makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant effect on the amounts of assets and liabilities and can cause a significant adjustment to these amounts within the next financial year are addressed below.

***Impairment losses on property, plant and equipment and intangible assets***

The Company/Group did not identify any impairment indications in respect of property, plant and equipment as at 31 December 2024 and 2023, and accordingly, no impairment test was performed. Assumptions and results of impairment test performed by the Group in respect of goodwill as at 31 December 2024 and 2023 are disclosed in Note 15.

***Measurement of inventories***

The Group/Company reviews the movement on the inventory account, assesses the carrying amount on a quarterly basis. The carrying amount of inventories should not exceed future economic benefits expected to be received from the disposal or use of inventories. Loss on inventory write-down to net realisable value is recognised in the statement of profit or loss during the period in which the inventory measurement and write-down were performed. Inventory write-down is assessed considering the historical data and actual sales of inventories below cost. For more information refer to Note 18 'Inventories'.

***Useful life of property, plant and equipment***

Useful lives of the assets are reviewed annually and revised when there are grounds for believing that the remaining useful lives do not reflect technical conditions, economic utilisation or physical conditions of the assets.

### *Financial risk management*

The use of the financial instruments exposes the Group/Company to the following risks:

- credit risk;
- liquidity risk;
- market risk.

Information on each type of the above-mentioned risks to which the Group/Company is exposed, objectives, policies and processes for managing the risk and the methods used to measure the risk is set out in this section.

Note 29 'Financial instruments and risk management' discloses quantitative information on each type of the above-mentioned risks and on the Group's/Company's capital management.

**Risk management framework**

The Board is responsible for the development and monitoring of the Group's/Company's overall risk management programme. The Group's/Company's risk management policy defines and analyses risks to which the companies are exposed, establishes appropriate risk limits, controls risks and adherence to risk limits. The risk management policy and systems are reviewed on a regular basis to reflect market conditions and the Group's/Company's operational changes. The Group/Company, through its training and management standards and procedures, seeks to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

**Credit risk**

In conducting trading activities, the Group/Company applies deferred payment in respect of sale of products and services, and therefore, a risk may arise that clients will not pay for products and services provided by the Group/Company. The Group/Company seeks to minimise credit risk through credit limit approach, based on which the amounts of credits granted to clients and the types of credit enhancements are established as follows:

- limit,
- guarantees,
- insurance.

The Group/Company has insurance for their sales to foreign clients under the credit insurance agreement concluded with the company Euler Hermes for the term of two years. On November 2023, the insurance was extended for additional two years.

For each client, the credit risk is assessed individually. Trade receivables are regularly monitored by the Finance Department. In the event of overdue amounts receivable, the sale is suspended and debt recovery procedures are initiated.

**Liquidity risk**

Liquidity risk is a risk that the Group/Company will not be able to meet their financial liabilities in due time. The Group/Company manages the liquidity risk with the aim to achieve the best possible liquidity of the Group/Company, thereby allowing to settle obligations both in the ordinary course of business and under complicated operating conditions, and preventing from incurring unacceptable losses and damaging the Group's/Company's reputation.

The Group's/Company's policy is aimed at maintaining sufficient cash and cash equivalents or ensuring funding through an adequate amount of committed credit facilities in order to meet their commitments at a given date in accordance with the strategic plans.

The Group's/Company's objective is to maintain balance between the continuity and flexibility of funding. The Group/Company generates a sufficient amount of cash form activities, and therefore, the management is responsible for ensuring a sufficient level of the Group's/Company's liquidity.

**Market risk**

Market risk is a risk that changes in market prices, e.g. foreign exchange rates and interest rates, will affect the Group's/Company's results of operations or the value of financial instruments held. The purpose of the market risk management is to manage open risk positions in order to optimise rate of return.

The Group/Company manage foreign exchange risk by minimising the open position in a foreign currency. Further information on hedging against foreign exchange risk is disclosed in Note 29 'Financial instruments and risk management'.

The Group's/Company's income and operating cash flows are substantially independent of market interest rates.

## 4. Segment information

**GROUP**

The Group cmprises 6 legal entities: Vilkyškių Pieninė AB, Kelmės Pieninė AB, Kelmės Pienas UAB, Modest AB, Baltic Dairy Board SIA, and Pieno Logistika AB. The main business activity of each entity (operating segment) is the production of milk products, except for Pieno Logistika AB that is collection and transportation of raw milk, lease of buildings.

The Group has several operating segments as described below. The operating segments represent different product groups that are managed separately, because they require different technologies and marketing strategies.

The Board and the General Manager review the internal management reports prepared for each operating segment on a monthly basis.

**The following summary describes the products in each operating segment of the Group:**

- Cheese, cheese products and other. The operating segment comprises cheese, cheese products, and liquid whey that remains during the process of cheese production and other;
- Dry milk products. The operating segment comprises WPC, MPC, skimmed-milk, permeate, whey powder produced by the subsidiaries;
- Fresh milk products. The operating segment comprises fresh milk products produced by the subsidiary (kephir, yoghurt, sour cream, butter, curd products and other);
- Industrial Cream. The segment consists of industrial cream produced by the Company and its subsidiaries.

Information on the results of operations of each operating segment is presented below. Performance is assessed based on the gross profit of the operating segments, which is presented in the internal management reports reviewed by the Board and the General Manager. The operating segment's gross profit is used to assess performance, as the management believes it is the most appropriate indicator for that purpose.

**Results of operations of the operating segments at 31 December 2024:**

| EUR '000 | **Cheese, cheese products and other** | **Dry milk products** | **Fresh milk products** | **Industrial cream** | **Total** |
|---|---|---|---|---|---|
| Revenue | 94,770 | 39,859 | 30,153 | 80,647 | 245,429 |
| Cost of sales | -93,799 | -26,882 | -25,669 | -57,298 | -203,648 |
| Gross profit | **971** | **12,977** | **4,484** | **23,349** | **41,781** |
| Other operating income | | | | | 348 |
| Distribution, administrative and other operating expenses | | | | | -13,192 |
| Other gain (loss) – net | | | | | 106 |
| Operating result | | | | | **29,043** |
| Finance income | | | | | 118 |
| Finance costs | | | | | -1,481 |
| Finance costs, net | | | | | -1,363 |
| Profit (loss) before income tax | | | | | **27,680** |

**Results of operations of the operating segments at 31 December 2023:**

| EUR '000 | Cheese, cheese products and other | Dry milk products | Fresh milk products | Industrial cream | Total |
|---|---|---|---|---|---|
| Revenue | 84,578 | 37,971 | 33,371 | 54,616 | 210,536 |
| Cost of sales | -82,849 | -26,152 | -26,333 | -47,515 | -182,849 |
| Gross profit | **1,729** | **11,819** | **7,038** | **7,101** | **27,687** |
| Other operating income | | | | | 275 |
| Distribution, administrative and other operating expenses | | | | | -11,405 |
| Other gain (loss) – net | | | | | 221 |
| Operating result | | | | | **16,778** |
| Finance income | | | | | 39 |
| Finance costs | | | | | -1,378 |
| Finance costs, net | | | | | -1,339 |
| Profit (loss) before income tax | | | | | **15,439** |

Information on the operating segments' assets, liabilities, interest income, interest expenses, depreciation, results of operations before tax, income tax and other non-cash items is not reported to the Board and the General Manager. In the management's opinion, the allocation of such items to the operating segments is not reasonable. Revenue, cost of sales and gross profit reported to the management are the same as reported in the financial statements. In 2024 and 2023, all revenue was recognised at a point in time.

For the purpose of disclosure by geographical location, revenue is recognised with reference to the place of registration of a client. Assets are allocated with reference to their geographical location.

Breakdown by geographical location for 2024:

| | GROUP | | COMPANY | |
|---|---|---|---|---|
| EUR '000 | **Revenue** | **Assets** | **Revenue** | **Assets** |
| Lithuania | 32,246 | 94,768 | 53,732 | 64,878 |
| European Union (excluding Lithuania) | 141,037 | 52,070 | 136,226 | 30,759 |
| Other countries | 72,146 | 5,488 | 72,121 | 5,487 |
| | **245,429** | **152,326** | **262,079** | **101,124** |

Breakdown by geographical location for 2023:

| | GROUP | | COMPANY | |
|---|---|---|---|---|
| EUR '000 | **Revenue** | **Assets** | **Revenue** | **Assets** |
| Lithuania | 36,624 | 86,756 | 77,693 | 54,228 |
| European Union (excluding Lithuania) | 103,079 | 15,844 | 96,758 | 11,486 |
| Other countries | 70,833 | 4,439 | 70,621 | 4,439 |
| | **210,536** | **107,039** | **245,072** | **70,153** |

**Information on major clients.** In 2024, the Group had one client with sales revenue representing 12% of its total revenue (In 2023, the Group had one client with sales revenue representing 11.3% of total revenue).

## 5. Cost of sales

Thousand EUR

| GROUP | | | COMPANY | |
|---|---|---|---|---|
| 2024 | 2023 | | 2024 | 2023 |
| -162,819 | -143,805 | Raw materials | -160,141 | -117,098 |
| - | - | Resale cost of goods produced by the subsidiaries | -67,796 | -102,928 |
| -11,543 | -10,817 | Employee expenses, including social security contributions | -4,668 | -3,974 |
| -3,270 | -3,562 | Depreciation and grants' amortisation | -1,047 | -952 |
| -7,371 | -6,387 | Milk collection and transportation costs | -6,179 | -5,445 |
| -7,125 | -7,758 | Gas, electricity, water | -2,099 | -1,827 |
| -2,025 | -2,109 | Transport costs | -2,025 | -2,109 |
| -9,495 | -8,411 | Other | -1,782 | -1,726 |
| **-203,648** | **-182,849** | | **-245,737** | **-236,059** |

As of 31 December 2024, the Group's inventory write-down to net realizable value amounted to EUR 2,414 thousand, and the Company's - amounted to EUR 1,501 thousand (as of 31 December 2023, the Group's was EUR 1,218 thousand, and the Company's was EUR 617 thousand).

## 6. Other operating income

Thousand EUR

| GROUP | | | COMPANY | |
|---|---|---|---|---|
| 2024 | 2023 | | 2024 | 2023 |
| 242 | 183 | Income from rendering of services | 3,448 | 3,625 |
| - | - | Dividends | 8,993 | 1,523 |
| 16 | 16 | Income from accounting services | 388 | 388 |
| 90 | 76 | Other income | 61 | 62 |
| **348** | **275** | | **12,890** | **5,598** |

## 7. Other operating costs

Thousand EUR

| GROUP | | | COMPANY | |
|---|---|---|---|---|
| 2024 | 2023 | | 2024 | 2023 |
| -240 | -80 | Cost of services rendered | -2,688 | -3,260 |
| -17 | -225 | Other expenses | -7 | -4 |
| **-257** | **-305** | | **-2,695** | **-3,264** |

## 8. Other gain (loss) – net

Thousand EUR

| GROUP | | | COMPANY | |
|---|---|---|---|---|
| 2024 | 2023 | | 2024 | 2023 |
| 106 | 221 | Gain (loss) from disposal of raw materials, non-current assets | 96 | 98 |
| - | - | Gain (loss) from fair value change of investment property | 449 | 125 |
| **106** | **221** | | **545** | **223** |

## 9. Distribution expenses

Thousand EUR

| GROUP | | | COMPANY | |
|---|---|---|---|---|
| 2024 | 2023 | | 2024 | 2023 |
| -2,106 | -1,602 | Logistics and transport services | -820 | -1,427 |
| -455 | -549 | Marketing and advertising services | -381 | -481 |
| -1,367 | -1,201 | Personnel expenses, including social security contributions | -1,367 | -1,201 |
| -43 | -39 | Depreciation expenses | -23 | -21 |
| -1,063 | -1047 | Other selling expenses | -956 | -1094 |
| **-5,034** | **-4,438** | | **-3,547** | **-4,224** |

## 10. Administrative expenses

Thousand EUR

| GROUP | | | COMPANY | |
|---|---|---|---|---|
| 2024 | 2023 | | 2024 | 2023 |
| -3,653 | -3,239 | Personnel expenses, including social security contributions and change in vacation reserve | -3,047 | -2,374 |
| -138 | -155 | Depreciation and amortisation, including amortisation of subsidies | -84 | -99 |
| -512 | -451 | Services received | -195 | -192 |
| -323 | -282 | Taxes, other than income tax | -241 | -201 |
| -129 | -131 | Veterinary services | -78 | -82 |
| -296 | -198 | Consultation services | -236 | -136 |
| 11 | 11 | Inventory write-down, reversal | 11 | 11 |
| -182 | -166 | Security | -68 | -62 |
| -28 | -93 | Fines and interest paid on late payments | -20 | -1 |
| -335 | -209 | Write-off of bad debt expenses | -335 | -209 |
| -285 | -209 | Computer expenses | -271 | -197 |
| -58 | -55 | Fuel | -51 | -48 |
| -72 | -65 | Repair expenses | -63 | -44 |
| -51 | -47 | Fee for membership in association | -51 | -47 |
| -37 | -34 | Stock exchange expenses | -34 | -31 |
| - | -16 | New product development expenses | - | - |
| -119 | -84 | Insurance | -53 | -36 |
| -48 | -65 | Bank charges | -39 | -52 |
| -1,646 | -1174 | Other | -1168 | -634 |
| **-7,901** | **-6,662** | | **-6,023** | **-4,434** |

In 2024, the Group's and the Company's social security contributions payable by an employer amounted to EUR 657 thousand and EUR 214 thousand, respectively (2023: EUR 533 thousand and EUR 182 thousand, respectively). Social security amount includes social security contributions on vacation and pension reserves.

