Annual report for the year ended 31 December 2023 and consolidated and the parent company’s financial statements for the year ended 31 December 2023, prepared in accordance with International Financial Reporting Standards as adopted by the European Union.

VILVI
GROUP
EST. 1934 VILKYŠKIAI

VILVI GROUP
Annual report
2023

VILVI GROUP Annual report is an integrated report, including the following reports:

Governance report	**Sustainability report** **(Corporate social responsibility report)**	**Consolidated and the parent company‘s separate financial statements**

The reporting period: 1 January – 31 December 2023.

The report is available:
- on the Group’s website www.vilvigroup.lt.
- on the website of NASDAQ OMX Vilnius stock exchange www.nasdaqbaltic.com.

This report has been issued in Lithuanian and English languages.

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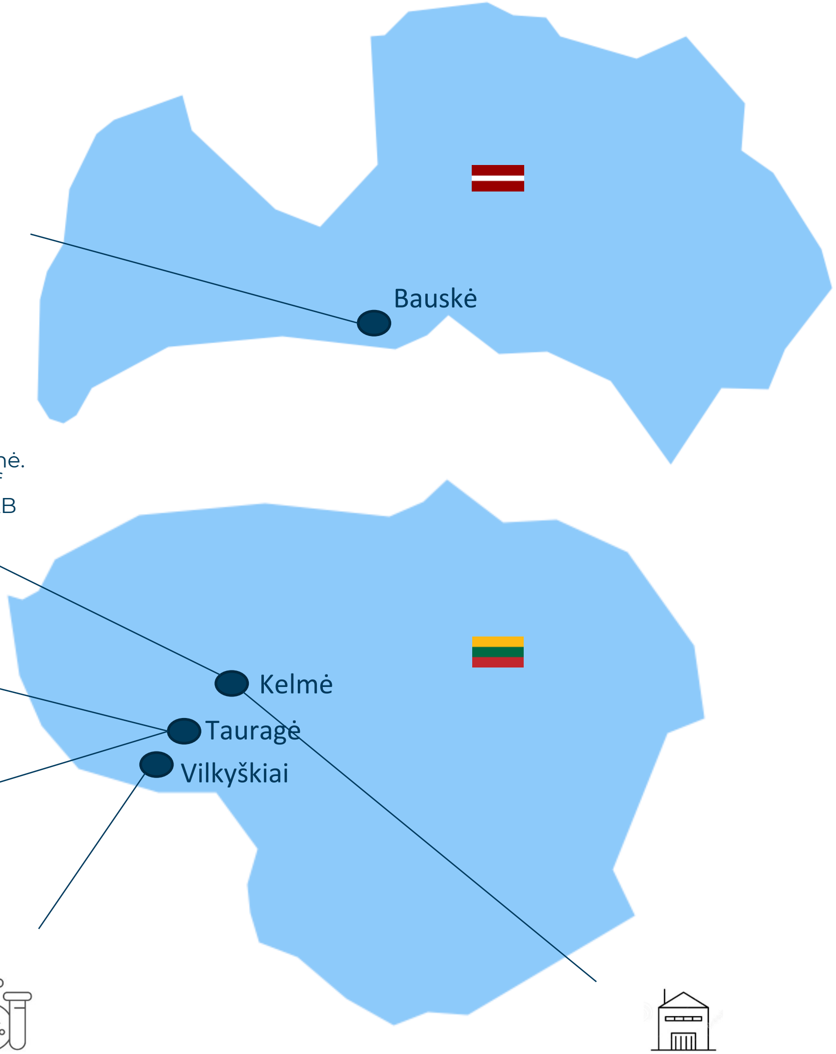
OVERVIEW

ABOUT VILVI GROUP

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

The companies of the Group produce:
- various cheeses and cheese products;
- cream;
- various fresh dairy 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.



SIA BALTIC DAIRY Board

Founded in 2013, belongs to the Group since 2021

AB KELMĖS PIENAS

A subsidiary company of AB Kelmės pieninė. Founded in 2020, after the separation of fresh and dry milk products activities of AB Kelmės pieninė.

AB KELMĖS PIENINĖ

Founded in 1993, belongs to the Group since 2008.

AB MODEST

Founded in 1992, belongs to the Group since 2008.

AB VILKYŠKIŲ PIENINĖ

THE PARENT COMPANY OF THE GROUP

Founded in 1993

AB PIENO LOGISTIKA

Founded in 2013, belongs to the Group since 2013.

FERMENTED CHEESES

MOZZARELLA, MOLD CHEESE AND OTHER CHEESE PRODUCTS

FRESH DAIRY PRODUCTS

DRY PRODUCTS – INGREDIENTS

CREAM

INGREDIENTS OF HIGH ADDED VALUE DAIRY PRODUCTS

RENT OF BUILDINGS, MILK COLECTION & LOGISTICS

CEO'S STATEMENT

The year 2023 was a jubilee year for VILVI GROUP, we celebrated the 30th anniversary of our activity, we are very proud that despite various fluctuations in the markets, it was a year of development, new projects and good results for our Group. Good performance indicators allow us to continue planning investments in advanced technologies and innovations, maintaining the Group's future direction, as well as to focus on modernization, successful implementation of new projects, and improvement of conditions for employees.

The year 2023 in the history of VILVI GROUP will mark the year in which the Latvian company SIA Baltic Dairy Board, which specializes in the production and trade of ingredients for dairy products and the separation of milk and whey, finally joined our family of companies. It was last year that the final buyout of the company's shares took place and a firm step was taken outside the borders of Lithuania. In 2023, a decision was made to invest EUR 50 million in this Latvian company and to build a new cheese factory. This is the largest investment project in the entire 31-year history of the operation, and the project is planned to be implemented until 2027.

We continue to move decisively in the direction of biotechnology. In 2023, significant investments in new technologies at Vilkyškių Pieninė will help us to further expand the range of milk ingredients produced. We are also actively working to achieve a significant change in human nutrition and maintaining good health. In cooperation with the scientists of the Lithuanian University of Health Sciences, we created an innovative product for the elderly – a food supplement made from whey protein concentrate powder. It is a unique multicomponent composition of whey proteins, macronutrients, micronutrients, water- and fat-soluble vitamins, which helps to prevent senile frailty syndrome and insufficient nutritional status.

Last year was extremely important for the region where most of the Group's companies are located. Tauragė was the capital of culture of Lithuania, and VILVI GROUP was its main sponsor. We constantly strive to contribute to the promotion of culture in the region, therefore this cooperation provided even more opportunities to organize top-level events and ensure that Tauragė is famous as a modern city that appreciates its history and is open to residents and guests from all over the world. Since we are one of the largest companies in the region, we feel the responsibility and obligation to contribute to the cultural growth and development of the community.

Sustainability remains an important measure of our daily actions, based on which we review, improve our operations, search for optimal solutions, make changes and investments. We are proud to be appreciated by our users and partners for this. In a study conducted by the Swedish research company SB Insight in 2023, Vilkyškių pieninė ranked second among the most sustainable brands in the food and beverage industry in Lithuania. We are leaders when comparing our positions with other milk producers. This encourages us not to stop and to achieve even more ambitious goals.

In 2024, we will focus on operational efficiency – both organizational and management changes, and automation of production processes. By maintaining our direction of sustainability with its main points of support – well-being for the environment and people – we consistently implement our strategic promise to partners, customers and consumers, which is to supply exceptional and affordable dairy products worldwide.

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

HIGHLIGHTS 2023

VILVI GROUP's parent company AB Vilkyškių pieninė acquired the remaining 30% share of **SIA Baltic Dairy Board and now owns 100% of the shares**. It is a Latvian company that specializes in the production and trade of ingredients for dairy products and the separation of milk and whey.

A decision was made to invest **EUR 50 million in the construction of a new cheese factory** in Latvia, at SIA Baltic Dairy Board.

EBITDA of 2023 amounts to **21.0 million euros**. Investments of **10 million euros**.

AB Vilkyškių pieninė has started construction of a new **workshop based on biotechnology**, which will allow to expand the range of milk ingredients produced by VILVI GROUP.

Vilkyškių pieninė is recognized as **one of the most sustainable brands** in Lithuania. In the SB Insight Sustainable Brand Index study, it ranked second in the food and beverage category for the second consecutive year (in 2022 – 2nd place, in 2021 – 3rd place).

SUSTAINABLE BRAND INDEX

In order to conserve natural resources and reduce greenhouse gas emissions into the environment, **solar power plants were started to be installed on the roofs of factories**. In 2023, a solar power plant was installed on the roofs of UAB Kelmės pienas with its own funds, partial EU financing was received for projects on the roofs of AB Vilkyškių pieninė and AB Modest.

VILVI GROUP – the main partner of Tauragė – Lithuanian Capital of Culture 2023.
This cooperation provided even more opportunities to organize top-level events and to ensure that Tauragė is famous as a modern city that appreciates its history and is open to residents and guests from all over the world. As one of the largest companies in the region, we understand our responsibility to contribute to the cultural growth and development of the community.

VILVI GROUP actively participated in international exhibitions:
Gulfood 2023 and Gulfood Manufacturing 2023 (Dubai, UAE), Anuga (Cologne, Germany), Food Ingredients (Frankfurt, Germany), Dubai Muscle Show (Dubai, UAE).

In cooperation with the scientists of the Lithuanian University of Health Sciences (LSMU), **an innovative product for the elderly was created** – a food supplement with a unique composition made from whey protein concentrate powder, which helps prevent senile weakness syndrome and insufficient nutritional status.

A step into a **new category** with fresh dairy products:
- *Vilkyškių cream cheese* was introduced to the market;
- VILVI yogurt bars were presented at the Anuga exhibition.

In order to effectively manage innovation implementation projects, **a new investment project management unit was created.**

In order to save water, reduce the amount of wastewater AB Vilkyškių Pieninė started implementing a technology that **cleans permeate water so that it can be used again in production processes.** Due to them, the amount of wastewater is reduced by 30%. The project is partially financed by EU funds.

The **Supervisory board** was formed and started its work.