## 11. Services provided by the audit firm to the Company and the Group

Thousand EUR

| GROUP | | | COMPANY | |
|---|---|---|---|---|
| 2024 | 2023 | | 2024 | 2023 |
| 97 | 90 | UAB PricewaterhouseCoopers financial statement audit services under the agreements | 69 | 64 |
| 23 | 22 | Audit services of financial statements of other independent auditors under the agreements | - | - |
| 42 | 1 | Other services | 42 | 1 |
| **162** | **113** | **Total** | **111** | **65** |

## 12. Finance costs, net

Thousand EUR

| GROUP | | | COMPANY | |
|---|---|---|---|---|
| 2024 | 2023 | | 2024 | 2023 |
| | | *Finance income* | | |
| 110 | 34 | Interest | 117 | 98 |
| 8 | 5 | Other | 7 | 2 |
| **118** | **39** | **Total finance income** | **124** | **100** |
| | | *Finance costs* | | |
| -1,301 | -1,194 | Interest | -436 | -257 |
| -110 | -37 | Interest on lease | -88 | -32 |
| -31 | -129 | Factoring charges | -31 | -129 |
| -39 | -18 | Foreign exchange loss | -24 | -20 |
| **-1,481** | **-1,378** | **Total finance costs** | **-579** | **-438** |
| **-1,363** | **-1,339** | | **-455** | **-338** |

## 13. Income tax expenses

***Recognised in profit or loss (thousand EUR)***

| GROUP | | | COMPANY | |
|---|---|---|---|---|
| 2024 | 2023 | | 2024 | 2023 |
| | | **Current year income tax expenses** | | |
| -1,185 | -647 | Reporting period | - | 3 |
| | | **Deferred income tax expenses** | | |
| -826 | -140 | Change in deferred income tax | -698 | -50 |
| **-2,011** | **-787** | | **-698** | **-47** |

***Reconciliation of effective income tax rate (thousand EUR)***

| GROUP | | | COMPANY | |
|---|---|---|---|---|
| **2024** | **2023** | | **2024** | **2023** |
| 27,680 | 15,439 | **Profit for the year** | 17,057 | 2,574 |
| 4,152 | 2,316 | Income tax calculated at a rate of 15% | 2,558 | 386 |
| - | - | Dividend income | -1,349 | -228 |
| -258 | -128 | Other non-taxable income | -223 | -1 |
| - | - | Impairment of goodwill | - | - |
| -7 | -12 | Charity expenses deductible twice for tax purposes | -6 | -11 |
| - | -12 | R&D expenses deductible thrice for tax purposes | - | - |
| -688 | -107 | Investment project relief | -605 | -87 |
| 217 | -67 | Tax loss utilisation | 259 | -67 |
| 56 | - | The impact of the future change in the tax rate | 40 | 0 |
| 183 | 151 | Other expenses not deductible for tax purposes | 24 | 55 |
| -1,644 | -1,354 | Other expenses deductible for tax purposes | - | - |
| **2,011** | **787** | **Income tax expenses (benefit)** | **698** | **47** |

Pursuant to the effective laws, the State Tax Inspectorate may at any time inspect the books and accounting records of the Group/Company for 3 years preceding the reporting tax period and may assess additional taxes or fines (a 5-year period is applied to some types of transactions). The Company's management is not aware of any circumstances that might result in a potential material tax liability in this respect for the Group/Company.

## 14. Earnings per share

| GROUP | | | COMPANY | |
|---|---|---|---|---|
| **2024** | **2023** | | **2024** | **2023** |
| 25,654 | 14,666 | Net profit attributable to holders of ordinary shares of the Parent, EUR '000 | 16,359 | 2,527 |
| 11,943 | 11,943 | Number of issued shares calculated based on the weighted average unit cost method, '000 units | 11,943 | 11,943 |
| 2.15 | 1.23 | Basic earnings (loss) per share (EUR | 1.37 | 0.21 |

The diluted earnings per share are the same as basic earnings per share.

## 15. Property, plant and equipment

Thousand EUR

| | GROUP | | | | | |
|---|---|---|---|---|---|---|
| | Right-of-use assets* | Land and buildings | Plant and machinery | Other assets | Construction in progress | Total |
| **Cost/revalued amount** | | | | | | |
| Balance at 1 January 2023 | 1,846 | 19,402 | 62,508 | 3,815 | 3,424 | 90,995 |
| Additions | 956 | 1 | 761 | 284 | 11,440 | 13,442 |
| Disposals | -155 | -42 | -1,487 | -277 | - | -1,961 |
| Reclassifications | -565 | 725 | 1,461 | 47 | -1,668 | - |
| Balance at 31 December 2023 | 2,082 | 20,086 | 63,243 | 3,869 | 13,196 | 102,476 |
| Balance at 1 January 2024 | 2,082 | 20,086 | 63,243 | 3,869 | 13,196 | 102,476 |
| Additions | 1,496 | - | 2,547 | 183 | 34,581 | 38,807 |
| Increase in value | - | 48 | - | - | - | 48 |
| Revaluation | - | 1,787 | - | - | - | 1,787 |
| Disposals | -221 | -379 | -953 | -300 | - 1,109 | -2,962 |
| Reclassifications | -389 | 1,462 | 7,636 | 95 | -8,804 | - |
| Balance at 31 December 2024 | 2,968 | 23,004 | 72,473 | 3,847 | 37,864 | 140,156 |
| **Depreciation and impairment losses** | | | | | | |
| Balance at 1 January 2023 | 764 | 4,613 | 33,419 | 2,752 | - | 41,548 |
| Depreciation charge for the year | 199 | 631 | 3,586 | 229 | - | 4,645 |
| Disposals | -85 | -35 | -1,131 | -186 | - | -1,437 |
| Reclassifications | -338 | - | 338 | - | - | - |
| Balance at 31 December 2023 | 540 | 5,209 | 36,212 | 2,795 | - | 44,756 |
| Balance at 1 January 2024 | 540 | 5,209 | 36,212 | 2,795 | - | 44,756 |
| Depreciation charge for the year | 335 | 665 | 3,717 | 243 | - | 4,960 |
| Disposals | -144 | -167 | -593 | -291 | - | -1,195 |
| Reclassifications | -129 | - | 129 | - | - | - |
| Balance at 31 December 2024 | 602 | 5,707 | 39,465 | 2,747 | - | 48,521 |
| **Net book amount** | | | | | | |
| At 1 January 2023 | 1,082 | 14,789 | 29,089 | 1,063 | 3,424 | 49,447 |
| At 31 December 2023 | 1,542 | 14,877 | 27,031 | 1,074 | 13,196 | 57,720 |
| At 31 December 2024 | 2,366 | 17,297 | 33,008 | 1,100 | 37,864 | 91,635 |

* for more details on right-of-use assets, see Note 13.

** 2024: EUR 363 thousand represents capitalized borrowing costs (applicable interest rate - 6-month EURIBOR + margin). Future capital investments amount to EUR 15,749 thousand (see Note 27 for additional details).

| | COMPANY | | | | | |
|---|---|---|---|---|---|---|
| | **Right-of-use assets*** | **Land and buildings** | **Plant and machinery** | **Other assets** | **Construction in progress** | **Total** |
| **Cost/revalued amount** | | | | | | |
| Balance at 1 January 2023 | 1,828 | 6,720 | 22,771 | 1,414 | 3,311 | 36,044 |
| Additions | 858 | - | 452 | 76 | 6,414 | 7,800 |
| Increase in value | 72 | - | - | - | - | 72 |
| Disposals | -171 | -41 | -985 | -131 | - | -1,328 |
| Reclassifications (a) | -565 | 415 | 1,115 | - | -1,275 | -310 |
| Balance at 31 December 2023 | 2,022 | 7,094 | 23,353 | 1,359 | 8,450 | 42,278 |
| Balance at 1 January 2024 | 2,022 | 7,094 | 23,353 | 1,359 | 8,450 | 42,278 |
| Additions | 1,337 | - | 2,136 | 29 | 352 | 3,854 |
| Increase in value | 105 | 41 | - | - | - | 146 |
| Revaluation | - | 268 | - | - | - | 268 |
| Disposals | -221 | -367 | -760 | -235 | - | -1,583 |
| Reclassifications | -389 | 777 | 5,957 | 88 | -7,119 | -686 |
| Balance at 31 December 2024 | 2,854 | 7,813 | 30,686 | 1,241 | 1,683 | 44,277 |
| **Depreciation and impairment losses** | | | | | | |
| Balance at 1 January 2023 | 778 | 1,820 | 18,104 | 1,240 | - | 21,942 |
| Depreciation charge for the year | 194 | 242 | 1,227 | 56 | - | 1,719 |
| Decrease in value | 1 | - | - | - | - | 1 |
| Disposals | -96 | -34 | -931 | -118 | - | -1,179 |
| Reclassifications | -338 | -58 | 338 | - | - | -58 |
| Balance at 31 December 2023 | 539 | 1,970 | 18,738 | 1,178 | - | 22,425 |
| Balance at 1 January 2024 | 539 | 1,970 | 18,737 | 1,178 | - | 22,424 |
| Depreciation charge for the year | 318 | 256 | 1,247 | 58 | - | 1,879 |
| Disposals | -144 | -163 | -486 | -234 | - | -1,027 |
| Reclassifications | -129 | - | 129 | - | - | - |
| Balance at 31 December 2024 | 584 | 2,063 | 19,627 | 1,002 | - | 23,276 |
| **Net book amounts** | | | | | | |
| At 1 January 2023 | 1,050 | 4,900 | 4,667 | 174 | 3,311 | 14,102 |
| At 31 December 2023 | 1,483 | 5,124 | 4,615 | 181 | 8,450 | 19,853 |
| At 31 December 2024 | 2,270 | 5,750 | 11,059 | 239 | 1,683 | 21,001 |

* For more details on right-of-use assets, see Note 13.

(a) Amount of EUR 686 thousand is related to reclassification of assets to investment property.

Prepayments made for non-current assets are classified under additions.

***Pledged assets***

To secure the repayment of its bank borrowings, the Group has pledged the following PP&E:

- Land and buildings with the carrying amount of EUR 12,922 thousand as at 31 December 2024 (31 December 2023: EUR 10,016 thousand);
- Machinery and equipment with a carrying value as of 31 December 2024 amounting to EUR 30,412 thousand (as of 31 December 2023, EUR 27,557 thousand) (see Note 23).

To secure the repayment of its bank borrowings, the Company has pledged the following PP&E:

- Land and buildings with the carrying amount of EUR 5,249 thousand as at 31 December 2024 (31 December 2023: EUR 3,427 thousand);
- Machinery and equipment with a carrying value as of 31 December 2024 amounting to EUR 10,469 thousand (as of 31 December 2023, EUR 2,923 thousand) (see Note 23).

Group's land and buildings, machinery and equipment, and other assets, which are fully depreciated but still in use, had an acquisition cost as of 31 December 2024 amounting to EUR 14,217 thousand (as of 31 December 2023, EUR 12,138 thousand).

Company's land and buildings, machinery and equipment, and other assets, which are fully depreciated but still in use, had an acquisition cost as of 31 December 2024 amounting to EUR 12,006 thousand (as of 31 December 2023, EUR 10,628 thousand).

***Depreciation***

Depreciation was included in the following line items (thousand EUR):

| GROUP | | | COMPANY | |
|---|---|---|---|---|
| 2024 | 2023 | | 2024 | 2023 |
| 4,741 | 4,426 | Cost of finished products | 1,628 | 1,447 |
| 225 | 219 | Distribution and administrative expenses | 154 | 144 |
| - | - | Other operating expenses | 97 | 128 |
| **4,966** | **4,645** | | **1,879** | **1,719** |

***Revaluation of Buildings***

The Group/Company accounts for the buildings at a revalued amount, less subsequent accumulated depreciation and impairment.

Valuations of Group's buildings:

- The property valuation, carried out by an independent appraiser, UAB Korporacija "Matininkai", includes the determination of the fair value of buildings and structures owned by the Company, located at Gaurės st. 23 and Gaurės st. 31, Tauragė, as of 1 December 2024. Using the comparative method, the total market/fair value of the Company's buildings and structures at the time of the valuation was EUR 2,070 thousand;
- The property valuation, carried out by an independent appraiser, UAB Korporacija "Matininkai", includes the determination of the market value of the whey processing production asset complex (long-term tangible real and movable assets) owned by the Group and the Company, located at Gaurės st. 23, Tauragė, as of 29 August 2024. Using the income (discounted cash flow method) and expense (cost) approach, the total market/fair value of the Group's and the Company's whey processing production asset complex at the time of the valuation was EUR 35,600 thousand;
- The property valuation, carried out by an independent appraiser, UAB Korporacija "Matininkai", includes the determination of the fair value of buildings and structures owned by the Group, located at Raseinių st. 2, Kelmė, Sedulos st. 10, Tytuvėnai, and M. Valančiaus st. 16, Kražiai, as of 1 December 2024. Using the comparative method, the total market/fair value of the Group's buildings and structures at the time of the valuation was EUR 1,526 thousand;
- The property valuation, carried out by an independent appraiser, UAB Korporacija "Matininkai", includes the determination of the fair value of buildings and structures owned by the Company, located at Prano Lukošaičio stt. 14, Vilkyškiai, Pagėgiai Municipality, and Gaurės st. 31, Tauragė, as of 1 December 2022. Using the comparative method, the total market/fair value of the Company's buildings and structures at the time of the valuation was EUR 3,553 thousand;
- The property valuation, carried out by an independent appraiser, SIA NEWSEC VALUATIONS LV., includes the determination of the fair value of buildings and structures owned by the Group, located at Stacijas st. 2 and Stacijas st. 4, Bauska, Latvia, as of 7 February 2023. Using the discounted cash flow method, the total market/fair value of the Group's buildings and structures at the time of the valuation was EUR 2,300 thousand.

Based on the Group's buildings and structures valuations carried out, the revaluation of the Group's and the Company's assets was completed on 31 December 2024.

| GROUP | | | COMPANY | |
|---|---|---|---|---|
| 2024 | 2023 | | 2024 | 2023 |
| 1,808 | 2,026 | **Balance at the beginning of the reporting period** | 1,061 | 1,240 |
| 1,787 | - | Profit (loss) from the revaluation of long-term assets | 268 | - |
| -150 | -218 | Depreciation or write-off of revalued assets. | -239 | -179 |
| **3,445** | **1,808** | **Balance as of the end of the reporting period** | **1,090** | **1,061** |

The revaluation of assets of the Group and the Company is classified into hierarchy levels as follows:

| GROUP | | | COMPANY | |
|---|---|---|---|---|
| 2024 | 2023 | | 2024 | 2023 |
| 2,366 | 1,808 | Hierarchy level 2 (a) | 1,090 | 1,061 |
| 1,079 | - | Hierarchy level 3 (b) | - | - |
| **3,445** | **1,808** | | **1,090** | **1,061** |

(a) The revalued assets of the Group and the Company, intended for the production and storage of fermented, mold-ripened, melted, smoked, mozzarella cheese, fresh dairy products, and cream, are valued using the comparative value method and are classified under Level 2 of the fair value hierarchy.

(b) The revalued assets of the Company, intended for the production of whey processing products (whey protein concentrate WPC80 and permeate), are valued using the income method and are classified under Level 3 of the fair value hierarchy.

The increase in the Group's and Company's value, amounting to EUR 1,484 thousand (net of the deferred profit tax liability), and respectively EUR 217 thousand was recognized in shareholders' equity. The total increase in value amounted to EUR 1,787 thousand and, respectively, EUR 268 thousand was recognized in the 2024 real estate acquisition line.

The net revaluation reserve of the Group as of 31 December 2024, is EUR 2,894 thousand (as of 31 December 2023, it was EUR 1,537 thousand). The net revaluation reserve of the Company as of 31 December 2024, is EUR 916 thousand (as of 31 December 2023, it was EUR 902 thousand).

If the Group's buildings were accounted for at self-cost, their carrying amount as of 31 December 2024 would be EUR 10,544 thousand (revalued value – EUR 13,961 thousand), (as of 31 December 2023 – EUR 9,471 thousand, with the revalued value of EUR 11,339 thousand).

If the Company's buildings were accounted for at self-cost, their carrying amount as of 31 December 2024 would be EUR 3,744 thousand (revalued value – EUR 4,794 thousand), (as of 31 December 2023 – EUR 2,464 thousand, with the revalued value of EUR 3,443 thousand).

## 16. Leases

Amounts recognised in profit or loss were as follows (thousand EUR):

| GROUP | | | COMPANY | |
|---|---|---|---|---|
| 2024 | 2023 | | 2024 | 2023 |
| 335 | 199 | Depreciation of right-of-use assets | 318 | 194 |
| - | - | Impairment of right-of-use assets | - | 1 |
| 110 | 37 | Interest expenses (included in finance costs) | 88 | 32 |
| 35 | 39 | Expenses related to short-term leases (included in cost of sales and general and administrative expenses) | 24 | 31 |
| 64 | 78 | Expenses related to leases of low-value assets not included in the above short-term leases (included in cost of sales, general and administrative expenses, other operating expenses) | 7 | 25 |
| 13 | 24 | Expenses related to variable lease payments not included in lease liabilities (included in cost of sales, general and administrative expenses, other operating expenses) | 13 | 24 |
| **557** | **377** | | **450** | **307** |

Movements in right-of-use assets during 2024 and 2023 are disclosed in Note 12.

Lease liabilities, including the breakdown of lease liabilities by maturity are disclosed in Note 23.

## 17. Investment property

Thousand EUR

| | 2024 | 2023 |
|---|---|---|
| **Balance at 1 January** | **6,903** | **6,527** |
| Additions | 39 | 38 |
| Disposals | - | - |
| Net gain/(loss) on fair value adjustment | 449 | 123 |
| Transfer from long-term tangible assets used for the needs of the owner | 654 | 215 |
| **Balance at 31 December** | **8,045** | **6,903** |

Investment property is leased out to tenants under operating lease contracts. The costs incurred in relation to maintenance of investment property are covered by the tenants. The lease payments are fixed. The contracts do not contain variable lease payments that depend on an index or a rate. Investment assets consist of production, storage, and administrative property leased to subsidiaries. Under the terms of the lease agreements, the assets are leased for a period of 5-8 years, with the lease period expected to expire by 31 December 2026-2028. The execution of the lease agreements is not secured by pledges, guarantees, or other commitments.

### *Fair value of investment property*

Below is allocation of the Company's investment property to hierarchy levels for fair value measurement purposes:

Thousand EUR

| | 31/12/2024 | 31/12/2023 |
|---|---|---|
| Hierarchy level 2 (a) | 2,514 | 1,797 |
| Hierarchy level 3 (b) | 5,531 | 5,106 |
| | **8,045** | **6,903** |

a) The Company's investment assets, intended for the production and storage of mold-ripened, melted, smoked, mozzarella cheese, and industrial cream, are valued using the comparative value method and is classified under Level 2 of the fair value hierarchy. The fair value was determined with reference to the valuation performed on 1 December 2024 by an independent property valuation corporation Matininkai UAB (the same approach was applied on 1 December 2023). The market approach was used to evaluate the general-purpose buildings. The market approach was used to evaluate the differences between the subject asset and analogous or similar asset to which the subject asset is being compared, and to make adjustments (if necessary) to the transaction prices of analogous or similar asset in terms of timing, location, and other circumstances conveying the differences between the subject asset and analogous or similar comparable asset. For the purpose of valuation, the assets selected were similar to the specific subject asset. The inputs used included data on the purchase and sale transactions that occurred over the last thirty-six months.

b) The Company's investment assets, intended for the production of whey processing products (whey protein concentrate WPC80 and permeate), are valued using the income method and is classified under Level 3 of the fair value hierarchy. The fair value was determined based on the valuation conducted by the independent appraiser UAB corporation "Matininkai" on 29 August 2024. The valuation includes the determination of the fair value of the Company's whey processing production asset complex (including buildings, machinery and equipment, as well as other assets) as a cash-generating unit. The determined fair value is allocated to each unit of long-term tangible asset, so the fair value of the buildings is known. The asset value was determined using the discounted cash flow method. Future post-tax cash flows calculated based on the value in use were discounted to their present value using a discount rate, which was estimated based on current market conditions, the existing time value of money, and risks associated with the asset that were not accounted for.

The adjusted weighted average cost of capital (pre-tax) was 14.54% (2023 – 16.3%). The key assumptions underpinning the calculation of the value in use are:

- The future cash flows are calculated based on historical experience and approved business forecasts for 2025-2029, which have been prepared based on already concluded long-term contracts with the consumers of the products and the anticipated sales (production) expansion, taking into account the growth in demand for whey processing products in both domestic and foreign markets.

- The forecasted production costs have been calculated based on actual production, as well as anticipating their changes due to production growth. It is forecasted that production and sales in tons will grow by an average of 1% annually from 2025 to 2029.

The same method was applied in the evaluation conducted on 1 December 2023.

Sensitivity analysis using the discounted cash flow method indicated that the asset value is sensitive to changes in production costs and sales income.

- Change in discount rate: a decrease in the weighted average cost of capital (WACC) discount rate (pre-tax) by 1.76 percentage points in 2024 compared to 2023 would result in an increase of EUR 3.7 million in the asset value.
- Income changes: if sales income increased by 1%, the asset value would increase by EUR 4.9 million. If sales income decreased by 1%, the asset value would decrease by EUR 4.8 million.
- Production cost changes: if raw material costs decreased by 1%, the asset value would increase by EUR 4.1 million. If raw material costs increased by 1%, the asset value would decrease by EUR 4.2 million.

These results indicate that the value of the company's investment assets is highly sensitive to changes in sales income and raw material costs, making these factors crucial when assessing the long-term efficiency of asset use and investment decisions.

Minimum lease payments receivable on lease of investment property:

(Thousand EUR)

| | 31/12/2024 | 31/12/2023 |
|---|---|---|
| Within one year | 330 | 330 |
| Between 1 and 5 years | 611 | 941 |
| | **941** | **1,271** |

In 2024, the Company's rental income amounted to EUR 330 thousand (2023: EUR 330 thousand). Rental income is included in other operating income.

There were no direct operating expenses from investment property that generated rental income during 2024 and 2023.

The Company's investment property with the carrying amount of EUR 8,045 thousand as at 31 December 2024 (31 December 2023: EUR 6,903 thousand) was pledged to the banks as a security for bank borrowings.

## 18. Intangible assets

Thousand EUR

| | GROUP | | | |
|---|---|---|---|---|
| | Goodwill | Computer software | Other intangible assets | Total |
| **Cost** | | | | |
| Balance at 1 January 2023 | 6,915 | 546 | 17 | 7,478 |
| Balance at 31 December 2023 | **6,915** | **546** | **17** | **7,478** |
| Balance at 1 January 2024 | 6,915 | 546 | 17 | 7,478 |
| Additions | - | 35 | - | 35 |
| Balance at 31 December 2024 | **6,915** | **581** | **17** | **7,513** |
| **Amortisation and impairment** | | | | |
| Balance at 1 January 2023 | 2,749 | 544 | 10 | 3,303 |
| Amortisation charge for the year | - | 2 | 5 | 7 |
| Balance at 31 December 2023 | **2,749** | **546** | **15** | **3,310** |
| Balance at 1 January 2024 | 2,749 | 546 | 15 | 3,310 |
| Amortisation charge for the year | - | 2 | 1 | 3 |
| Balance at 31 December 2024 | **2,749** | **548** | **16** | **3,313** |
| **Net book amounts** | | | | |
| At 1 January 2023 | **4,166** | **2** | **7** | **4,175** |
| At 31 December 2023 | **4,166** | **-** | **2** | **4,168** |
| At 31 December 2024 | **4,166** | **33** | **1** | **4,200** |

Amortisation charge for the year was included in administrative expenses.

| | COMPANY | | | |
|---|---|---|---|---|
| | Goodwill | Computer software | Other intangible assets | Total |
| **Cost** | | | | |
| Balance at 1 January 2023 | - | 656 | 17 | 673 |
| Balance at 31 December 2023 | **-** | **656** | **17** | **673** |
| Balance at 1 January 2024 | - | 656 | 17 | 673 |
| Additions | - | 30 | - | 30 |
| Balance at 31 December 2024 | **-** | **686** | **17** | **703** |
| **Amortisation and impairment** | | | | |
| Balance at 1 January 2023 | - | 654 | 14 | 668 |
| Amortisation charge for the year | - | 2 | 1 | 3 |
| Balance at 31 December 2023 | **-** | **656** | **15** | **671** |
| Balance at 1 January 2024 | - | 656 | 15 | 671 |
| Amortisation charge for the year | - | 1 | 1 | 2 |
| Balance at 31 December 2024 | **-** | **657** | **16** | **673** |
| **Net book amounts** | | | | |
| At 1 January 2023 | - | **2** | **3** | **5** |
| At 31 December 2023 | - | **-** | **2** | **2** |
| At 31 December 2024 | - | **29** | **1** | **30** |

Amortisation charge for the year was included in administrative expenses.

### Recoverable amount of cash-generating units to which goodwill is attributed

Goodwill is attributed to the following cash-generating units of the Group (Modest AB business activities relating to production and sale of cheese and cheese products; Kelmės Pienas UAB business activities relating to production and sale of fresh milk products), as specified below:

| | 31/12/2024 | 31/12/2023 |
|---|---|---|
| Kelmės Pienas UAB (fresh milk products)* | 3,867 | 3,867 |
| Modest AB (cheese, cheese products) | 299 | 299 |
| | **4,166** | **4,166** |

* Before 1 March 2021, the business activities of fresh milk products were conducted by the subsidiary Kelmės Pieninė AB. As from 1 March 2021, the business activities of fresh milk products have been transferred to Kelmės Pienas UAB.

Goodwill arising on business combination is attributable mostly to synergy, which has resulted from the integration of the Companies into the existing operations of the Group relating to production of milk products.

These cash-generating units were tested for impairment when calculating the recoverable amount.

***Recoverable value of the cash-generating unit of UAB "Kelmės pienas"***

The recoverable value of the cash-generating unit of UAB "Kelmės pienas" fresh dairy products was determined on 31 December 2024. The recoverable amount was calculated by discounting future cash flows to their present value based on a five-year financial forecast approved by the management.