The food safety and quality certificates were updated:
- AB Vilkyškių pieninė and AB Modest had their Halal and FSSC 22000 certificates extended.
- AB Kelmės pieninė had its Halal, Kosher and FSSC 22000 certificates extended;
- UAB Kelmės pienas was awarded the certificate of organic production and labeling of organic products, the IFS Food Version 7 certificate was extended;
- SIA Baltic Dairy Board extended Halal and organic production certificates;

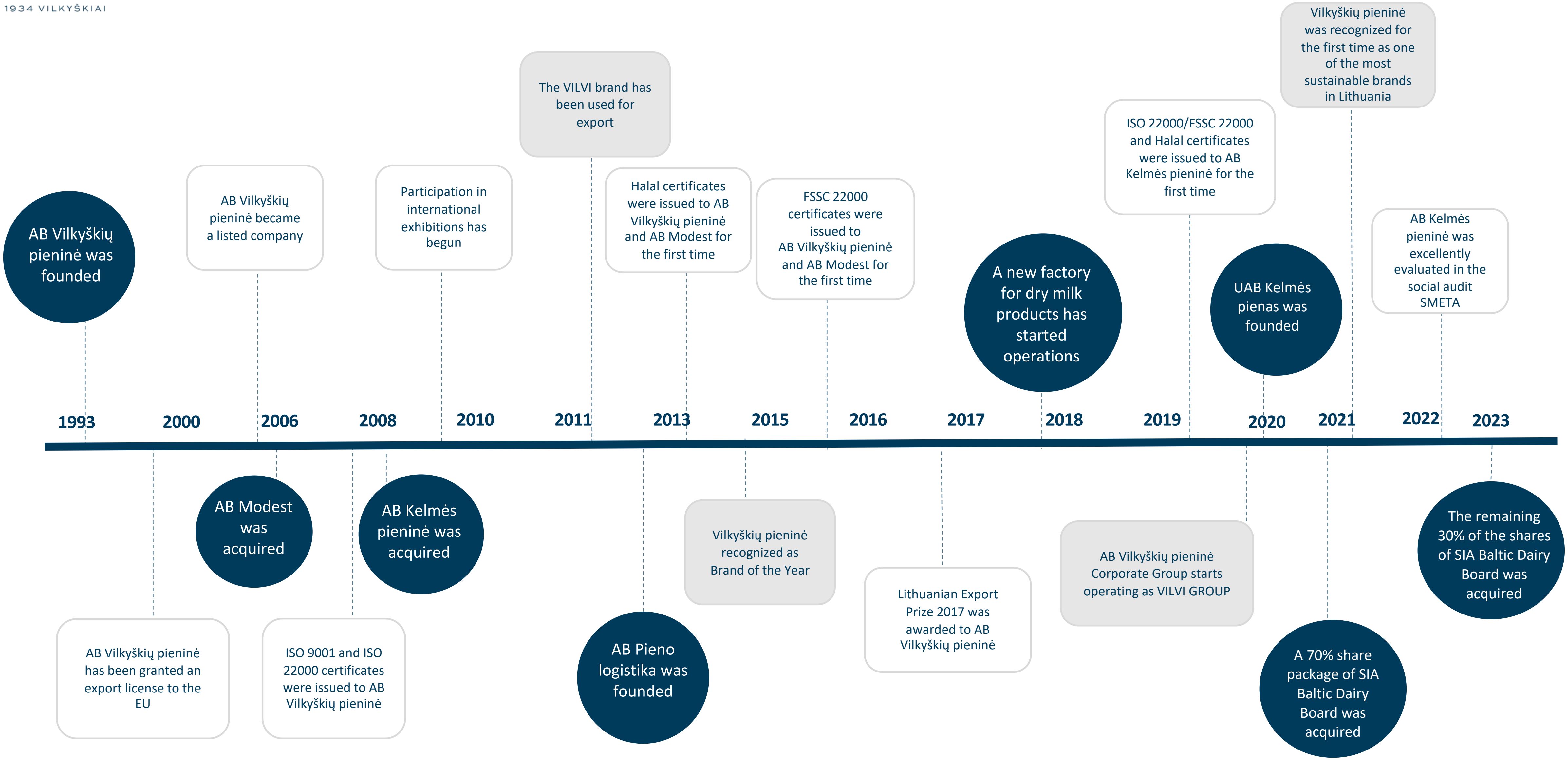
In 2023, VILVI GROUP made a significant contribution to the activities, sports and cultural events of communities in the Tauragė region. **Financial support amounted to more than EUR 30 thousand.**

The long-standing cooperation with the basketball club Žalgiris was extended
The long-term partnership has become an integral part of both brands. Vilkyškių products with a black cat have been marked with the Žalgiris logo for several years. By purchasing Vilkyškių black cat products, the team's fans directly contribute to the Lithuanian Champions Club.

The Vilkyškių less sugar line of fresh dairy products, introduced to the market in 2022, has been supplemented with new products: yogurt with mango, passion fruit and Spanish sage Chia seeds as well as caramelized banana flavored cottage cheese bar.

BUSINESS ENVIRONMENT

VILVI GROUP HISTORY



AB Vilkyškių pieninė was founded

AB Vilkyškių pieninė has been granted an export license to the EU

AB Vilkyškių pieninė became a listed company

AB Modest was acquired

ISO 9001 and ISO 22000 certificates were issued to AB Vilkyškių pieninė

AB Kelmės pieninė was acquired

Participation in international exhibitions has begun

The VILVI brand has been used for export

AB Pieno logistika was founded

Halal certificates were issued to AB Vilkyškių pieninė and AB Modest for the first time

Vilkyškių pieninė recognized as Brand of the Year

FSSC 22000 certificates were issued to AB Vilkyškių pieninė and AB Modest for the first time

Lithuanian Export Prize 2017 was awarded to AB Vilkyškių pieninė

A new factory for dry milk products has started operations

AB Vilkyškių pieninė Corporate Group starts operating as VILVI GROUP

ISO 22000/FSSC 22000 and Halal certificates were issued to AB Kelmės pieninė for the first time

UAB Kelmės pienas was founded

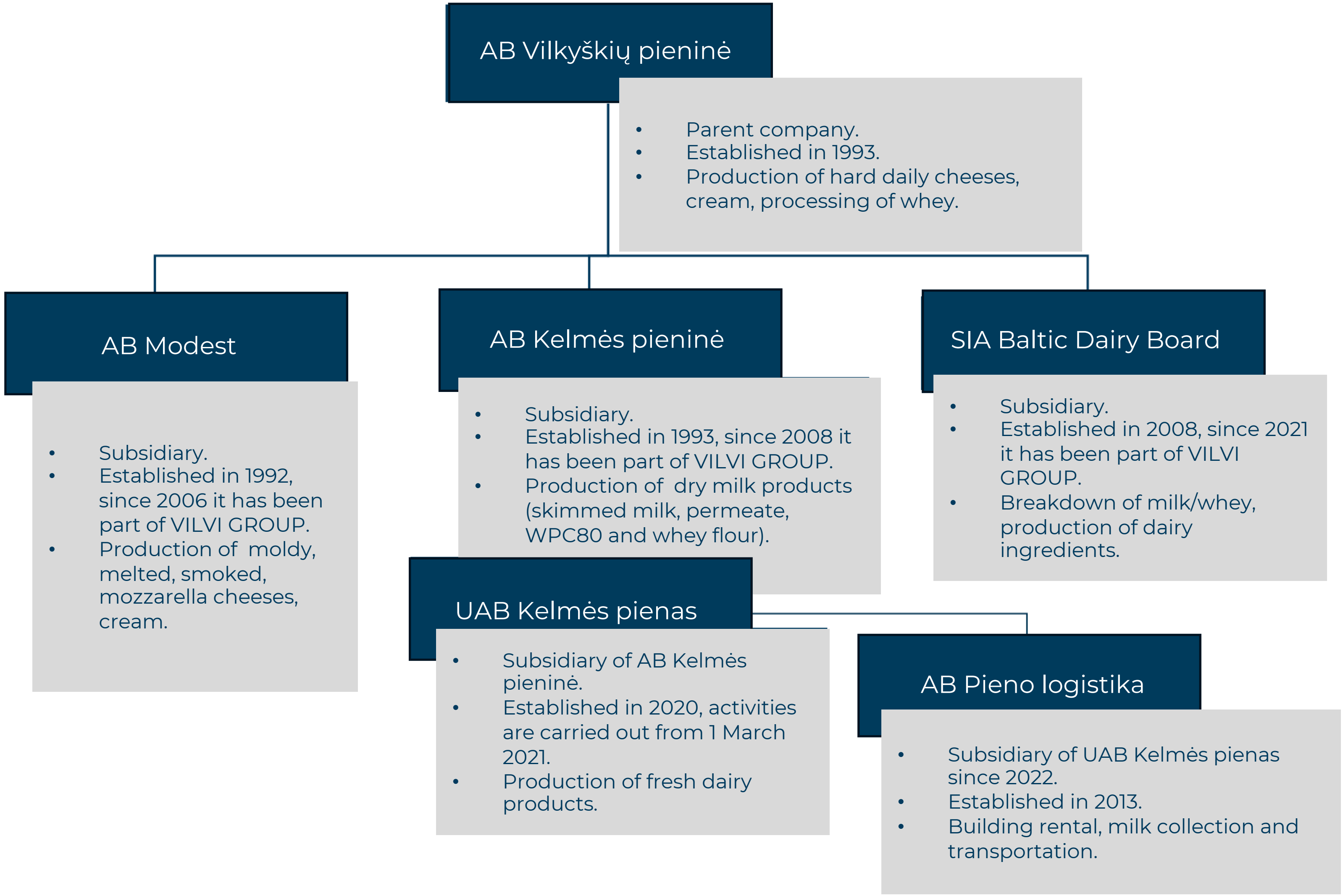
A 70% share package of SIA Baltic Dairy Board was acquired

Vilkyškių pieninė was recognized for the first time as one of the most sustainable brands in Lithuania

AB Kelmės pieninė was excellently evaluated in the social audit SMETA

The remaining 30% of the shares of SIA Baltic Dairy Board was acquired

VILVI GROUP STRUCTURE



AB Vilkyškių pieninė

- Parent company.
- Established in 1993.
- Production of hard daily cheeses, cream, processing of whey.

AB Modest

- Subsidiary.
- Established in 1992, since 2006 it has been part of VILVI GROUP.
- Production of moldy, melted, smoked, mozzarella cheeses, cream.

AB Kelmės pieninė

- Subsidiary.
- Established in 1993, since 2008 it has been part of VILVI GROUP.
- Production of dry milk products (skimmed milk, permeate, WPC80 and whey flour).

SIA Baltic Dairy Board

- Subsidiary.
- Established in 2008, since 2021 it has been part of VILVI GROUP.
- Breakdown of milk/whey, production of dairy ingredients.

UAB Kelmės pienas

- Subsidiary of AB Kelmės pieninė.
- Established in 2020, activities are carried out from 1 March 2021.
- Production of fresh dairy products.

AB Pieno logistika

- Subsidiary of UAB Kelmės pienas since 2022.
- Established in 2013.
- Building rental, milk collection and transportation.

MARKETS AND ACHIEVEMENTS

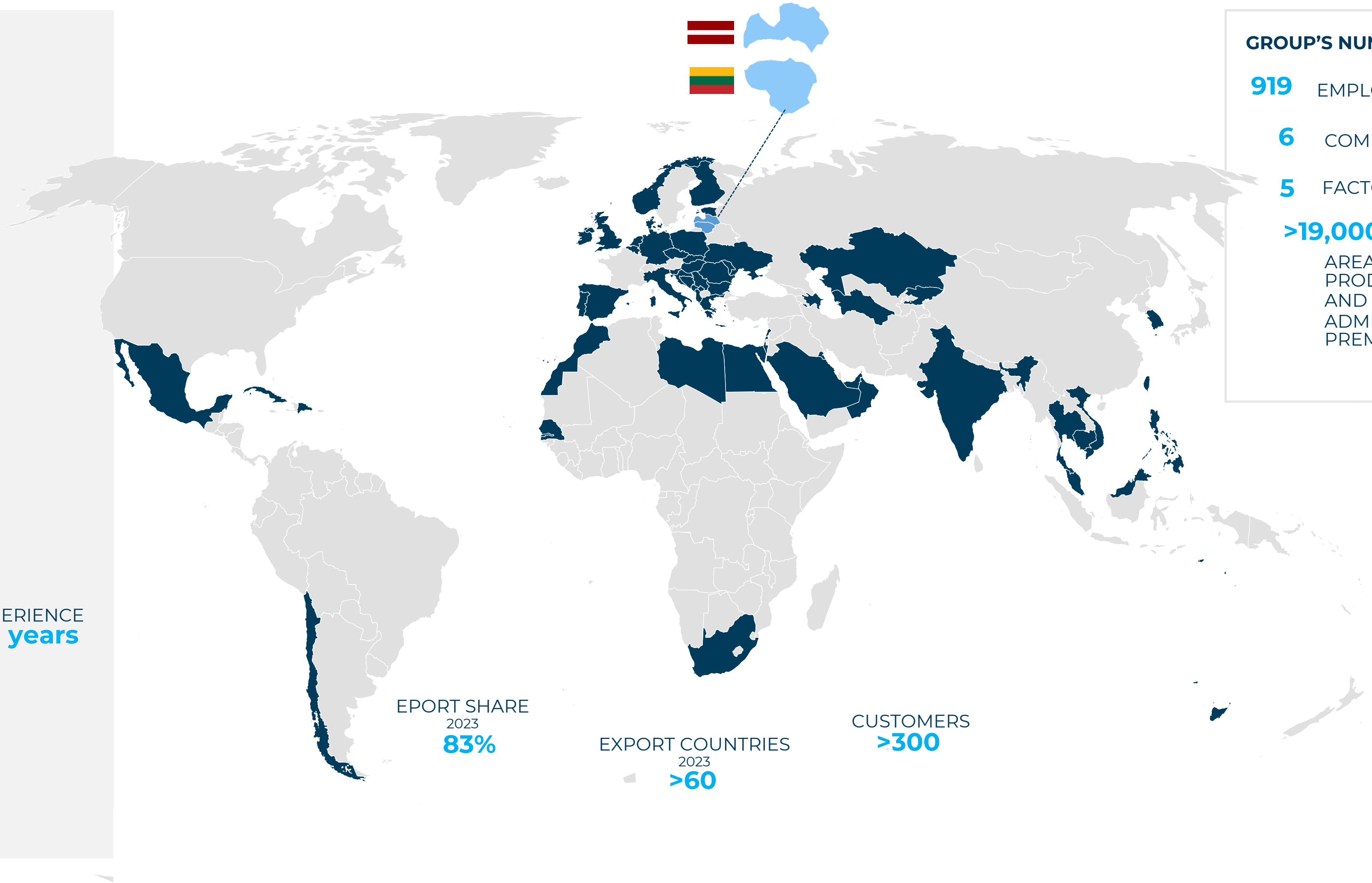
There are numerous places all over the world where people have limited access to quality dairy products, well-rounded nutrition, and taste experiences, which Lithuanians have been enjoying for many years.

Together with our products we spread the belief that ability to enjoy natural and wholesome foods makes the world a better place.

MASTERY SINCE
1934

THE COMPANY WAS FOUNDED IN
1993

EXPERIENCE
30 years



EPORT SHARE
2023
83%

EXPORT COUNTRIES
2023
>60

CUSTOMERS
>300

GROUP'S NUMBERS

919	EMPLOYEES
6	COMPANIES
5	FACTORIES
>19,000 sq. m.	AREA OF PRODUCTION AND ADMINISTRATIVE PREMISES

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.

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.

Environmental challenges of 2023:

- Dairy products remain an important part of the diet, consumption is growing in Asia and other developing markets;
- Consumption of alternative herbal products is growing in Western markets;
- The importance of sustainability is increasing in the world, a lot of attention is paid to climate change in the European Union;
- The rapidly changing legal environment increases business responsibility in ESG areas and requires rapid changes;
- The expectations and requirements of European customers in the areas of sustainability are increasing;
- The impact of the war in Ukraine on people's psychological and emotional health is still felt;
- New unrest in the world (the war in Israel and the Gaza Strip, the blockade of the Red Sea logistics routes) encourages us to be constantly ready for new challenges.

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 finished 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

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.

For more information, see Recruiting and retaining employees, p. 75.

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 assessment and setting 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.

SOLUTIONS FOR CUSTOMERS

Products and ingredients for business

- **Cheese and cheese products**
Mozzarella / Cagliata / Tilsit / Gouda / Edam

- **Dry whey and milk products**
Whey protein concentrate 80 / Whey permeate / Sweet whey powder / Skimmed milk powder / Lactose / Protein for athletes

- **Fresh milk products**
Butter / Cream / Sour cream / TRM, GRM

Brands

VILVI

VILKYŠKIŲ
PIENINĖ
Nuo 1934 m.

MILIKO

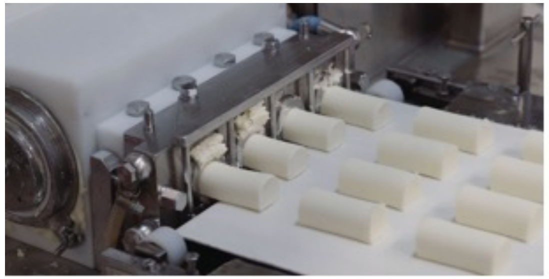
GYMON

FORCE five

Solutions for business

- ***Special solutions according to customer needs***

- ***Private labels***



RESULTS

OVERVIEW OF VILVI GROUP RESULTS

EUR 210.5 million consolidated sales turnover

EUR 14.7 million consolidated net profit

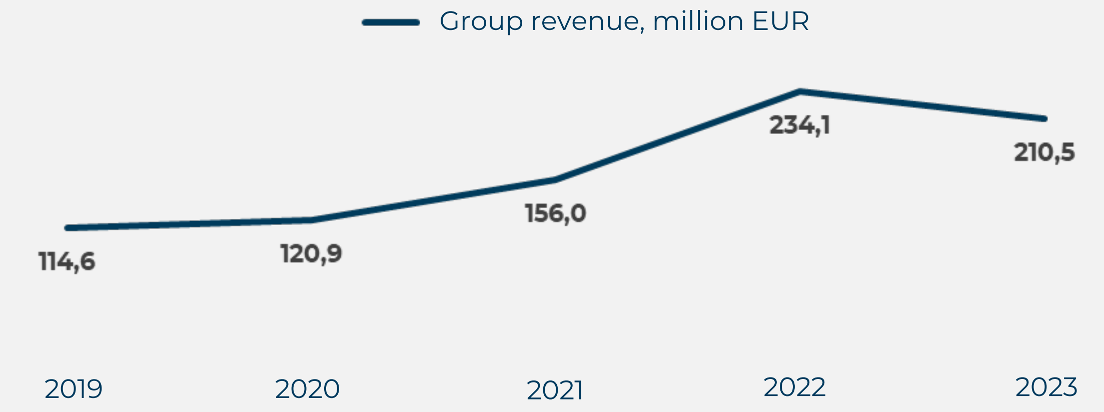
EUR 21 million in consolidated EBITDA

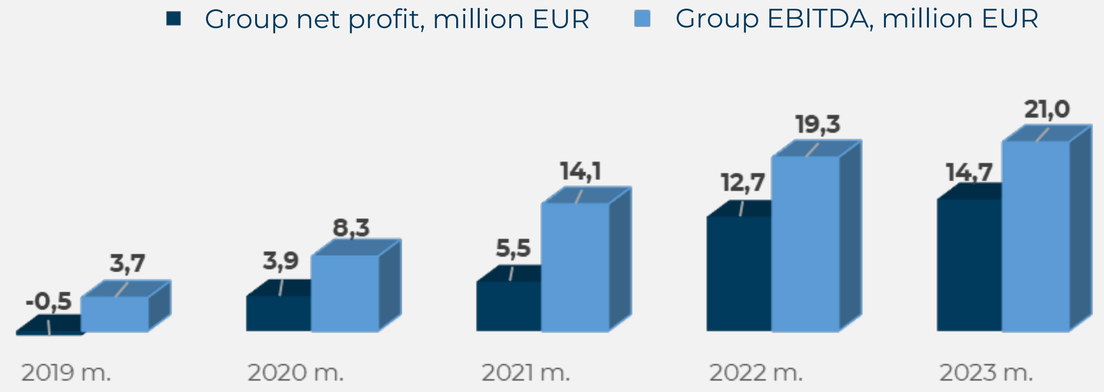
83% of exports to > 60 countries

EUR 17 mln. in taxes paid to the state in 2023 (for 2022)

>350 thousand tons of purchased milk

EUR 10 million in development and supporting investments during the reporting period





Despite a 10,1% decrease in sales turnover in 2023, VILVI GROUP's consolidated net profit increased to EUR 14.7 million and was 15.4% higher than in 2022. During the reporting period, the Group's EBITDA increased by 8,9% and amounted to EUR 21.0 million. The growth of the Group's EBITDA and net profit was mainly influenced by the processing activities of purchased whey products, which are not directly related to milk processing.