Key assumptions used in the calculation of the recoverable amount were as follows:

- The future cash flows were calculated based on historical experience and a 5-year business plan. Cash flows in a long-term perspective were estimated by extrapolating the fifth-year cash flows at a projected long-term growth rate of 1% (2023: growth rate of 1.5%).
- The recoverable amount was calculated using a pre-tax discount rate that reflects current market conditions, the existing time value of money and the risks specific to the asset, which was not taken into consideration. Pre-tax rate of weighted average cost of capital was 14.38% (2023: 12.74%).
- The annual revenue growth rate is projected to be 2% in 2025 and 5% during 2025-2029. Growth of revenue is projected due to the expected increase in production volumes, introduction of new products to the market, and expansion into the new markets. In 2025, a decrease in gross profit is forecast due to the increase in the prices of raw milk and other raw materials and materials.
- The basic components of the working capital: inventory requirement, trade receivables and trade payables are taken as the factual amounts at the end of 2024. Subsequently (starting from 2025), the working capital requirement is calculated in view of the production growth and inventory, trade receivables and trade payables requirement, as a proportionate share of the cost of sales and revenue.

The sensitivity analysis shows the impact of changes in discount rate and long-term growth rate on the results of valuation. These variable inputs were chosen for the sensitivity analysis because, as a result of valuation, they were noted as having the most impact on the entity's business value:

- Had the budgeted gross margin used in the value-in-use calculation for Kelmės Pienas UAB been 3% lower as at 31 December 2024 compared to the management's forecast, no impairment would have been recognised for the Group's goodwill.
- Had the pre-tax discount rate used in the cash flow forecast for Kelmės Pienas UAB been 1% higher compared to the management's estimates (15.38% instead of 14.38%), no impairment would have been recognised for the Group's goodwill.

Based on the above assumptions, the calculated recoverable amount of the cash-generating unit was higher than the carrying amount, and therefore, no impairment was recognised.

## 19. Investments in subsidiaries

| *EUR '000* | 31/12/2024 | 31/12/2023 |
|---|---|---|
| Cost of shares of Modest AB | 1,991 | 1,991 |
| Cost of shares of Kelmės Pieninė AB | 8,656 | 8,656 |
| Cost of shares of Pieno Logistika AB | - | - |
| Cost of shares of Baltic Dairy Board SIA | 16,741 | 671 |
| | **27,388** | **11,318** |

The Company acquired control over Modest AB in 2006. The ownership interest held by the Company was 99.7% as at 31 December 2024 (31 December 2023: 99.7%).

On 30 April 2008, the Company acquired the shares of Kelmės Pieninė AB. The ownership interest held by the Company was 100% as at 31 December 2024 (31 December 2023: 100%).

In 2021, Vilkyškių Pieninė AB acquired 70% of shares in Baltic Dairy Board SIA, in 2023, Vilkyškių Pieninė AB acquired the remaining 30% of shares. The ownership interest held by the Company was 100% as at 31 December 2024 (31 December 2023: 100%).

As at 31 December 2024 (and 31 December 2023), there were no indications of impairment for investments in subsidiaries.

**Key financial indicators of Pieno Logistika AB:**

| *EUR '000* | 31/12/2024 | 31/12/2023 |
|---|---|---|
| Total assets | 573 | 559 |
| Shareholders' equity | 82 | 68 |
| Net profit (loss) | 15 | -37 |

**Key financial indicators of Modest AB:**

| *EUR '000* | 31/12/2024 | 31/12/2023 |
|---|---|---|
| Total assets | 12,091 | 7,692 |
| Shareholders' equity | 9,012 | 5,664 |
| Net profit (loss) | 3,348 | 611 |

## 20. Non-current amounts receivable

Thousand EUR

| GROUP | | | | COMPANY | |
|---|---|---|---|---|---|
| 31/12/2024 | 31/12/2023 | Note | | 31/12/2024 | 31/12/2023 |
| | | | **Financial instruments** | | |
| - | - | 28 | Loans granted to related parties (a) | 1,170 | 1,111 |
| - | 600 | | Loans granted to related parties (b) | - | 600 |
| **-** | **600** | | | **1,170** | **1,711** |
| | | | **Non-financial assets** | | |
| 241 | 311 | | Non-current amounts receivable from farmers © | 234 | 311 |
| 2 | 2 | | Other non-current amounts receivable | - | - |
| **243** | **313** | | | **234** | **311** |
| **243** | **913** | | | **1,404** | **2,022** |

a) In December 2021, a loan was granted to the subsidiary Baltic Dairy Board SIA. As at 31 December 2024, the outstanding balance of the loan was EUR 980 thousand (31 December 2023: EUR 980 thousand) and interest was EUR 190 thousand (31 December 2023: EUR 131 thousand). The loan is to be repaid by 31 January 2026.

b) The Group's and the Company's do not have loan receivable from other related parties at 31 December 2024.

c) Non-current amounts receivable from farmers and agricultural companies comprise prepayments made to milk suppliers for milk. An administration fee is charged on these prepayments.

The Group's/Company's exposure to credit and foreign exchange risks, impairment losses related to trade and other amounts receivable are disclosed in Note 29.

## 21. Inventories

Thousand EUR

| GROUP | | | COMPANY | |
|---|---|---|---|---|
| 31/12/2024 | 31/12/2023 | | 31/12/2024 | 31/12/2023 |
| 8,272 | 11,343 | Finished products | 4,702 | 5,958 |
| 890 | 1,650 | Products in transit | 890 | 1,650 |
| **9,162** | **12,993** | | **5,592** | **7,608** |
| 427 | 324 | Raw materials | 170 | 105 |
| 4,388 | 4,016 | Consumables | 1,342 | 1,275 |
| 277 | 294 | Work in progress | - | - |
| **14,254** | **17,627** | | **7,104** | **8,988** |

Raw materials include milk and other materials used in the production.

As at 31 December 2024, the Group's materials (packaging, auxiliary materials, etc.) written down to net realisable value amounted to EUR 15 thousand (31 December 2023: EUR 26 thousand).

As at 31 December 2024, the Company's materials (tare, packaging, auxiliary materials, etc.) written down to net realisable value amounted to EUR 15 thousand (31 December 2023: EUR 26 thousand).

The write-down of inventories (finished products) to net realisable value and its reversal were included in the cost of sales.

As at 31 December 2024, the Group's and the Company's inventories (finished products) written down to net realisable value amounted to EUR 2,414 thousand and EUR 1,501 thousand, respectively (31 December 2023: EUR 1,192 thousand and EUR 591 thousand, respectively). Inventory write-down due to expected changes in sales prices in export markets.

As of 31 December 2024, the company's inventory (cheeses, cheese products) was pledged to banks, with a carrying value of EUR 7,104 thousand. As of 31 December 2023, the group and company's inventory were pledged, with a carrying value of up to EUR 12,091 thousand, with the company's portion being EUR 8,988 thousand) (see Note 23).

## 22. Trade and other receivables

Thousand EUR

| | | GROUP | |
|---|---|---|---|
| | Note | 31/12/2024 | 31/12/ 2023 |
| Trade receivables | | 18,089 | 14,815 |
| Impairment losses | | -629 | -307 |
| Trade receivables from related parties | | - | 88 |
| **Financial assets** | | **17,460** | **14,596** |
| Taxes receivable (other than income tax) | | 4,912 | 2,593 |
| Other receivables | | 39 | 18 |
| **Total trade and other receivables** | | **22,411** | **17,207** |

| | Note | COMPANY | |
|---|---|---|---|
| | | 31/12/2024 | 31/12/ 2023 |
| Trade receivables | | 14,385 | 11,686 |
| Impairment losses | | -629 | -307 |
| Trade receivables from related parties | 28 | 5,596 | 499 |
| **Financial assets** | | **19,352** | **11,878** |
| Taxes receivable (other than income tax) | | 3,031 | 2,283 |
| Other receivables | | - | 3,525 |
| **Total trade and other receivables** | | **22,383** | **17,686** |

Trade and other receivables are non-interest bearing and their settlement term is 30 days.

Taxes receivable consist of VAT receivable.

As at 31 December 2024, the Group's/Company's receivables were not pledged (31 December 2023: the Group's/Company's receivables were not pledged) (Note 27).

The Group's/Company's exposure to credit and foreign exchange risks, impairment losses related to trade and other receivables are disclosed in Note 29.

The ageing analysis of trade receivables is disclosed in Note 29.

## 23. Prepayments

Thousand EUR

| GROUP | | | | COMPANY | |
|---|---|---|---|---|---|
| 31/12/2024 | 31/12/2023 | Note | | 31/12/2024 | 31/12/2023 |
| 560 | 608 | (a) | Prepayments | 412 | 456 |
| 151 | 71 | | Advance income tax | 71 | 71 |
| **711** | **679** | | | **483** | **527** |

(a) Prepayments consist of prepayments made to the companies for goods and services and to the farmers for milk.

## 24. Cash and cash equivalents

| GROUP | | | COMPANY | |
|---|---|---|---|---|
| 31/12/2024 | 31/12/2023 | | 31/12/2024 | 31/12/2023 |
| 18,751 | 8,609 | Cash at bank | 13,165 | 2,740 |
| 121 | 116 | Cash on hand | 121 | 114 |
| **18,872** | **8,725** | | **13,286** | **2,854** |

As of 31 December 2024, the group and company's cash balances were pledged as collateral for bank loans, amounting to EUR 13,364 thousand and EUR 13,286 thousand (as of 31 December 2023, no cash balances were pledged for bank loans).

The Group's and the Company's exposure to interest rate risk arising from cash and cash equivalents is disclosed in Note 29.

## 25. Capital and reserves

As at 31 December 2024 and 2023, the Company's authorised share capital was divided into 11,943,000 ordinary shares with the nominal value of EUR 0.29 each. All the shares are fully paid.

Ordinary shares are stated at their nominal value. Consideration received for the shares sold in excess over their nominal value is shown as share premium. Incremental external costs directly attributable to the issue of new shares are accounted for as a deduction from share premium.

Pursuant to the Law on Companies, the holders of ordinary shares have one vote per share at the Company's shareholders' meeting, the right to receive dividends, and the right to receive payments in the event of liquidation of a company.

### Legal reserve

Pursuant to the Law on Companies of the Republic of Lithuania, annual transfers of 5% from distributable profit are required until the legal reserve reaches 10% of the authorised share capital. Pursuant to the Law the legal reserve may be used to cover accumulated losses only. As at 31 December 2024, the Company's/ Group's legal reserve amounted to EUR 346 thousand (31 December 2023: EUR 346 thousand).

### Share premium

Share premium is the difference between the nominal value and issue price of the shares.

### Revaluation reserve

Revaluation reserve is related to the revaluation of the buildings and is stated net of deferred income tax liability. The reserve is reduced in proportion to the depreciation and disposal of the revalued assets. Transfers from the revaluation reserve to retained earnings are performed when the revalued buildings are being depreciated. The amount transferred is determined as a difference between depreciation calculated from the revalued amount and depreciation calculated from the initial cost of the buildings. Revaluation reserve can be used to increase the share capital.

### Other reserves

Other reserves are formed by the decision of the annual meeting of shareholders on profit appropriation, and they are established in the Company's Articles of Association. These reserves can be used only for the purposes approved by the general meeting of shareholders.

The Group/Company has no other reserves.

### Dividends

In 2024, dividends of EUR 0.31 per share were paid out to the shareholders (2023: dividends of EUR 0.265 per share were paid out to the shareholders).

## 26. Borrowings and lease liabilities

| GROUP | | | | COMPANY | |
|---|---|---|---|---|---|
| 31/12/2024 | 31/12/2023 | | Note | 31/12/2024 | 31/12/2023 |
| 33,280 | 15,706 | Non-current borrowings | 27,28 | 5,778 | 2,569 |
| 1,551 | 775 | Lease liabilities | 13 | 1,190 | 728 |
| **34,831** | **16,481** | **Non-current** | | **6,968** | **3,297** |
| 3,649 | 3,235 | Current bank borrowings and other borrowings | 27,28 | 1,771 | 1,356 |
| 742 | 469 | Lease liabilities | 13 | 614 | 432 |
| **4,391** | **3,704** | **Current** | | **2,385** | **1,788** |
| **39,222** | **20,185** | **Total borrowings and lease liabilities** | | **9,353** | **5,085** |

As of 31 December 2024, the company and group had unused short-term credit limits totaling EUR 3 million (as of 31 December 2023, the company and group had no short-term credit limits). As of 31 December 2024, the company and group did not have long-term credit limits, but the group still had an unused portion of a long-term loan from AS "Citadele Banka" amounting to EUR 16,559 thousand (for the construction and equipment of the SIA "Baltic Dairy Board" cheese factory). The interest rates for the company and group's loans, according to agreements with the banks, are based on the 6-month EURIBOR + margin and the 3-month EURIBOR + margin.

Under the agreements signed with the banks, the Company/Group has committed to comply with certain covenants, such as financial debt and net financial debt to EBITDA ratio, debt service coverage ratio and equity ratio. These ratios are calculated according to the data reported in the consolidated financial statements. The Company and the Group complied with these covenants in 2024 and 2023.

### Borrowings by maturity (thousand EUR):

| GROUP | | | COMPANY | |
|---|---|---|---|---|
| 31/12/2024 | 31/12/2023 | | 31/12/2024 | 31/12/2023 |
| 3,649 | 3,235 | Within 1 year | 1,771 | 1,356 |
| 33,280 | 15,706 | Between 1 and 5 years | 5,778 | 2,569 |
| **36,929** | **18,941** | | **7,549** | **3,925** |

In 2024, the Group's borrowings were subject to annual effective interest rate of 3.60% (2023: 6.10%).