See the comparison of other indicators of the Company and the Group in p.16-17 respectively.

PERFORMANCE RESULTS OF VILVI GROUP

	2019	2020	2021	2022	2023	*Change in 2023/2022*	*Change in 2023/2022*
Revenue, thousand EUR	114,581	120,873	156,045	234,083	210,536	-10%	50%
Gross profit, thousand EUR	7,096	10,629	17,196	24,274	27,687	14%	41%
Gross profit margin, %	6.2%	8.8%	11.0%	10.4%	13.2%	3 p.p.	-1 p.p.
EBITDA, thousand EUR	3,698	8,271	14,122	19,280	21,003	9%	37%
EBITDA margin, %	3.2%	6.8%	9.0%	8.2%	10.0%	2 p.p.	-1 p.p.
Operating profit (EBIT), thousand EUR	-206	4,332	7,134	14,921	16,778	12%	109%
EBIT margin, %	-0.20%	3.60%	4.60%	6.4%	8.0%	2 p.p.	2 p.p.
Profit before tax (EBT), thousand EUR	-1,448	3,142	6,156	14,180	15,439	9%	130%
EBT margin, %	-1.3%	2.6%	3.9%	6.1%	7.3%	1 p.p.	2 p.p.
Net profit (loss), thousand EUR	-446	3,872	5,500	12,699	14,652	15%	131%
Net profit margin, %	-0.4%	3.2%	3.5%	5.4%	7.0%	2 p.p.	2 p.p.
Net profit per share, Eur	-0.04	0.32	0.46	1.06	1.23	15%	131%
The ratio of the share's market price and profit per share – P/E ratio	-	7.59	7.95	4.50	4.27	-5%	-43%
Return on equity (ROE), %	-1.4%	11.7%	14.8%	28.4%	26.4%	-2 p.p.	14 p.p.
Return on assets (ROA), %	-0.6%	5.0%	6.7%	13.6%	14.3%	1 p.p.	7 p.p.
Return on capital employed (ROCE), %	-0.4%	10.1%	11.7%	22.0%	20.5%	-2 p.p.	10 p.p.
Debt ratio	0.60	0.55	0.55	0.49	0.43	-13%	-10%
Debt to equity ratio	0.88	0.62	0.61	0.46	0.33	-28%	-25%
Liquidity ratio	0.72	0.64	1.24	1.46	1.77	21%	17%
Asset turnover	1.47	1.57	1.77	2.38	1.97	-17%	34%
Capital to asset ratio	0.40	0.45	0.45	0.51	0.57	12%	13%
Financial debts, thousand EUR	27,483	21,660	24,163	22,929	20,185	-12%	-5%
Net debt, thousand EUR	27,185	21,479	23,364	22,308	11,460	-49%	-5%
Net debt/EBITDA	7.35	2.60	1.65	1.16	0.55	-53%	-30%

PERFORMANCE RESULTS OF THE PARENT COMPANY AB VILKYŠKIŲ PIENINĖ

In addition to the main indicators defined and applied according to the International Financial Reporting Standards (IFRS), AB Vilkyškių pieninė 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), AB Vilkyškių pieninė presents comparative historical API data.

Information about the calculation of AVR and what useful information they provide is provided in the section Additional information page 144.

	2019	2020	2021	2022	2023
Revenue, thousand EUR	140,492	148,738	196,442	288,643	245,072
Gross profit, thousand EUR	325	913	9,031	17,195	9,013
Gross profit margin, %	0.2%	0.6%	4.6%	6.0%	3.7%
EBITDA, thousand EUR	-2,504	2,994	13,079	15,530	4,500
EBITDA margin, %	-1.8%	2.0%	6.7%	5.4%	1.8%
Operating profit(EBIT), thousand EUR	-4,322	1,394	11,450	13,893	2,912
EBIT margin, %	-3.1%	0.9%	5.8%	4.8%	1.2%
Profit before tax (EBT), thousand EUR	-5,061	640	11,194	13,733	2,574
EBT margin, %	-3.6%	0.4%	5.7%	4.8%	1.1%
Net profit (loss), thousand EUR	-4,059	1,371	10,774	12,599	2,527
Net profit margin, %	-2.9%	0.9%	5.5%	4.4%	1.0%
Net profit per share, Eur	-0.34	0.11	0.90	1.05	0.21
The ratio of the share's market price and profit per share – P/E ratio	-	-	-	-	-
Return on equity (ROE), %	-14.6%	5.2%	33.5%	29.9%	5.4%
Return on assets (ROA), %	-7.7%	2.8%	19.9%	19.4%	3.6%
Return on capital employed (ROCE), %	-15.6%	4.5%	28.3%	27.7%	5.7%
Debt ratio	0.49	0.44	0.37	0.33	0.34
Debt to equity ratio	0.44	0.27	0.19	0.12	0.11
Liquidity ratio	0.83	0.99	1.47	1.87	1.58
Asset turnover	2.77	3.05	3.31	4.10	3.49
Capital to asset ratio	0.51	0.56	0.63	0.67	0.66
Financial debts, thousand EUR	11,287	7,432	6,941	5,665	5,085
Net debt, thousand EUR	11,056	7,277	6,362	5,340	2,231
Net debt/EBITDA	-4.42	2.43	0.49	0.34	0,50

MAIN RAW MATERIALS

RAW COW'S MILK

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

In 2023, Group companies bought this raw material from Lithuanian and Latvian milk suppliers. Almost a third of the milk was imported.

MILK WHEY

The main raw material of AB Kelmės pieninė 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.

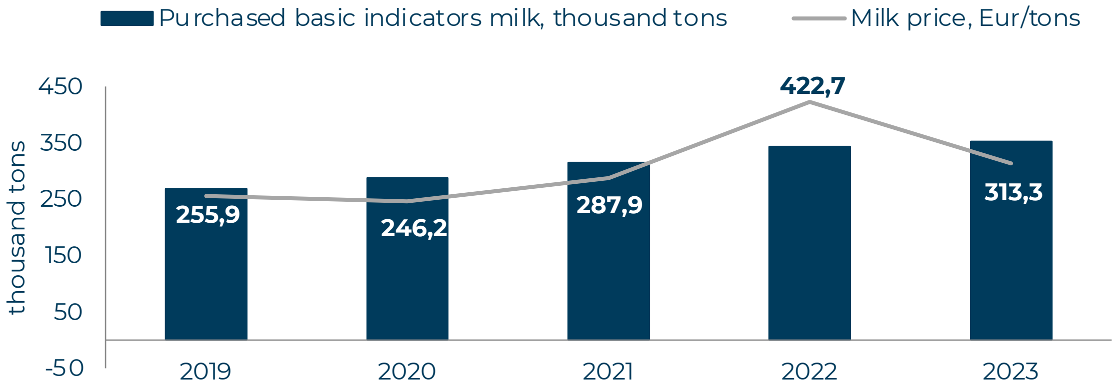
Most of the raw materials needed in the production of dry milk products are supplied by VILVI GROUP companies, the other part is purchased from suppliers in Latvia and Estonia.

Milk purchased by VILVI GROUP:

	2019	2020	2021	2022	2023
Purchased basic indicators milk*, in tons	268,555	287,370	314,540	342,953	351,832
Milk price, EUR/t	255.9	246.2	287.9	422.7	313,3

**In 2023, 352 thousand tons of milk were purchased according to the basic indicators, which is 2.6% more than in 2022.*

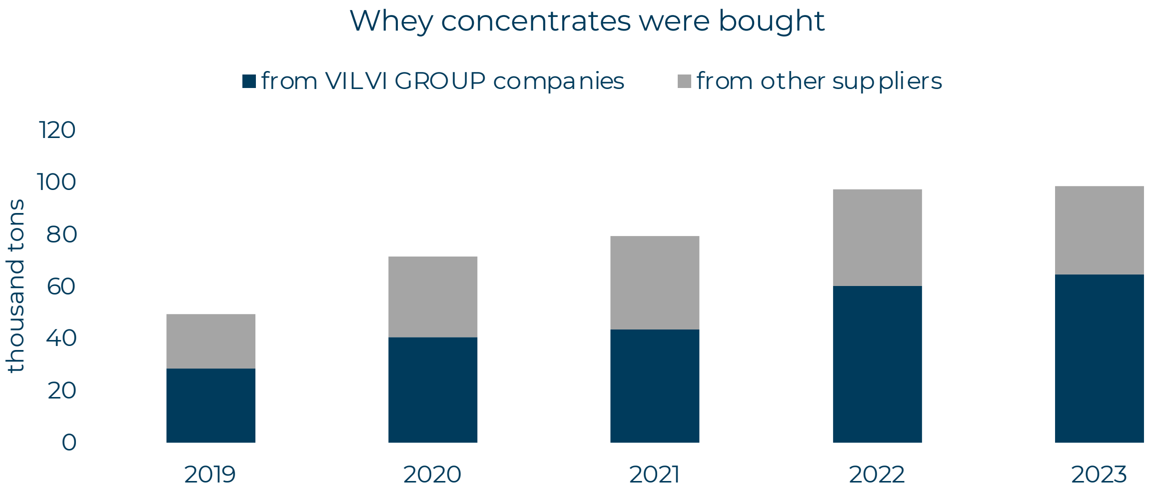
The price of milk in 2023 decreased by 25.9% compared to 2022 (in 2022, the level of milk purchase prices was historically high due to the increased selling prices of dairy products in the markets, which was caused by the increased demand in the export and local markets).



Raw material purchased by AB Kelmės pieninė:

	2019	2020	2021	2022	2023
Purchased whey concentrates from VILVI GROUP companies, in tons	28,564	40,641	43,593	60,297	64,692
Purchased whey concentrates from other suppliers, in tons	20,886	30,999	35,730	37,075	33,908

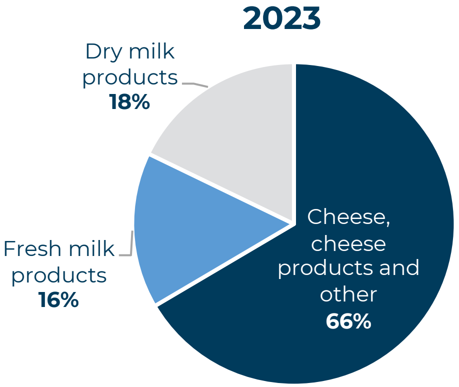
In 2023, 99 thousand tons of whey concentrates were purchased, which is 1.3% more than in 2022.

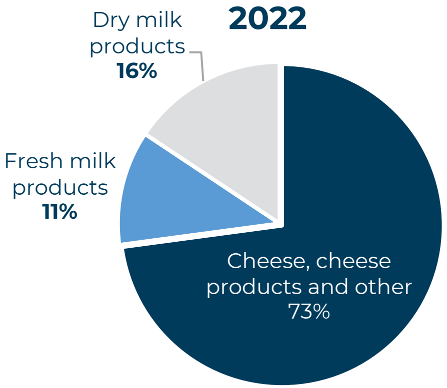


VILVI GROUP OPERATING SEGMENTS

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;





VILVI GROUP revenue from main products by segments.

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

	2019	2020	2021	2022	2023	*Change in 2023/2022*	*Change in 2022/2021*
Cheese, cheese products and other	36,095	39,187	43,970	47,575	48,809	***2.6%***	***8.2%***
Fresh milk products	12,277	12,696	14,048	15,174	15,741	***3.7%***	***8.0%***
Dry milk products	15,310	19,006	21,416	21,886	22,486	***2.7%***	***2.2%***

In 2023, the production of cheese, cheese products and other increased by 2.6% compared to 2022.
15.7 thousand tons of fresh milk products were produced, i.e. 3.7% more than in 2022.
22.5 thousand tons of dry milk products were produced in 2023 – production increased by 2.7%. compared to 2022.

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

	2019	2020	2021	2022	2023	*Chnage in 2023/2022*	*Change in 2022/2021*
Cheese, cheese products and other	81,909	84,134	109,199	170,589	139,603	***-18.2%***	***56.2%***
Fresh milk products	17,803	16,252	18,710	26,864	32,962	***22.7%***	***43.6%***
Dry milk products	14,869	20,487	28,136	36,630	37,971	***3.7%***	***30.2%***
Total:	**114,581**	**120,873**	**156,045**	**234,083**	**210,536**	***-10.1%***	***50.0%***

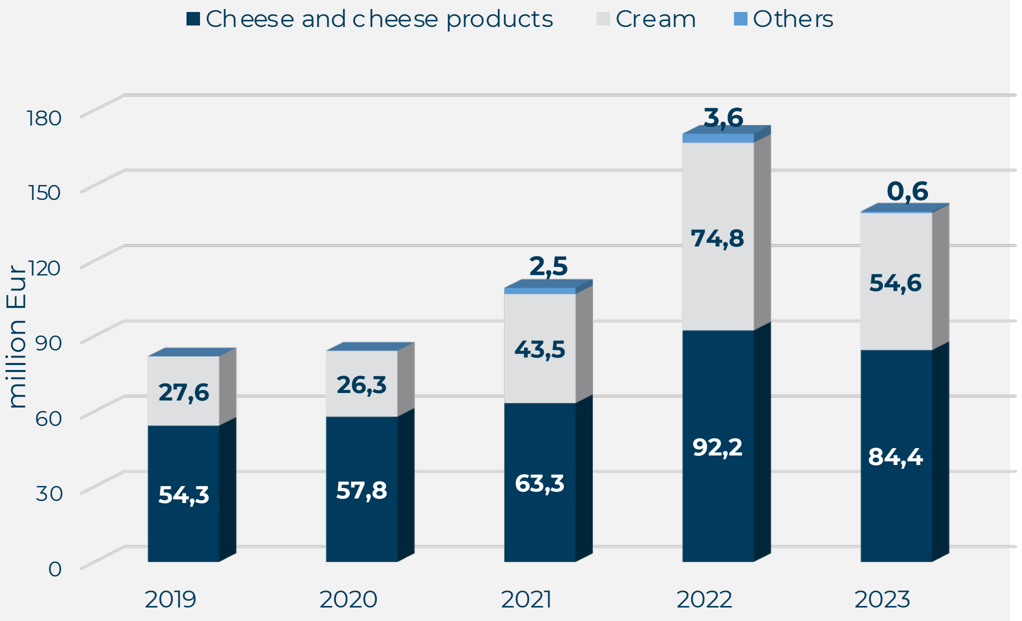
ANALYSIS OF CHANGES IN SALES REVENUE IN 2023 BY BUSINESS SEGMENTS

Cheese, cheese products and others

The total turnover of the segment in 2023 was 18,2% lower than in 2022. This was influenced by a sharp drop in export prices at the beginning of the reporting year, which, according to market experts, was a response to the historically intense price growth in 2022.

In the first quarter of 2023, cheese prices fell by an average of 20%. This level of prices, fluctuating in short periods, remained until the fourth quarter of the year, when the markets again observed price growth. The decrease in turnover was partially compensated by increased sales volume (10% more than in 2022).

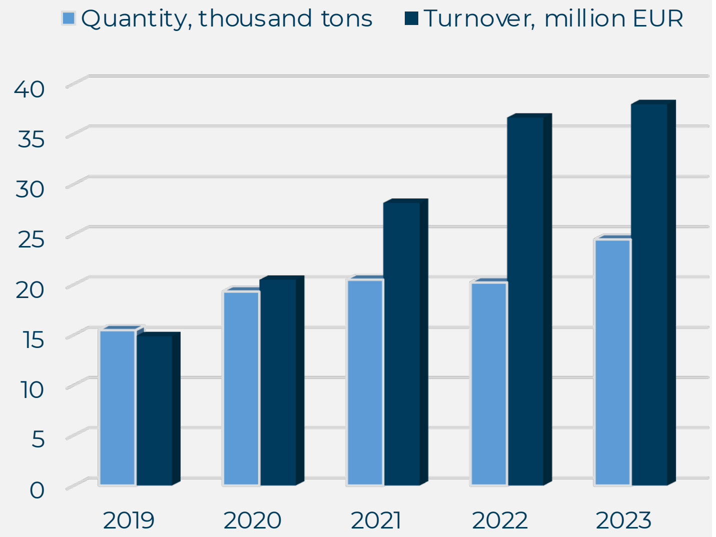
The turnover of industrial cream fell the most in this segment (27% lower than in 2022). Although the amount sold in 2023 increased by 9% compared to the previous year, the average price of cream in 2023 was 27% or 0.84 EUR/kg lower.



Dry milk products

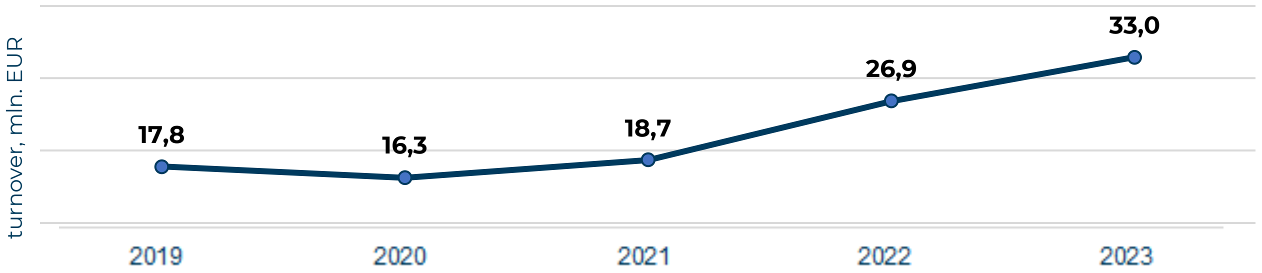
In 2023, the volume of production and sales increased by 19.9% in quantitative terms compared to 2022. However, the sales turnover grew slightly – 3,7% compared to last year. This was influenced by the decrease in prices due to the surplus of products in the market.

VILVI GROUP generates the most revenue in this segment from the sale of whey proteins - about 60% (although in quantitative terms it accounts for only 13%). In 2023, whey protein prices on the market fell by more than 30%, as a result of which whey protein flour was sold 1.3 thousand tons more than in 2022 (+4 p.p.).



Fresh milk products

In the reporting period, turnover increased by 22,7% compared to 2022. More than 80% of fresh milk products were sold in the domestic market, where prices were higher compared to 2022. Also, in 2023, more products were sold, such as curd cheese bars, yogurts, butter – their added value is higher than other products, so this also affected the overall sales growth.



VILVI GROUP’S SALES BY MARKETS

In 2023, VILVI GROUP’s sales revenue in export markets decreased by 16.1% compared to 2022. Exports accounted for 83% of the Group’s total sales in 2023. This is 6 p.p. lower than in 2022.

The drop in sales revenue both in the European Union and in other foreign countries is associated with a general decrease in the market prices of cheese and dry milk products. The structure of sales regions and sales channels remained stable, sufficiently diversified, not posing any risk due to economic or political influence.

In 2023, exports took place to more than 60 countries, but the most important export markets of VILVI GROUP continue to be Poland, Holland, Italy, Germany, Saudi Arabia.
In 2023, as every year, an active search for new markets was carried out - successfully launched in the Cuban market.