In 2024, the Company's borrowings were subject to annual effective interest rate of 5.60% (2023: 5.68%).

### Lease liabilities (thousand EUR):

| GROUP | | | COMPANY | |
|---|---|---|---|---|
| 31/12/2024 | 31/12/2023 | | 31/12/2024 | 31/12/2023 |
| 742 | 469 | Within 1 year | 614 | 432 |
| 1,551 | 775 | Between 1 and 5 years | 1,190 | 728 |
| **2,293** | **1,244** | | **1,804** | **1,160** |

The right-of-use assets recognised in relation to lease liabilities is disclosed in Notes 12 and 13.

### Cash flows from financing activities (thousand EUR)

| | COMPANY | | | | | |
|---|---|---|---|---|---|---|
| | Current portion of lease liabilities | Non-current portion of lease liabilities | Current portion of non-current borrowings, current borrowings | Credit lines and over-drafts | Non-current portion of non-current borrowings | **Total** |
| **At 1 January 2024** | 432 | 728 | 1,356 | - | 2,569 | 5,085 |
| Cash inflows - proceeds from borrowings | - | - | 33 | 2,153 | 4,980 | 7,166 |
| Cash outflows - repayments of borrowings | - | - | -1,389 | -2,153 | - | -3,542 |
| Additions - lease | 616 | 1,011 | - | - | - | 1,627 |
| Repayments – lease | -983 | - | - | - | - | -983 |
| Other non-cash changes (reclassification of current/non-current portion, impairment, write-offs) | 549 | -549 | 1,771 | - | -1,771 | - |
| **At 31 December 2024** | **614** | **1,190** | **1,771** | **-** | **5,778** | **9,353** |

| | GROUP | | | | | |
|---|---|---|---|---|---|---|
| | Current portion of lease liabilities | Non-current portion of lease liabilities | Current portion of non-current borrowings, current borrowings | Credit lines and over-drafts | Non-current portion of non-current borrowings | **Total** |
| **At 1 January 2024** | 469 | 775 | 3,235 | - | 15,706 | 20,185 |
| Cash inflows - proceeds from borrowings | - | - | 33 | 2,153 | 21,223 | 23,409 |
| Cash outflows - repayments of borrowings | - | - | -3,268 | -2,153 | - | -5,421 |
| Additions - lease | 673 | 1,671 | - | - | - | 2,344 |
| Repayments – lease | -1,295 | - | - | - | - | -1,295 |
| Other non-cash changes (reclassification of current/non-current portion, impairment, write-offs) | 895 | -895 | 3,649 | - | -3,649 | - |
| **At 31 December 2024** | **742** | **1,551** | **3,649** | **-** | **33,280** | **39,222** |

| | COMPANY | | | | | |
|---|---|---|---|---|---|---|
| | Current portion of lease liabilities | Non-current portion of lease liabilities | Current portion of non-current borrowings, current borrowings | Credit lines and over-drafts | Non-current portion of non-current borrowings | **Total** |
| **At 1 January 2023** | 309 | 374 | 1,079 | 2,404 | 1,499 | 5,665 |
| Cash inflows - proceeds from borrowings | - | - | 278 | - | 1,856 | 2,134 |
| Cash outflows - repayments of borrowings | - | - | -787 | -2,404 | - | -3,191 |
| Additions - lease | 401 | 697 | - | - | - | 1,098 |
| Repayments – lease | -621 | - | - | - | - | -621 |
| Other non-cash changes (reclassification of current/non-current portion, impairment, write-offs) | 343 | -343 | 786 | - | -786 | - |
| **At 31 December 2023** | **432** | **728** | **1,356** | **-** | **2,569** | **5,085** |

| | GROUP | | | | | |
|---|---|---|---|---|---|---|
| | Current portion of lease liabilities | Non-current portion of lease liabilities | Current portion of non-current borrowings, current borrowings | Credit lines and over-drafts | Non-current portion of non-current borrowings | **Total** |
| **At 1 January 2023** | 314 | 399 | 6,834 | 2,404 | 12,979 | 22,930 |
| Cash inflows - proceeds from borrowings | - | - | 278 | - | 1,856 | 2,134 |
| Cash outflows - repayments of borrowings | - | - | -3,006 | -2,404 | - | -5,410 |
| Additions - lease | 353 | 828 | - | - | - | 1,181 |
| Repayments – lease | -650 | - | - | - | - | -650 |
| Other non-cash changes (reclassification of current/non-current portion, impairment, write-offs) | 452 | -452 | -871 | - | 871 | - |
| **At 31 December 2023** | **469** | **775** | **3,235** | **-** | **15,706** | **20,185** |

## 27. Government grants

Thousand EUR

| GROUP | | | COMPANY | |
|---|---|---|---|---|
| 31/12/2024 | 31/12/2023 | | 31/12/2024 | 31/12/2023 |
| 3,598 | 3,743 | Opening net book amount | 671 | 520 |
| 901 | 285 | Grants received | 893 | 285 |
| 0 | 0 | Grant receivable | 0 | 0 |
| -445 | -417 | Amortisation recognised in profit or loss and write-off of grants | -177 | -134 |
| -11 | -13 | Write-off of grants upon disposal of assets | 0 | 0 |
| **4,043** | **3,598** | Closing net book amount | **1,387** | **671** |

The Group/Company received support from the EU funds under the Lithuanian Rural Development Programmes from the National Paying Agency under the Ministry of Agriculture. The support was received for the acquisition of non-current assets. The amounts of support are amortised in proportion to the depreciation of the related assets.

On 8 July 2021, Kelmės Pieninė AB and public enterprise Lithuanian Business Support Agency signed an agreement on project No. 01.2.1-LVPA-K-856-02-0037 for the Development of an innovative food supplement for the elderly to prevent senile weakness syndrome and malnutrition. During 2020–2023, the amount of support received was EUR 277 thousand (whereof EUR 32 thousand was received in 2023).

In December 2022, Vilkyškių Pieninė AB and National Paying Agency under the Lithuanian Ministry of Agriculture signed an agreement on project No Nr. 17PP-KT-22-1-04217-PR001 for the Lithuanian Rural Development Programme 2014-2020 measure "Investments in tangible assets" of the activity area "Support for investments in the processing, marketing and/or development of agricultural products". EUR 1 million is expected to be allocated to the Company for the implementation of this project.

- Amount of EUR 191 thousand was received in 2023.
- Amount of EUR 809 thousand was received in 2024.

In 2022, Vilkyškių Pieninė AB and the Environmental Project Management Agency under the Lithuanian Ministry of Environment signed an agreement on the financial support of EUR 150 thousand for the implementation of the project Installation of wastewater treatment facilities for Vilkyškių Pieninė AB. In 2023, amount of EUR 90 thousand was received in 2023 and EUR 60 thousand – in 2024.

The Latvian government, through the Latvian state development financial institution AS “Attīstības finanšu institūcija Altum,” will contribute EUR 10 million euros in aid for cheese factor project of SIA “Baltic Dairy Board”, a subsidiary of AB “Vilkyškių pieninė.” Additionally, EUR 1.2 million in aid will be received from EU funds. The conditions for the aid will be considered fulfilled upon the completion of the project and upon meeting the specified indicators outlined in the agreement.

In 2024, VILVI Group submitted applications for compensation for newly acquired electric vehicles under the 'Promotion of the Use of Alternative Fuels in the Transport Sector' activity of the 2022-2030 development program managed by the Ministry of Transport of the Republic of Lithuania, Measure No. 10-001-06-01-01 'Encouraging the Acquisition of Electric Vehicles by Legal Entities". In 2024, the company received EUR 24 thousand.

In 2023, AB "Modest" and AB "Vilkyškių pieninė" signed agreements with the Public Institution - Innovation Agency "RES Production Capacity Installation," applying for support from the EU Structural Funds under the activity "Encouraging the Deployment of Renewable Energy Sources in Industrial Enterprises (Central and Western Lithuania)" of the Measure No 05-001-01-04-02 "Promoting Companies' Transition to a Climate-Neutral Economy," of the Economic Transformation and Competitiveness Development Program of the Manager of the 2022–2030 Development Program - the Ministry of Economy and Innovation of the Republic of Lithuania. A total of EUR 309 thousand in support was allocated to VILVI Group companies for this project.

## 28. Deferred income tax assets (liabilities)

Deferred income tax assets and liabilities calculated at a 16% tax rate in 2024 (2023: 15%) relate to the following line items (thousand EUR):

| | COMPANY | | | | | |
|---|---|---|---|---|---|---|
| | Assets | | Liabilities | | Net value | |
| | **31/12/2024** | **31/12/2023** | **31/12/2024** | **31/12/2023** | **31/12/2024** | **31/12/2023** |
| Property, plant and equipment | - | - | 2,023 | 1,725 | 2,023 | 1,725 |
| Vacation reserve | -300 | -252 | - | - | -300 | -252 |
| Abejotinos skolos | -101 | - | - | - | -101 | - |
| Inventories | -243 | -92 | - | - | -243 | -92 |
| Government grants | -60 | -62 | - | - | -60 | -62 |
| Right-of-use asset | -24 | - | 23 | - | -1 | - |
| Tax loss carry forward | - | -751 | - | - | - | -751 |
| Deferred income tax (assets)/liabilities | **-728** | **-1,157** | **2,046** | **1,725** | **1,318** | **568** |

In 2024, the Group's deferred income tax assets and liabilities were calculated at the effective tax rate of 16% valid from 2025 in accordance with the Lithuanian laws and the effective tax rate of 25% in accordance with the Latvian laws. Tax rate 25% was applied to deferred tax assets and liabilities relating to Baltic Dairy Board SIA.

The Group's deferred tax assets and liabilities relate to the following line items (thousand EUR):

| | GROUP | | | | | |
|---|---|---|---|---|---|---|
| | Assets | | Liabilities | | Net value | |
| | **31/12/2024** | **31/12/2023** | **31/12/2024** | **31/12/2023** | **31/12/2024** | **31/12/2023** |
| Property, plant and equipment | - | - | 2,609 | 1,960 | 2,609 | 1,960 |
| Vacation reserve | -370 | -316 | - | - | -370 | -316 |
| Abejotinos skolos | -101 | - | - | - | -101 | - |
| Inventories | -243 | -92 | - | - | -243 | -92 |
| Government grants | -60 | -62 | - | - | -60 | -62 |
| Tax loss carry forward | - | -751 | - | - | - | -751 |
| Right-of-use asset | -23 | - | 22 | - | -1 | - |
| Fair value adjustment to assets and liabilities of Baltic Dairy Board SIA | - | - | 225 | 191 | 225 | 191 |
| Deferred income tax (assets)/liabilities | **-797** | **-1,221** | **2,856** | **2,151** | **2,059** | **930** |

| | COMPANY | | | |
|---|---|---|---|---|
| | 01/01/2024 | Recognised in profit or loss | Recognised in equity | 31/12/2024 |
| Property, plant and equipment | 1,725 | 246 | 52 | 2,023 |
| Vacation reserve | -252 | -48 | - | -300 |
| Abejotinos skolos | - | -101 | - | -101 |
| Inventories | -92 | -151 | - | -243 |
| Government grants | -62 | 2 | - | -60 |
| Right-of-use asset | - | -1 | - | -1 |
| Tax loss carry forward | -751 | 751 | - | - |
| Deferred income tax (assets)/liabilities | **568** | **698** | **52** | **1,318** |

| | COMPANY | | | |
|---|---|---|---|---|
| | 01/01/2023 | Recognised in profit or loss | Recognised in equity | 31/12/2023 |
| Property, plant and equipment | 1,741 | -16 | - | 1,725 |
| Vacation reserve | -174 | -78 | - | -252 |
| Inventories | -84 | -8 | - | -92 |
| Government grants | -78 | 16 | - | -62 |
| Tax loss carry forward | -887 | 136 | - | -751 |
| Deferred income tax (assets)/liabilities | **518** | **50** | **-** | **568** |

| | GROUP | | | |
|---|---|---|---|---|
| | 01/01/2024 | Recognised in profit or loss | Recognised in equity | 31/12/2024 |
| Property, plant and equipment | 1,960 | 346 | 303 | 2,609 |
| Vacation reserve | -316 | -54 | - | -370 |
| Abejotinos skolos | - | -101 | - | -101 |
| Inventories | -92 | -151 | - | -243 |
| Government grants | -62 | 2 | - | -60 |
| Tax loss carry forward | -751 | 751 | - | - |
| Right-of-use asset | - | -1 | - | -1 |
| Adjustment to assets and liabilities of Baltic Dairy Board SIA | 191 | 34 | - | 225 |
| Deferred income tax (assets)/liabilities | **930** | **826** | **303** | **2,059** |

| | GROUP | | | |
|---|---|---|---|---|
| | 01/01/2023 | Recognised in profit or loss | Recognised in equity | 31/12/2023 |
| Property, plant and equipment | 1,896 | 64 | - | 1,960 |
| Vacation reserve | -214 | -102 | - | -316 |
| Inventories | -84 | -8 | - | -92 |
| Government grants | -78 | 16 | - | -62 |
| Tax loss carry forward | -887 | 136 | - | -751 |
| Adjustment to assets and liabilities of Baltic Dairy Board SIA | 157 | 34 | - | 191 |
| Deferred income tax (assets)/liabilities | **790** | **140** | **-** | **930** |

Thousand EUR

| GROUP | | | COMPANY | |
|---|---|---|---|---|
| 31/12/2024 | 31/12/2023 | | 31/12/2024 | 31/12/2023 |
| | | **Deferred income tax assets/(liability)** | | |
| 0/704 | 470/-442 | Deferred income tax assets (liability), which will be realised within 12 months | 0/319 | 273/ -16 |
| 796/-3,559 | 751/-1,709 | Deferred income tax assets (liability), which will be realised after 12 months | 727/-2,364 | 884/ -1,709 |
| **-2,059** | **-930** | **Net deferred income tax assets (liability)** | **-1,318** | **-568** |

The Group/Company does not recognise deferred income tax assets on investment project relief. The amount of unused benefits in the Group and the Company on December 31, 2024 amounts to EUR 741 thousand, respectively on December 31, 2023 – EUR 626 thousand.