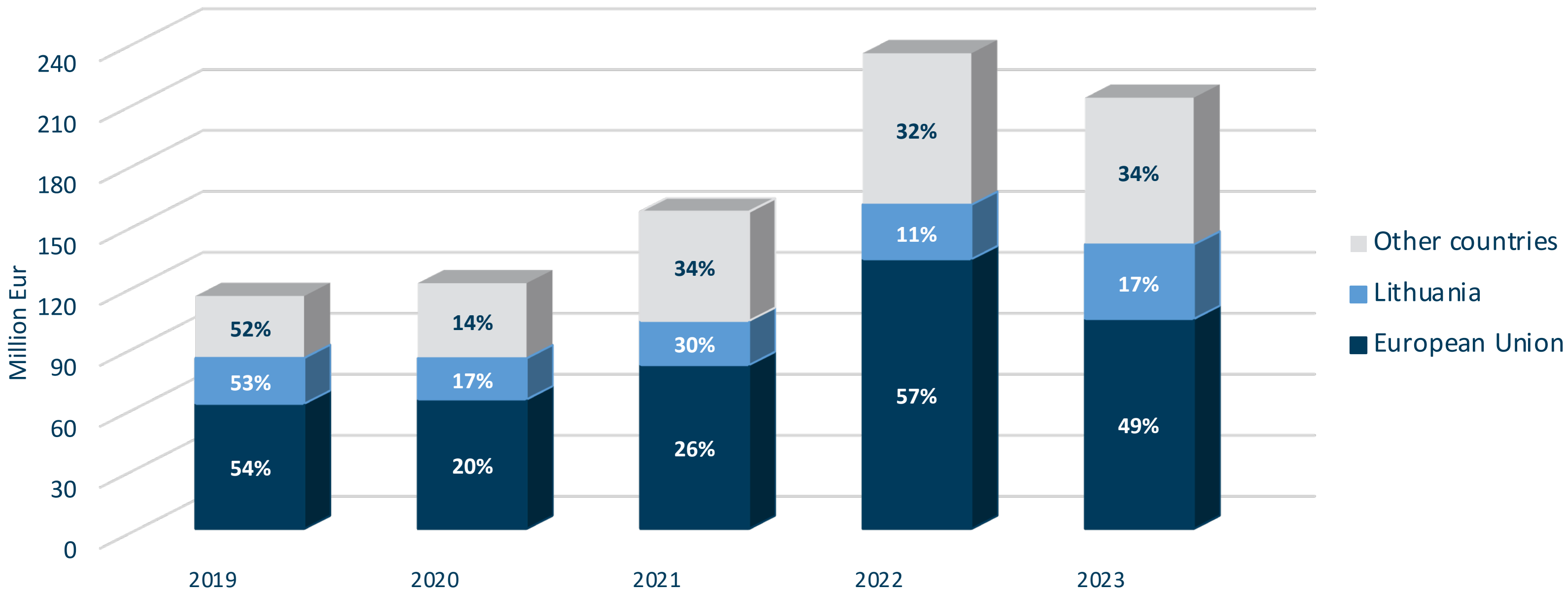
In 2023, no products were exported to countries subject to EU sanctions.

In 2023, sales in Lithuania increased by 37% compared to the previous year. This was influenced both by the increase in the prices of fresh dairy products in the country and by the larger quantities of production sold.

Sales revenues by markets, kEur:

	2019	2020	2021	2022	2023	*Change in 2023/2022*	*Change in2022/2021*
European Union	61,591	63,745	80,647	132,771	103,079	***-22.4%***	***64.6%***
Lithuania	22,526	20,234	21,748	26,751	36,624	***36,9%***	***23.0%***
Other countries	30,464	36,894	53,650	74,561	70,833	***-5.0%***	***39.0%***
Total revenue	**114,581**	**120,873**	**156,045**	**234,083**	**210,536**	***-10.1%***	***50.0%***

Sales structure

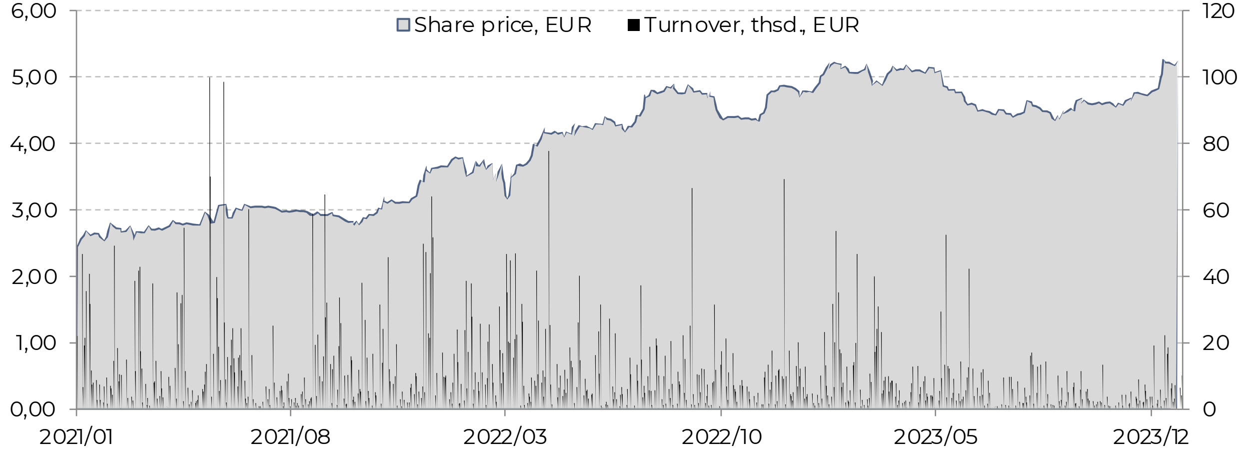


INFORMATION ON SHARES

- The name of the securities is **AB Vilkyškių pieninė 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..

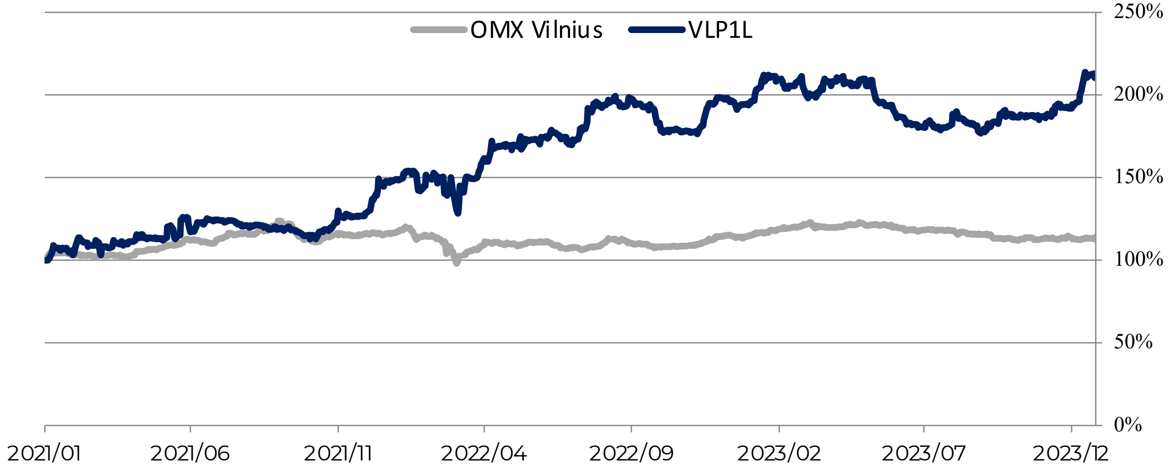
AB Vilkyškių pieninė share price change and turnover in 2021-2023.



Information on shares

	2019	2020	2021	2022	2023
Opening price, EUR	2.09	2.26	2.46	3.67	4,79
Highest price, EUR	3.13	2.48	3.68	4.91	5,36
Lowest price, EUR	2.07	1.39	2.40	3.00	4,12
Average price, EUR	2.47	1.93	2.90	4.12	4,88
Last price, EUR	2.24	2.46	3.66	4.79	5,24
Turnover, units	762,071	1,138,435	1,060,431	637,222	337,974
Turnover, mln. EUR	1.88	2.20	3.08	2.63	1.65
Capitalization, mln. EUR	26.75	29.38	43.71	57.21	62.58

Comparison of AB Vilkyškių pieninė share prices and AB Nasdaq OMX Vilnius indices in 2021-2023.



MANAGEMENT REPORT

MANAGEMENT MODEL

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. 26.*

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 AB Vilkyškių pieninė consists of 3 members, elected for a four-year term. The Supervisory board is elected by the General Meeting of Shareholders. *More in p. 27.*