## 29. Trade and other payables

Thousand EUR

| GROUP | | | | COMPANY | |
|---|---|---|---|---|---|
| 31/12/2024 | 31/12/2023 | | Note | 31/12/2024 | 31/12/2023 |
| | | **Financial instruments** | | | |
| 15,050 | 13,171 | Trade payables | | 11,126 | 9,903 |
| - | - | Trade payables to related parties | 28 | 14,896 | 3,798 |
| **15,050** | **13,171** | | | **26,022** | **13,701** |
| | | **Non-financial instruments** | | | |
| 5,116 | 4,684 | Employment-related liabilities | | 2,850 | 2,575 |
| 492 | 781 | Advance amounts received | | 491 | 781 |
| 74 | 73 | Dividends payable | | 1 | - |
| 610 | 1,680 | Taxes payable (other than income tax)* | | 102 | 77 |
| 359 | 394 | Accrued expenses and provisions | | 103 | 71 |
| - | - | Other amounts payable | | 1 | 2 |
| **6,651** | **7,612** | | | **3,548** | **3,506** |
| **21,701** | **20,783** | | | **29,570** | **17,207** |

* In December 2022, the Group received a tax-related aid measure for the repayment of the loan in amount of EUR 1,900 thousand.

As of 25 November 2024, the Group's tax relief loan was repaid.

The Group's/Company's exposure to foreign exchange and liquidity risks arising from trade and other payables is disclosed in Note 29.

## 30. Contingent liabilities

Significant contractual commitments (thousand EUR):

| GROUP | | | COMPANY | |
|---|---|---|---|---|
| 31/12/2024 | 31/12/2023 | | 31/12/2024 | 31/12/2023 |
| 49,952 | 39,577 | Acquisition of PP&E | 813 | 6,353 |
| 6,405 | 5,692 | Purchase of raw materials | 5,561 | 5,583 |
| **56,357** | **45,269** | | **6,374** | **11,936** |

*Contracts were signed with the suppliers regarding supply of the main equipment for the new cheese production plant at the subsidiary Baltic Dairy Board SIA.

As at 31 December 2024, the Group's/Company's assets pledged to secure the repayment of bank borrowings and other collaterals were as follows:

**GROUP:**

- immovable property with the carrying amount of EUR 12.922 thousand;

- movable property with the carrying amount of EUR 30,412 thousand;
- inventories in turnover with the carrying amount of EUR 7,104 thousand;
- lease rights to state-owned land.

**COMPANY:**

- the Company's immovable property located at address: P. Lukošaičio g. 14, Vilkyškiai, P. Lukošaičio g. 3, Vilkyškiai and Sodų g, 13, Eržvilkas, Jurbarko r. sav., with the carrying amount of EUR 4,718 thousand – to secure fulfilment of the Company's obligations to Swedbank AB;
- the Company's investment property located at address: Gaurės g. 23, Tauragė, with the carrying amount of EUR 5,531 thousand, to secure fulfilment of obligations of Kelmės Pieninė AB to OP Corporate Bank plc;
- the Company's lease rights to state-owned land;
- the Company's movable property located at address: P. Lukošaičio g. 14, Vilkyškiai, with the carrying amount of EUR 10,469 thousand to secure fulfilment of the Company's obligations to Swedbank AB;
- all the Company's inventories in turnover to secure fulfilment of the Company's obligations to Swedbank AB;

Other collaterals:

- the sureties issued by Kelmės Pieninė AB, Modest AB, Kelmės Pienas UAB and Baltic Dairy Board SIA to secure proper fulfilment of the Company's obligations under the loan agreement with Swedbank AB. The outstanding balance of the loan was EUR 7,549 thousand as at 31 December 2024 (the surety agreements were signed in 2021, 2022 and 2023).

Sureties and guarantees issued:

- surety issued to AS Citadele Banka to secure fulfilment of financial liabilities of SIA Baltic Dairy Board in amount of EUR 13,148 thousand as at 31 December 2024.
- surety issued to Op Corporate bank to secure fulfilment of financial liabilities of Kelmės Pieninė AB in amount of EUR 10,029 thousand as at 31 December 2024.

The Group's/Company's management is aware that pursuant to the effective laws, the State Tax Inspectorate may at any time inspect the books and accounting records of the Group/Company for 5 years preceding the reporting tax period and may assess additional taxes or fines. The Group's/Company's management is not aware of any circumstances that might result in a potential material tax liability in this respect.

## 31. Transactions with related parties and management personnel

The parties of the Group/Company are related when one party has a power to exercise control over the other party or make significant influence on its financial and operation decisions.

The main related parties of the Group/Company are as follows:

Kelmės Pieninė AB,

Modest AB,

Kelmės Pienas UAB,

Pieno Logistika AB,

Baltic Dairy Board SIA,

Management personnel,

Other related parties.

(i) Transactions with related parties:

**Purchases of raw materials, products, non-current assets and services, interest expenses (thousand EUR)**

| GROUP | | | COMPANY | |
|---|---|---|---|---|
| 2024 | 2023 | | 2024 | 2023 |
| - | - | Kelmės Pieninė AB | 37,830 | 34,606 |
| - | - | Kelmės Pienas UAB | 4,501 | 30,806 |
| - | - | Modest AB | 50,181 | 43,579 |
| - | - | Pieno Logistika AB | 148 | 142 |
| - | - | Baltic Dairy Board SIA | 1,231 | 20 |
| 2 | 1 | Management personnel | 2 | 1 |
| 1,170 | 1,076 | Other related parties | 1,170 | 1,076 |
| **1,172** | **1,077** | | **95,063** | **110,230** |

*(ii) Transactions with related parties:*

**Sale of raw materials, products, non-current assets and services, interest income (thousand EUR)**

| GROUP | | | COMPANY | |
|---|---|---|---|---|
| 2024 | 2023 | | 2024 | 2023 |
| - | - | Kelmės Pieninė AB | 7,350 | 5,659 |
| - | - | Kelmės Pienas UAB | 6,982 | 12,126 |
| - | - | Modest AB | 41,492 | 33,752 |
| - | - | Pieno Logistika AB | 70 | 143 |
| - | - | Baltic Dairy Board SIA | 7,937 | 4,088 |
| 23 | 45 | Other related parties | 23 | 45 |
| **23** | **45** | | **63,854** | **55,813** |

*(iii) Year-end balances of transactions with related parties:*

| GROUP | | | COMPANY | |
|---|---|---|---|---|
| 31/12/2024 | 31/12/2023 | | 31/12/2024 | 31/12/2023 |
| **-** | **-** | **Trade and other amounts payable** | **14,896** | **3,799** |
| - | - | *(Kelmės Pieninė AB)* | 11,424 | 3,762 |
| - | - | *(Modest AB)* | 3,466 | - |
| - | - | *(Pieno Logistika AB)* | 6 | 37 |
| **-** | - | **Trade and other receivables** | **5,597** | **499** |
| - | - | *(Kelmės Pienas UAB)* | 440 | 377 |
| - | - | *(Modest AB)* | - | 63 |
| - | - | *(Baltic Dairy Board SIA)* | 5,157 | 59 |
| **-** | **-** | **Loan receivable (Baltic Dairy Board SIA, including interest)** | **1,170** | **1,111** |
| **124** | **54** | **Trade and other payables (to other related parties)** | **124** | **54** |
| **-** | **600** | **Loan receivable (including interest and administration fee from other related parties)** | - | **600** |

Assets pledged, guarantees/sureties issued by the Group/Company to secure the fulfilment of financial liabilities of related parties, and assets pledged, guarantees/sureties issued by related parties to secure the fulfilment of financial liabilities of the Company are disclosed in Note 27.

The main terms and conditions for the Group's/Company's amounts payable and receivable under the loan agreements are as follows:

- The Company granted a loan of EUR 980 thousand to the subsidiary Baltic Dairy Board SIA. The loan has to be repaid by 31 January 2026. The outstanding balance of the loan was EUR 980 thousand as at 31 December 2024. Interest receivable in 2024 was EUR 190 thousand.
- There were no Group's/Company's loans receivable from other related parties as of 31 December 2024 (EUR 600 thousand at 31 December 2023).

In 2024, personnel expenses included payments of EUR 1,080 thousand and EUR 783 thousand to the Group's and the Company's management personnel, including social security contributions (2023: EUR 728 thousand and EUR 501 thousand, respectively).

In 2024, the Group's and the Company's payments for employees to Pillar III investment funds under the defined plan for contributions amounted to EUR 419 thousand (2023: EUR 194 thousand).

## 32. Financial instruments and risk management

### Credit risk

The maximum exposure to credit risk is the net book amount of financial assets designated at 31 December 2024 as financial assets measured at amortised cost. The maximum exposure to credit risk at the reporting date was as follows:

| | | **GROUP** | |
|---|---|---|---|
| | | **Net book amount** | |
| *EUR '000* | Note | **31/12/2024** | **31/12/2023** |
| Non-current amounts receivable | 17 | - | 600 |
| Trade amount receivable | 19 | 17,460 | 14596 |
| Other amount receivable | 19 | 4,951 | 2,611 |
| Cash and cash equivalents | 21 | 18,872 | 8,725 |
| | | **41,283** | **26,532** |

| | | **BENDROVĖ** | |
|---|---|---|---|
| | | **Likutinė vertė** | |
| *Tūkst. Eur* | Pastaba | **2024.12.31** | **2023.12.31** |
| Ilgalaikės gautinos sumos | 17 | 1,170 | 1,711 |
| Prekybos gautinos sumos | 19 | 19,352 | 11,878 |
| Kitos gautinos sumos | 19 | 3,031 | 5,808 |
| Pinigai ir pinigų ekvivalentai | 21 | 13,286 | 2,854 |
| | | **36,839** | **22,251** |

### Impairment losses

The Group/Company establishes provisions for impairment losses representing the estimate of incurred losses in respect of trade and other receivables. Such provisions includes only specific losses associated with individual significant items of trade and other receivables. The ageing analysis of trade and other receivables and non-current amounts receivable at the reporting date is as follows:

| *EUR '000* | GROUP | | | |
|---|---|---|---|---|
| | Total amount 31/12/2024 | Impairment 31/12/2024 | Total amount 31/12/2023 | Impairment 31/12/2023 |
| **Related parties:** | | | | |
| Not past due | - | - | 688 | - |
| Past due 0-30 days | - | - | - | - |
| Past due 31-60 days | - | - | - | - |
| More than 60 days | - | - | - | - |
| | **-** | **-** | **688** | **-** |
| **Other parties:** | | | | |
| Not past due | 15,509 | - | 13,059 | - |
| Past due 0-30 days | 2,002 | -341 | 1,502 | - |
| Past due 31-60 days | 165 | - | 82 | - |
| More than 60 days | 413 | -288 | 172 | -307 |
| | **18,089** | **-629** | **14,815** | **-307** |
| | **18,089** | **-629** | **15,503** | **-307** |

Impairment losses related to trade and other receivables amounted to EUR 629 thousand as of 31 December 2024 (as of 31 December 2023, it was EUR 307 thousand). In recognizing impairment, debts are evaluated based on the expected credit loss model, considering the debtor's financial situation, payment history, the duration of defaults, and economic conditions that may impact the likelihood of debt recovery.

| *EUR '000* | COMPANY | | | |
|---|---|---|---|---|
| | Total amount 31/12/2024 | Impairment 31/12/2024 | Total amount 31/12/2023 | Impairment 31/12/2023 |
| **Related parties:** | | | | |
| Not past due | 2,982 | - | 2,152 | - |
| Past due 0-30 days | - | - | 59 | - |
| Past due 31-60 days | 1,366 | - | - | - |
| More than 60 days | 2,420 | - | - | - |
| | **6,768** | **-** | **2,211** | **-** |
| **Other parties:** | | | | |
| Not past due | 11,815 | - | 10,011 | - |
| Past due 0-30 days | 1,991 | -341 | 1,420 | - |
| Past due 31-60 days | 165 | - | 82 | - |
| More than 60 days | 412 | -288 | 172 | -307 |
| | **14,383** | **-629** | **11,685** | **-307** |
| | **21,151** | **-629** | **13,896** | **-307** |

Impairment losses related to trade and other receivables amounted to EUR 629 thousand as at 31 December 2024 (2023: EUR 307 thousand).

Movements on the account of provisions for impairment of trade and other receivables during the year were as follows:

| GROUP | | *EUR '000* | COMPANY | |
|---|---|---|---|---|
| 2024 | 2023 | **Net book amount** | 2024 | 2023 |
| -307 | -99 | Balance at 1 January | -307 | -99 |
| -461 | -268 | Impairment losses recognised | -461 | -268 |
| 12 | - | Write-off of bad debts | 12 | - |
| 127 | 60 | Impairment losses reversed | 127 | 60 |
| **-629** | **-307** | Balance at 31 December | **-629** | **-307** |

Based on historical payment statistics and detailed analysis of customer solvency, the Company's management considers that the amounts which are past due more than 30 days and not impaired are still recoverable. As of 31 December 2024, the balance of irrecoverable debts amounted to EUR 629 thousand (as of 31 December 2023 - EUR 307 thousand).

### Liquidity risk

The table below analyses financial liabilities, including interest charged thereon, based on their contractual maturities:

| **At 31 December 2024** | GROUP | | | | | |
|---|---|---|---|---|---|---|
| *EUR '000* | Net book amount | Contractual cash flows | Less than 6 months | 6-12 months | 1-2 years | 2-5 years |
| **Financial liabilities** | | | | | | |
| Bank borrowings | 36,929 | -41,025 | -2,592 | -2,473 | -13,760 | -22,200 |
| Other borrowings | - | - | - | - | - | - |
| Lease liabilities | 2,293 | -2,471 | -481 | -345 | -693 | -952 |
| Factoring | - | - | - | - | - | - |
| Trade payables | 15,050 | -15,050 | -15,050 | - | - | - |
| | **54,272** | **-58,546** | **-18,123** | **-2,818** | **-14,453** | **-23,152** |

| **At 31 December 2023** | GROUP | | | | | |
|---|---|---|---|---|---|---|
| *EUR '000* | Net book amount | Contractual cash flows | Less than 6 months | 6-12 months | 1-2 years | 2-5 years |
| **Financial liabilities** | | | | | | |
| Bank borrowings | 18,515 | -21,088 | -1,893 | -1,992 | -4,324 | -12,879 |
| Other borrowings | - | - | - | - | - | - |
| Lease liabilities | 1,244 | -1,390 | -321 | -246 | -386 | -437 |
| Factoring | 426 | -443 | -443 | - | - | - |
| Trade payables | 13,171 | -13,171 | -13,171 | - | - | - |
| | **33,356** | **-36,092** | **-15,828** | **-2,238** | **-4,710** | **-13,316** |

| **At 31 December 2024** | COMPANY | | | | | |
|---|---|---|---|---|---|---|
| *EUR '000* | Net book amount | Contractual cash flows | Less than 6 months | 6-12 months | 1-2 years | 2-5 years |
| **Financial liabilities** | | | | | | |
| Bank borrowings | 7,549 | -8,513 | -1,086 | -990 | -1,299 | -5,137 |
| Lease liabilities | 1,804 | -1,936 | -403 | -273 | -560 | -700 |
| Factoring | - | - | - | - | - | - |
| Trade payables | 26,022 | -26,022 | -26,022 | - | - | - |
| | **35,375** | **-36,471** | **-27,511** | **-1,263** | **-1,859** | **-5,837** |

| **At 31 December 2023** | **COMPANY** | | | | | |
|---|---|---|---|---|---|---|
| *EUR '000* | Net book amount | Contractual cash flows | Less than 6 months | 6-12 months | 1-2 years | 2-5 years |
| **Financial liabilities** | | | | | | |
| Bank borrowings | 3,499 | -3,824 | -496 | -626 | -1,679 | -1,023 |
| Lease liabilities | 1,160 | -1,268 | -274 | -227 | -357 | -410 |
| Factoring | 426 | -443 | -443 | - | - | - |
| Trade payables | 13,701 | -13,701 | -13,701 | - | - | - |
| | **18,786** | **-19,236** | **-14,914** | **-853** | **-2,036** | **-1,433** |

As at 31 December 2024, the Group's and the Company's current assets exceeded the current liabilities by EUR 29,337 thousand and EUR 11,301 thousand, respectively. As at 31 December 2024, the Group's and the Company's borrowings and lease liabilities totalled EUR 39,222 thousand and EUR 9,353 thousand, respectively. According to the current loan and other agreements with banks, in 2025, the Group and the Company are expected to repay EUR 4,391 thousand and EUR 2,385 thousand, respectively (see Note 23).

Borrowings and lease liabilities are expected to amount to around EUR 60 million as at 31 December 2025. With due consideration of all the projections for 2025, the Group's net debt to EBITDA ratio will be around 2.6 as at 31 December 2025.

### Foreign exchange risk

Exposure to foreign exchange risk at the exchange rates effective at 31 December 2024:

| | **GROUP (COMPANY)** | | | |
|---|---|---|---|---|
| | USD | | PLN | |
| EUR '000 | **2024** | **2023** | **2024** | **2023** |
| Trade and other receivables, net of tax | 1,819 | 1,451 | - | 38 |
| Cash and cash equivalents | - | - | - | - |
| Trade payables | - | - | - | - |
| Net exposure | **1,819** | **1,451** | **-** | **38** |

During the year the exchange rates against the euro were as follows:

| | **Average** | |
|---|---|---|
| | **2024** | **2023** |
| USD | 1.0823 | 1.0809 |
| PLN | 4.3059 | 4.5441 |

The exchange rates against the euro applied as at 31 December:

| | **Average** | |
|---|---|---|
| | **2024** | **2023** |
| USD | 1.0444 | 1.105 |
| PLN | 4.2655 | 4.3395 |

### Analysis of sensitivity to changes in the exchange rates

The Company's foreign exchange risk arises from purchases and sales denominated in currencies other than the euro. In 2024, the Company's transactions were mostly conducted in the euros, and therefore, the Company was not exposed to significant foreign exchange risk.

### Interest rate risk

The Group's and the Company's borrowings bear variable interest rates linked to EURIBOR + margin.

Interest rates applied to the Group's and the Company's financial instruments as at 31 December 2024 were as follows:

| GROUP | | | COMPANY | |
|---|---|---|---|---|
| Net book amount | | *EUR '000* | Net book amount | |
| 31/12/2024 | 31/12/2023 | | 31/12/2024 | 31/12/2023 |
| | | **Financial instruments with fixed interest rates** | | |
| - | - | Loan granted to Baltic Dairy Board SIA | 980 | 980 |
| - | - | Current portion of loan granted | - | - |
| - | - | Short-term loan granted to management personnel | - | - |
| - | - | Current borrowings of management personnel | - | - |
| **-** | **-** | | **980** | **980** |

| GROUP | | | COMPANY | |
|---|---|---|---|---|
| Net book amount | | *EUR '000* | Net book amount | |
| 31/12/2024 | 31/12/2023 | | 31/12/2024 | 31/12/2023 |
| | | **Financial instruments with variable interest rates** | | |
| -36,929 | -18,515 | Bank borrowings | -7,549 | -3,499 |
| - | -426 | Factoring | - | -426 |
| -2,293 | -1,244 | Lease liabilities | -1,804 | -1,160 |
| **-39,222** | **-20,185** | | **-9,353** | **-5,085** |
| **-39,222** | **-20,185** | | **-8,373** | **-4,105** |

In 2024, the Group paid interest of EUR 1,301 thousand on borrowings. In 2025, interest payments are projected to approximate EUR 1.2 million, provided there is a similar level of borrowings.

**Analysis of sensitivity of cash flows to instruments bearing variable interest rates**

A shift in interest rates by +/- 100 basis points (bps) would increase/decrease equity and profit/(loss) by the amounts set out in the table below. This analysis assumes that all other variables, in particular exchange rates, are held constant. The analysis for 2023 was performed using the same basis.

| GROUP | | | COMPANY | |
|---|---|---|---|---|
| Profit (loss) | | Impact (EUR '000) | Profit (loss) | |
| 100 bp increase | 100 bp decrease | | 100 bp increase | 100 bp decrease |
| | | **At 31 December 2024** | | |
| **-392** | 392 | Financial instruments bearing variable interest rates | -84 | 84 |
| | | **At 31 December 2023** | | |
| **-202** | 202 | Financial instruments bearing variable interest rates | -41 | 41 |

**Fair value of financial instruments / Fair value hierarchy**

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction in the main (or most advantageous) market between market participants at the measurement date, regardless of whether the price is directly observed or determined using a valuation methodology.

The table below analyses financial instruments carried at fair value, by valuation method.

The following methods and assumptions are used by the Group/Company to determine the fair value of these financial instruments:

**Financial instruments that are not measured at fair value**

The main financial instruments of the Group/Company that are not measured at fair value are trade and other amounts receivable, term deposits, trade and other amounts payable, non-current and current borrowings. The Group's/Company's management is of the opinion that the carrying amounts of these financial instruments approximate their fair values because borrowing costs are linked to an interbank lending rate EURIBOR, and other financial assets and liabilities are of short-term nature; therefore, their fair value variation is not significant. Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement hierarchy has three levels:

Level 1 includes fair value of assets based on quoted prices (unadjusted) in active markets for identical assets or liabilities;

Level 2 includes fair value of assets based on directly or indirectly observable inputs;

Level 3 includes fair value of assets based on unobservable inputs.

**Financial instruments measured at fair value**

The Group/Company has no financial instruments measured at fair value.

| **At 31 December 2024** | | **GROUP** | | |
|---|---|---|---|---|
| EUR '000 | Level 1 | Level 2 | Level 3 | Total |
| Non-current amounts receivable | - | - | - | - |
| Trade and other receivables | - | - | 17,460 | 17,460 |
| Cash and cash equivalents | 18,872 | - | - | 18,872 |
| Borrowings and lease liabilities | - | - | -39,222 | -39,222 |
| Trade and other payables | - | - | -15,050 | -15,050 |
| | **18,872** | **-** | **-36,812** | **-17,940** |

| **At 31 December 2023** | | **GROUP** | | |
|---|---|---|---|---|
| EUR '000 | Level 1 | Level 2 | Level 3 | Total |
| Non-current amounts receivable | - | - | 600 | 600 |
| Trade and other receivables | - | - | 14,596 | 14,596 |
| Cash and cash equivalents | 8,725 | - | - | 8,725 |
| Borrowings and lease liabilities | - | - | -20,186 | -20,186 |
| Trade and other payables | - | - | -13,171 | -13,171 |
| | **8,725** | **-** | **-18,161** | **-9,436** |

| **At 31 December 2024** | | **COMPANY** | | |
|---|---|---|---|---|
| EUR '000 | Level 1 | Level 2 | Level 3 | Total |
| Non-current amounts receivable | - | - | 1,170 | 1,170 |
| Trade and other receivables | - | - | 19,352 | 19,352 |
| Cash and cash equivalents | 13,286 | - | - | 13,286 |
| Borrowings and lease liabilities | - | - | -9,353 | -9,353 |
| Trade and other payables | - | - | -26,022 | -26,022 |
| | **13,286** | **-** | **-14,853** | **-1,567** |
| **At 31 December 2023** | | **COMPANY** | | |
| EUR '000 | Level 1 | Level 2 | Level 3 | Total |
| Non-current amounts receivable | - | - | 1,711 | 1,711 |
| Trade and other receivables | - | - | 11,878 | 11,878 |
| Cash and cash equivalents | 2,854 | - | - | 2,854 |
| Borrowings and lease liabilities | - | - | -5,085 | -5,085 |
| Trade and other payables | - | - | -13,701 | -13,701 |
| | **2,854** | **-** | **-5,197** | **-2,343** |

**Capital management**

The policy of the management bodies is to ensure a significant share of equity compared to borrowings in order to maintain trust of investors, creditors and the market, to facilitate development of operations in the future, and to ensure compliance with the externally imposed capital requirements. Capital is defined as equity attributable to equity holders.

The management bodies also aim to maintain balance between a higher rate of return, which could be achieved through more borrowings, and security, which is ensured by a larger amount of equity.

The Group/Company manages the capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of their activities. To maintain or adjust the capital structure, the Group/Company may adjust the amount of dividend payments to shareholders, return capital to the shareholders or issue new shares. There were no changes in the capital management objectives, policies or processes during the financial years ended 31 December 2024 and 31 December2023.

The Law on Companies of the Republic of Lithuania require that the Group/Company keep equity at no less than 50% of the share capital.

The Group has a commitment to comply with the external capital requirements set by the banks. Based on the requirements of the banks (equity – revaluation reserve) / (total assets) ratio should not be less than 30%. Management monitors the compliance with the requirements set for the Group. Further details are given in Note 22.

## 33. Impact of the war in Ukraine and Israel

In the opinion of the Group‘s and the Company‘s management, the geopolitical changes in 2023 had no significant impact on the Group‘s and the Company's operations

At the end of February 2022, after the Russian Federation announced a military operation in Eastern Ukraine, VILVI Group's strong and unequivocal position and support for Ukraine allowed to strengthen relations with existing partners in Ukraine and gain greater trust from new trade partners. At the beginning of the war, projects with the largest retailers were frozen until fourth quarter of 2022, were updated and the product range expanded. The Group's sales to Ukraine in 2022 amounted to EUR 477 thousand, and in 2023, they increased by 2.5 times to EUR 1,169 thousand. In 2024, sales further increased by 16.5% to EUR 1,362 thousand.

No product exports to Russia and Belarus took place in 2022–2024.