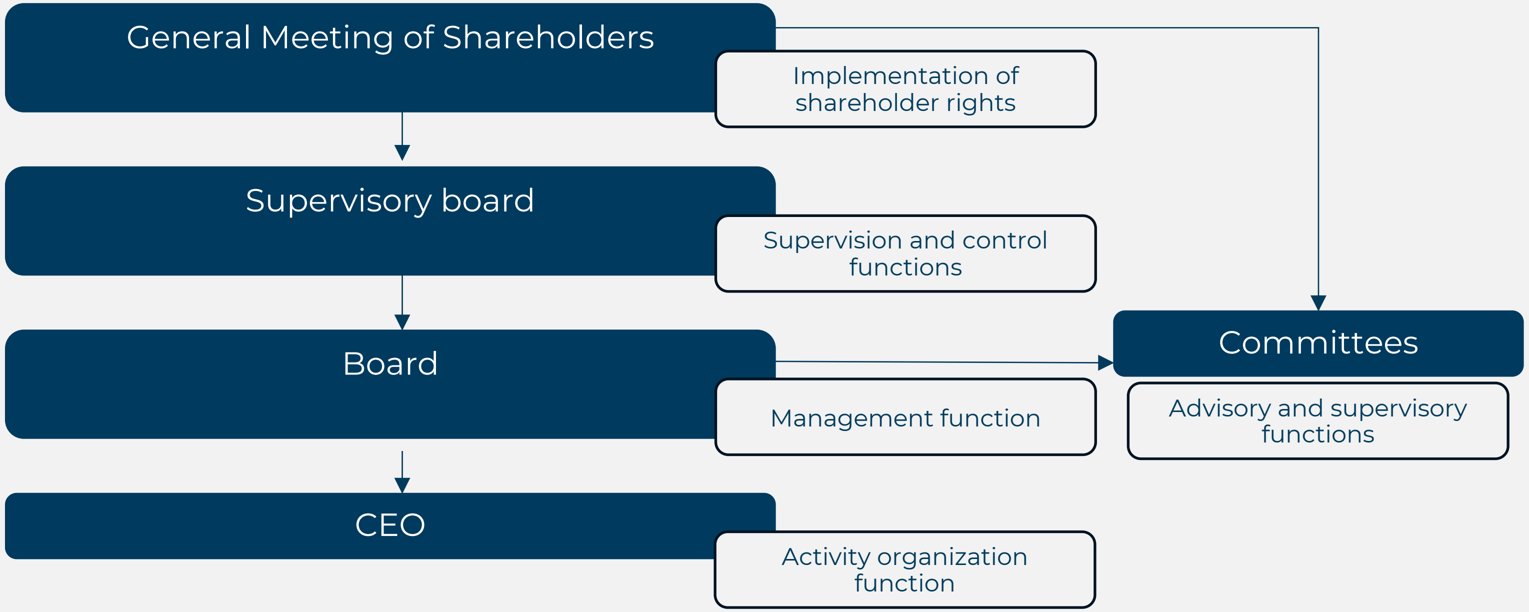
Board

The Board is a collegial management body of the Company, which performs the function of company management. The Board of AB Vilkyškių pieninė consists of 6 Board members. Board members. The Supervisory board elects the members of the Board for a four-year term. *More in p. 28.*

Committees

The 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. 31.*

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



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: AB Kelmės pienė, UAB Kelmės pienas, AB Modest and SIA Baltic Dairy Board:

General Meeting of Shareholders

Board

Head of the Company

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

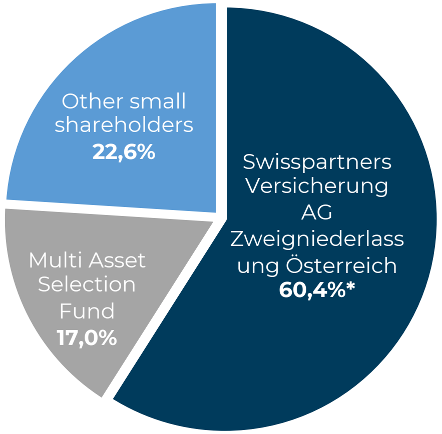
AUTHORIZED CAPITAL STRUCTURE AND SHAREHOLDERS

Company name	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
AB Vilkyškių pieninė	Ordinary registered shares	11,943,000	0.29	3,463,470	Swisspartners Versicherung AG Zweigniederlassung Österreich – 60,4%*; Multi Asset Selection Fund – 17,0%.
AB Kelmės pieninė	Ordinary registered shares	2,457,070	0.29	712,550	AB Vilkyškių pieninė – 100%.
AB Modest	Ordinary registered shares	5,617,118	0.29	1,628,964	AB Vilkyškių pieninė – 99.7%.
AB Pieno logistika	Ordinary registered shares	371,333	0.29	107,687	UAB Kelmės pienas – 58,9%,
UAB Kelmės pienas	Ordinary registered shares	2,500	1.00	2,500	AB Kelmės pieninė – 100%.
SIA Baltic Dairy Board	Ordinary registered shares	777,778	1.00	777,778	AB Vilkyškių pieninė – 100%.

*As of 31 December 2023, 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 AB Vilkyškių pieninė).

AB Vilkyškių pieninė

The total number of shareholders on 31-12-2023 was 1,685.

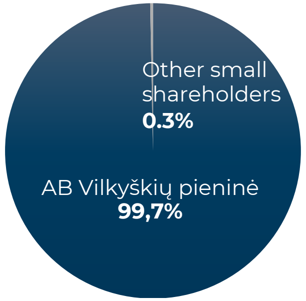


Distribution of shareholders of AB Vilkyškių pieninė by legal entity – **18.2%** natural persons, **81.8%** - legal entities.

AB Kelmės pieninė

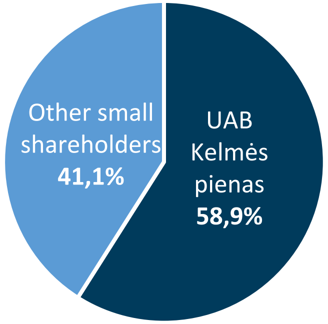
UAB Kelmės pienas

AB Modest



SIA Baltic Dairy Board

AB Pieno logistika



GENERAL MEETING OF SHAREHOLDERS AND SHAREHOLDER RIGHTS

The shareholders of AB Vilkyškių pieninė 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.

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 annual report and the Group's consolidated annual 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 of AB Vilkyškių pieninė

Name, Surname, position	Education	Information about the main workplace and participation in the management of other companies:	Owned share of the company's capital and votes as of 31-12-2023, %
Algimantas Lekevičius Chairman of the Supervisory board since 28 April 2023.	aukštasis, inžinierius	Project Manager of the Issuers Department of the Markets and Treasury Department of AB Šiaulių bankas Chairman of the Užupis Community Senate	2000/0.02%
Marijana Juškienė Member of the Supervisory board since 28 April 2023.	higher education, engineer-mathematician	-	-
Martynas Bertašius Member of the Supervisory board since 28 April 2023.	higher education, economics	He as been working at AB Vilkyškių pieninė since 2016. Manager and actual member of ŪKB „RELI“ (company code 306286230, address: Kęstučio str. 13, LT-99182 Šilutė)	-

Supervisory board's activities in 2023

Two meetings of supervisory board have occurred in 2023. Requires quorum was reached in both meetings. During the meetings head of supervisory board of AB Vilkyškių pieninė was elected, board's work regulations and members of management board were approved.

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;
- Providing feedback and suggestions on the set of annual financial statements, the profit (loss) distribution project and the company's annual 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.

BOARD

The **Board** is a collegial management body of the Company.
The Board of AB Vilkyškių pieninė consists of 6 Board members.

Members of the Board, Supervisory 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.

Other functions of the Board:

- The Board elects and dismisses the CEO, determines working conditions and remuneration, following the Remuneration Policy, as established in Article 373 of the Law on Companies of the Republic of Lithuania;
- 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 company's set of annual financial statements, profit (loss) distribution and Remuneration Policy projects and together with feedback and proposals on them and the company's annual report submits them to the Supervisory board and 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.

The Board considers and approves the following:

- The company's interim and annual report;
- The management structure of the company and the positions of employees;
- Positions to which employees are recruited by tender procedure;
- Other issued that provided for in the procedure established by the Law on Companies of the Republic of Lithuania and the Company's Articles of Association.

Activities of the company's Board in 2023

In 2023, the meeting of the Board of AB Vilkyškių pieninė were held regularly according to the established schedule. During 2023, twelve regular meetings of the Board took place. At all meetings of the Board, there was a quorum required by normative acts. The Board approved the Company's interim financial statements for the twelve months of 2022 and the three, six and nine months of 2023, the annual financial statements and the annual report for 2022, convened an ordinary General Meeting of Shareholders, proposed the 2022 profit distribution to the ordinary General Meeting of Shareholders.

At regular meetings of the Board, development plans were considered, loan granting/extension and other ongoing issues were examined.

The Board meetings of other VILVI GROUP companies - AB Kelmės pieninė, UAB Kelmės pienas, SIA Baltic Dairy Board and AB Modest are held regularly, and issues corresponding to the competence of the Board are considered.

MEMBERS OF THE BOARD

Chairman of the Board and members for re-election for a four-year term on 04-29-2022 during the General Meeting of Shareholders.

	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 31-12-2023, %**
 **Gintaras Bertašius** Chairman of the Board	higher education, engineer - mechanic	CEO of AB Vilkyškių pieninė, chairman of the Board of AB Kelmės pieninė, AB Modest and UAB Kelmės pienas, member of the Board of SIA Baltic Dairy Board	As of 31 December 2023, 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 AB Vilkyškių pieninė).
 **Vilija Milaševičiutė** Member of the Board	higher education, finance and credit	AB Vilkyškių pieninė Director of Economics and Finance, member of the Board of SIA Baltic Dairy Board, AB Modest, AB Kelmės pieninė and UAB Kelmės pienas	9,588 pcs./0.08%
 **Linas Strėlis** Member of the Board	higher education	Director of UAB LS Capital (company code 133118295, address: V. Kudirkos str. 9, Kaunas) and UAB Biglis (company code 133688345, address: V. Kudirkos str. 9, LT-50283 Kaunas), chairman of the board of Socialinių įmonių asociacija (company code 300542019, address: Raudondvario pl. 107, Kaunas), Board member of AB Umega (company code 126334727, address: Metalo str. 5, LT-28216 Utena) and AB East West Agro (company code 300588407, address: Tikslo str. 10, Kumpiai, LT-54311 Kaunas district), EISME member of the investment fund committee of UAB Lords LB Asset Management (company code 301849625, address: Jogailos str. 4, LT-01116 Vilnius.). Member of the Supervisory board of SIA Preses nams.	-

MEMBERS OF THE BOARD

	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 31-12-2023, %
 **Sigitas Trijonis** Board member	higher education, engineer – mechanic.	Director of the Investment Projects Department of AB Vilkyškių pieninė	425,607 pcs./3.56%
 **Rimantas Jancevičius** Board member	higher education, zootechnician	Director of Raw Material Purchase of AB Vilkyškių pieninė	339,863 pcs./2.85 %
 **Andrej Cyba** Board member	higher education, business administration and management	CEO of UAB PEF GP1 (company code 302582709, address: Maironio str. 11, Vilnius), UAB PEF GP2 (company code 302582716, address: Maironio str. 11, Vilnius), UAB Piola (company code 120974916, address: Mindaugo str. 16-52, LT-03225 Vilnius), UAB Ymmalu (company code 305765142, address: Šaltinių str. 24-10, LT-03233, Vilnius) and UAB LAMA Capital (company code 306178639, address: Šaltinių str. 24-10, LT-03233, Vilnius), Business Development Manager of UAB INVL Asset Management (company code 126263073, address: Gynėjų str. 14, LT-01109 Vilnius), Chairman of the Board of UAB FMĮ INVL Finasta (company code 304049332, address: Gynėjų str. 14, LT-01109 Vilnius) and SIA Baltic Dairy Board, Chairman of the Supervisory board of IPAS INVL Asset Management (company code 40003605043, address: Smilšu iela 7-1, LV1050, Ryga) and AS Pirmais atklātais pensiju fonds (company code 40003377918, address: Smilšu iela 7-1, LV1050, Ryga, Member of the Board and Chairman of the Audit Committee of AB AUGA group (company code 126264360, address: Konstitucijos pr. 21C, LT08130 Vilnius).	