In October 2023 the outbreak of the war in Israel did not have a significant impact on the Group's sales. At the beginning of the war, the amount of production sold fell from 200 tons in September to 72 tons in October and 48 tons in December, but the goods were diverted to other markets. In 2024, sales income from Israeli market customers accounted for 1.6% of total sales, with more than 970 tons of cheese products sold for over EUR 3.8 million.

The management did not identify any other additional threats to business continuity of the Group and the Company. The management monitors the changing situation on a daily basis and, if necessary, makes decisions to ensure the stable operation of the Group and the Company.

## 34. Events after the reporting period

VILVI Group's subsidiary, Vilkyškių pieninė AB entered into a claim assignment agreement with Šiaulių bankas AB and the deed of transfer and acceptance of the documents was signed on 24 February 2025. The claim consists of unpaid obligations of Marijampolės pieno konservai UAB and Lukšių pieninė UAB to the bank, and it is secured by the assets of these companies and other additional guarantees.

The transaction does not have any significant impact on the financial situation of Vilkyškių pieninė AB as the claim was acquired using the Company's own funds, is appropriately secured against credit risk, and the Company plans to generate returns from these funds consistent with similar debt capital transactions. The invested funds also do not affect the Company's assets or its competitive position in the market.

# Independent auditor's report

To the shareholders of VILKYŠKIŲ PIENINĖ AB

## Report on the audit of the consolidated and separate financial statements

### Our opinion

In our opinion, the consolidated and separate financial statements give a true and fair view of the consolidated and separate financial position of VILKYŠKIŲ PIENINĖ AB (the "Company") and its subsidiaries (together - the "Group") as at 31 December 2024, and of the Group's and of the Company's consolidated and separate financial performance and consolidated and separate cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union.

Our opinion is consistent with our additional report to the Audit Committee dated 8 April 2025.

**What we have audited**

The Group's consolidated and the Company's separate financial statements comprise:

- the consolidated and separate statements of financial position as at 31 December 2024;
- the consolidated and separate statements of profit or loss and statements of other comprehensive income for the year then ended;
- the consolidated and separate statements of changes in equity for the year then ended;
- the consolidated and separate statements of cash flows for the year then ended; and
- the notes to the consolidated and separate financial statements, comprising material accounting policy information and other explanatory information.

### Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report.

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

**Independence**

We are independent of the Group and the Company in accordance with the International Code of Ethics for Professional Accountants (including International Independence Standards) issued by the International Ethics Standards Board for Accountants (IESBA Code) and the Law of the Republic of Lithuania on the Audit of Financial Statements and Other Assurance Services that are relevant to our audit of the consolidated and separate financial statements in the Republic of Lithuania. We have fulfilled our other ethical responsibilities in accordance with the IESBA Code and the Law of the Republic of Lithuania on the Audit of Financial Statements and Other Assurance Services.

To the best of our knowledge and belief, we declare that non-audit services that we have provided to the Group and the Company are in accordance with the applicable law and regulations in the Republic of Lithuania and that we have not provided non-audit services that are prohibited under Article 5(1) of

PricewaterhouseCoopers UAB, J. Jasinskio str. 16B, 03163 Vilnius, Lithuania
+370 (5) 239 2300, lt_vilnius@pwc.com, www.pwc.lt

Company code 111473315, registered with the Legal Entities' Register of the Republic of Lithuania

Regulation (EU) No 537/2014 considering the exemptions of Regulation (EU) No 537/2014 endorsed in the Law of the Republic of Lithuania on the Audit of Financial Statements.

The non-audit services that we have provided to the Group and the Company, in the period from 1 January 2024 to 31 December 2024, are disclosed in note 8 to the consolidated and separate financial statements.

## Our audit approach

### Overview


- Overall Group and Company materiality: Euro 1,570 thousand and Euro 1,570 thousand respectively

- We performed a full scope audit of the Company and its two subsidiaries. At the Group level, based on our assessment of risk of material misstatement of the financial statements and the significant accounts and disclosures, we tested the consolidation process and performed selected specified procedures over two of the subsidiaries in addition to the full scope audit entities.

- Impairment testing of goodwill (Group)
- Inventory write-down to net realisable value (Group and Company)

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the consolidated and separate financial statements (together "the financial statements"). In particular, we considered where management made subjective judgements; for example, in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits, we also addressed the risk of management override of internal controls, including, among other matters, consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.

### Materiality

The scope of our audit was influenced by our application of materiality. An audit is designed to obtain reasonable assurance whether the financial statements are free from material misstatement. Misstatements may arise due to fraud or error. They are considered material if individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

Based on our professional judgement, we determined certain quantitative thresholds for materiality, including the overall Group and Company materiality for the financial statements as a whole as set out in the table below. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements, if any, both individually and in aggregate on the financial statements as a whole.

| | |
|---|---|
| **Overall Group materiality** | EUR 1,570 thousand (in 2023 – EUR 1,480 thousand). |
| **Overall Company materiality** | EUR 1,570 thousand (in 2023 – EUR 1,480 thousand). |

| | |
|---|---|
| How we determined it | 0.64% of the Group's and 0.60% of the Company's total revenue. |
| Rationale for the materiality benchmark applied | Significant fluctuations in the Group's and the Company's profit depend on the prevailing trends in global dairy markets. We have, therefore, chosen revenue as a benchmark for determining the materiality because, in our view, it provides the stakeholders consistent information year-on-year basis, reflecting the Group's and the Company's growth. Revenue and market share are also considered to be important business performance indicators.<br>We chose the thresholds of 0.64% and 0.60%, which is within the range of acceptable quantitative materiality thresholds for this benchmark. |

We communicated to the Audit Committee that we would report to them misstatements identified during our audit above EUR 78 thousand for the Group and the Company as well as misstatements below that amount that, in our view, warranted reporting for qualitative reasons.

**Key audit matters**

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

| Key audit matter | How our audit addressed the key audit matter |
|---|---|
| Impairment testing of goodwill (Group)<br>*Refer to accounting policy on impairment testing on page 158, accounting estimates and assumptions on page 162 and note 15 'Intangible assets' in the financial statements.*<br>We focused on this area because of the significance of the goodwill balance (the Group has goodwill balance of EUR 4,166 thousand as at 31 December 2024) and because the impairment assessment involved significant management's judgements about the future results and the discount rates applied to future cash flows forecasts.<br>Under the requirements of IAS 36 Impairment of assets goodwill has to be tested for impairment at least on an annual basis. The determination of recoverable amount, being the higher of value in-use and fair value less costs of disposal, requires judgment from management and management expert's when identifying and valuing the relevant cash- | We focused on goodwill attributable to the cash generating unit from fresh milk products of Kelmės pienas UAB, which represents 93% of the entire goodwill balance of the Group.<br>We assessed that the Group's accounting policies with respect to impairment of goodwill are based on IFRS.<br>Our audit procedures included challenging management on the appropriateness of the impairment models and the reasonableness of the assumptions used by performing the following:<br>- Assessing the reliability of the cash flow forecast by checking the actual past performance and comparing to previous forecasts and by inspecting internal documents, such as budget forecasts for 2025–2029;<br>- Benchmarking market related assumptions like discount rate and long-term growth rate against external data. Where it was considered necessary, we involved our valuation experts; |

| | |
|---|---|
| generating units. Recoverable amounts are based on management's view of internal and market conditions such as future prices and volume growth rate, the timing of future operating expenditure and the most appropriate discount and long-term growth rates.<br>As at 31 December 2024, based on the impairment test performed for that day, no further impairment was identified for cash generating unit of Kelmės pienas UAB related to fresh milk products as recoverable amount exceeded its carrying amount. | - Testing the mathematical accuracy of the model and assessing the sensitivity of the impairment test to key inputs.<br>We found the assumptions used by management in the calculation of discounted cash flows to be within acceptable range of our expectations.<br>We also reviewed the disclosures in the financial statements regarding impairment tests. |
| Inventory write-down to net realisable value (Group and Company)<br>*Refer to accounting policy on inventory on page 155, accounting estimates and assumptions on page 162 and note 18 'Inventories' in the financial statements.*<br>We focused on this area due to the size of the inventory balance (EUR 14,254 thousand and EUR 7,104 thousand as at 31 December 2024 at the Group and the Company, respectively), and because the management's assessment of the net realisable value of inventory involved estimates about the future discounts and sales of goods below their cost.<br>As at 31 December 2024 the Group's and the Company's inventory (finished goods) write-down to net realisable value allowance amounted to EUR 2,414 thousand and EUR 1,501 thousand, respectively. | We assessed that the Group's and the Company's policies and methodology in respect of inventory write-downs to net realisable value are based on IFRS.<br>We analysed, on sample bases, sales prices of the finished goods items sold after the balance sheet date and compared results with the figures used in the management's calculation of inventory write-down allowance.<br>We analysed the aging of inventories other than finished goods, by periods, to identify slow-moving or obsolete items. We also verified the reliability of the inventory ageing report and compared our estimated inventory write-down allowance to the management's calculations.<br>We found the assumptions used by management in the calculation of inventory write-down to net realisable value to be within acceptable range of our expectations. |

**How we tailored our Group audit scope**

We tailored the scope of our audit in order to perform sufficient work to enable us to provide an opinion on the consolidated financial statements as a whole, taking into account the structure of the Group, the accounting processes and controls, and the industry in which the Group operates.

The Group comprises of parent and 5 subsidiaries four of which operate in Lithuania and one in Latvia. For Group audit purposes, based on our risk and materiality assessment we determined that a full scope audit was required for the Company and its subsidiaries Kelmės Pieninė AB and Modest AB. For Kelmės pienas UAB and Baltic Dairy Board SIA we have carried testing on selected balances and transactions which were assessed by us as material from the Group audit perspective and assessed other significant areas that may impact the consolidated financial statements. The remaining component of the Group was immaterial. Our audit addressed 97% of the Group's revenues and 98% of the Group's total assets.

## Reporting on other information including the consolidated management report

Management is responsible for the other information. The other information comprises the consolidated management report, including the information on corporate governance matters, remuneration and consolidated sustainability matters (but does not include the financial statements and our auditor's report thereon).

Our opinion on the financial statements does not cover the other information, including the consolidated management report.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

With respect to the consolidated management report, including the information on corporate governance matters and remuneration and excluding the information on consolidated sustainability matters on which the separate assurance report on consolidated sustainability statement is issued by us on 8 April 2025, we considered whether it includes the disclosures required by the Law of the Republic of Lithuania on Reporting by Undertakings and by Groups of Undertakings.

Based on the work undertaken in the course of our audit, in our opinion:

- the information given in the consolidated management report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the consolidated management report, including the requirements for the information on corporate governance matters and remuneration and excluding the requirements for the information on consolidated sustainability matters, has been prepared in accordance with the Law of the Republic of Lithuania on Reporting by Undertakings and by Groups of Undertakings.

In addition, in light of the knowledge and understanding of the Company and the Group and their environment obtained in the course of the audit, we are required to report if we have identified material misstatements in the consolidated management report which we obtained prior to the date of this auditor's report. We have nothing to report in this regard.

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

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

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

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

## Auditor's responsibilities for the audit of the financial statements

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

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

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

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

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

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

## Report on other legal and regulatory requirements

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

We have been engaged based on our audit agreement by the management of the Company to conduct a reasonable assurance engagement for the verification of compliance with the applicable requirements of the European single electronic reporting format of the Group's consolidated and Company's separate financial statements, including the consolidated management report, for the year ended 31 December 2024 (the "Single Electronic Reporting Format of the consolidated and separate financial statements").

**Description of a subject matter and applicable criteria**

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

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

**Responsibility of the management and those charged with governance**

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

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

Those charged with governance are responsible for overseeing the financial reporting process, which should also be understood as the preparation of financial statements in accordance with the format resulting from the ESEF Regulation.

**Our responsibility**

Our responsibility was to express a reasonable assurance conclusion whether the Single Electronic Reporting Format of the consolidated and separate financial statements complies, in all material aspects, with the ESEF Regulation.

We conducted our engagement in accordance with International Standard on Assurance

Engagements 3000 (Revised) 'Assurance Engagements other than Audits and Reviews of Historical Financial Information' ("ISAE 3000 (R)"). This standard requires that we comply with ethical requirements, plan and perform procedures to obtain reasonable assurance whether the Single Electronic Reporting Format of the consolidated and separate financial statements complies, in all material aspects, with the applicable requirements.

Reasonable assurance is a high level of assurance, but it does not guarantee that the service performed in accordance ISAE 3000 (R) will always detect the existing material misstatement (significant non-compliance with the requirements).

**Summary of the work performed**

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

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

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

**Conclusion**

In our opinion, the Single Electronic Reporting Format of the consolidated and separate financial statements for the year ended 31 December 2024 complies, in all material aspects, with the ESEF Regulation.

## Appointment

We were first appointed as auditors of the Company and the Group on 28 April 2017. Our appointment has been renewed annually by shareholder resolution representing a total period of uninterrupted engagement appointment of 8 years. Our appointment for the year ended 31 December 2024 was approved by the shareholder's resolution on 26 April 2024.

The key audit partner on the audit resulting in this independent auditor's report is Rasa Selevičienė.

On behalf of PricewaterhouseCoopers UAB

/signed with electronic signature/

Rasa Selevičienė
Assurance director
Auditor's Certificate No.000504

Vilnius, Republic of Lithuania
8 April 2025

The auditor's electronic signature is used herein to sign only the Independent Auditor's Report