COMMITTEES

Appointment and Remuneration Committee

Members:
Birutė Butkienė (ŪKB Šilgaliai Agro accountant),
Giedrė Krinicina (AB Vilkyškių pieninė employee),
Živilė Žymantaitė (AB Vilkyškių pieninė 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 – the Board.

Functions of the committee:

- Provides 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.

Audit Committee

Members:
Aušra Lobinienė (Head of Internal Audit Service of Tauragė Credit Union),
Vilma Morkaitienė (UAB Bonus modus senior Accountant)
Sigita Montvilaitė (AB Vilkyškių pieninė 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 Appointment and Remuneration Committee in 2023

In 2023, two meetings of the committee took place, during which the salaries of the Company's employees were reviewed, recommendations were made regarding the company's internal procedures and Remuneration Policy, and the appointment of candidates to the positions of Director of Transport and Logistics and Investment Projects. All committee members attended the meetings.

Activities of the Audit Committee in 2023

In 2023, three committee meetings were held, during which drafts of the Company's 2022 financial statements, 2022 annual report and 2022 profit (loss) distribution were discussed and the 2023 budget was discussed. Recommendations have been made for selecting audit firms that audit a group of companies. Revised risk management systems for sales to various countries. All committee members attended the meetings.

Committees are not formed in subsidiaries.

KEY MANAGERS

		Education	Information about participation in the management of other companies:	Owned share of the company's capital and votes as of 31-12-2023, %
	**Gintaras Bertašius** CEO	higher education, engineer - mechanic	Chairman of the Board of AB Vilkyškių pieninė, AB Modest, AB Kelmės pieninė and UAB Kelmės pienas, member of the Board of SIA Baltic Dairy Board	No shares owned/60.40%
	**Vilija Milaševičiutė** Director of Economics and Finance	higher education, finance and credit	Member of the Board of AB Modest, AB Kelmės pieninė, UAB Kelmės pienas and SIA Baltic Dairy Board	9,588 pcs./0.08%
	**Sigitas Trijonis** Director of the Investment Projects Department	higher education, engineer - mechanic	Member of the Board of AB Vilkyškių pieninė	425,607 pcs./3.56%
	**Rimantas Jancevičius** Director of Raw Material Purchase	higher education, zootechnician	Member of the Board of AB Vilkyškių pieninė	339,863 pcs./2.85%
	**Vaidotas Juškys** Executive Director	higher education, information technologies	-	17,756 pcs./0.15%

KEY MANAGERS

		Education	Information about participation in the management of other companies:	Owned share of the company’s capital and votes as of 31-12-2023, %
	**Arvydas Zaranka** Production Director AB Kelmė pieninė director	higher education, dairy technology	Member of the Board of AB Modest	1,933 pcs./0.02 %
	**Rita Juodikienė** Director of Management and Quality	master’s degree, business management	Member of the Board of AB Kelmės pieninė and UAB Kelmės pienas	2,175 pcs./0.02 %
	**Paulinas Stanaitis** Director of Transport and Logistics	higher education, Management and business administration	-	-
	**Jolita Valantinienė** Director of AB Kelmės pienas	master’s degree, management and business administration	-	-
	**Matas Pozingis** Director of AB Modest	higher education, management and business administration	-	-

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 in 2022, 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.

These provisions are established by:

Code of Ethical Employment

Business ethics and intolerance to bribery and corruption

In 2022, the *Code of Ethical Business* was also 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 pay all taxes, 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.

These provisions are established by:

Code of Ethical Business

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.

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/

DIVIDENDS

In 2012, AB Vilkyškių pieninė 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 AB Vilkyškių pieninė in the last years:

	2019 (for 2018)	2020 (for 2019)	2021 (for 2020)	2022 (for 2021)	2023 (for 2022)
Dividends (EUR)	-	-	955,440	2,388,600	3,164,744
Dividends per share (EUR)	-	-	0.08	0.20	0.265
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

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

	2019 (for 2018)	2020 (for 2019)	2021 (for 2020)	2022 (for 2021)	2023 (for 2022)
Dividends (EUR)	1,719,949	5,651,261	7,371,210	3,931,312	1,523,383
Dividends per share (EUR)	0.70	2.30	3.00	1.60	0.62
Number of shares	2,457,070	2,457,070	2,457,070	2,457,070	2,457,070

AB Kelmės pienas in 2023 (for 2022) paid out dividends of EUR 1.2 million.

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

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

The Company's Management Report for 2023, the Company's and its Group's audited financial statements, the consolidated annual report are published on the Company's website VILVI GROUP and on the page of the stock exchange AB Nasdaq Vilnius Vilkyškių pieninė | Prekyba — Nasdaq Baltijos birža (nasdaqbaltic.com).

2. Information on transactions with related parties

During 2023, the company did not have transactions with related parties that would meet the criteria specified in Article 372 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 2023.

3. 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 147.

4. 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.

5. Agreements between shareholders

The Company does not have data on mutual agreements between shareholders. In 2023, the Companies have not entered into agreements with members of their bodies or employees that would 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.

REMUNERATION REPORT

General information

AB Vilkyškių pieninė remuneration report has been prepared for the reporting financial period of 2023, which coincides with the calendar year. The preparation of the remuneration report (hereinafter - the Report) was guided by the Law on Financial Reporting of Companies of the Republic of Lithuania, VILVI GROUP's employee Remuneration Policy (hereinafter - the Remuneration Policy) and other legal acts.

The Remuneration Policy of AB Vilkyškių pieninė group of 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 2022 – 2023

Two members of the Board of AB Vilkyškių pieninė 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 2023. Board members working under an employment contract received salary only on the basis of employment relations.

The wages calculated and paid during 2023 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	2022			2023		
	Fixed salary	Variable salary	Total	Fixed salary	Variable salary	Total
Gintaras Bertašius, CEO	101.4	-	101.4	115,2		1115,2
Vilija Milaševičiūtė, Director of Economics and Finance	66.9	11.2	78.1	72,2	12,8	85,0
Sigitas Trijonis, Director of the Investment Projects Department	66.6	11.4	78.0	72,7	12,3	85,0
Rimantas Jancevičius, Director of Raw Material Purchase	66.0	11.8	77.8	72,3	12,1	84,4

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 2023, including no shares or other transactions concluded for the benefit and interests of the managers.

During the reporting period (2023), 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 Board of the Supervisors, 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 REPORT

Remuneration of employees of the parent company and Group companies
The wage fund of the Corporate Group in 2023 was equal to EUR 19,108 million (EUR 15,792 million in 2022)

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

Staff group	2019		2020		2021		2022		2023	
	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	22	4,020	21	4,198	19	4,565	20	5,029	22	5,478
Specialists	170	1,304	155	1,338	147	1,506	150	1,777	150	2,038
Workers	285	930	283	948	274	1,059	292	1,253	252	1,507
Total:	**477**	**1,197**	**459**	**1,228**	**440**	**1,365**	**462**	**1,581**	**424**	**1,884**

Average monthly salary before taxes of the employees of VILVI GROU, EUR

Staff group	2019		2020		2021		2022		2023	
	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	28	3,919	29	3,997	30	4,261	30	4,799	31	5,240
Specialists	298	1,258	301	1,311	310	1,434	310	1,711	319	1,961
Workers	502	872	500	924	527	1,020	544	1,209	569	1,435
Total:	**828**	**1,107**	**830**	**1,166**	**867**	**1,281**	**884**	**1,508**	**919**	**1,746**

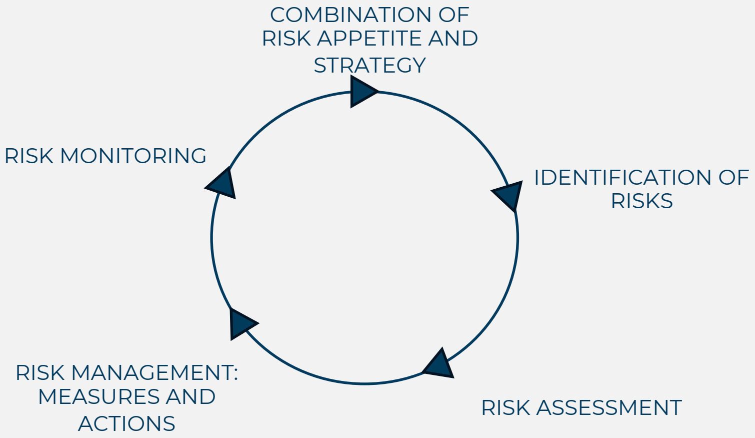
In the period of 2023, the remuneration paid to the members of the Board of AB Vilkyškių pieninė and the employees corresponded to the principles, bases and conditions approved in the Remuneration Policy. The members of the company's Audit Committee and Remuneration Committee were not paid any fixed or additional remuneration for their work on the committees.

RISK MANAGEMENT

Risk management is an integral part of the Group's activities. We identify, analyze and evaluate risks taking into account the Group's goals, activities and external environment. The Board is responsible for approving the Group's overall risk management model, the Board of Directors is responsible for supervision.

The Group applies the Committee of Sponsoring Organizations of the Treadway Commission (COSO) internal control and risk management model. The risk management process covers all companies and functions of the Group. It is constantly reviewed, assessing the Group's risk appetite and strategic aspirations, adjusted to market conditions and changes in the Group's activities. We conduct regular monitoring of risk management in the Group. Every quarter, the Board of Directors reviews internal and external risks, assesses risk indicators, and determines risk management measures as needed.

Stages of risk management:



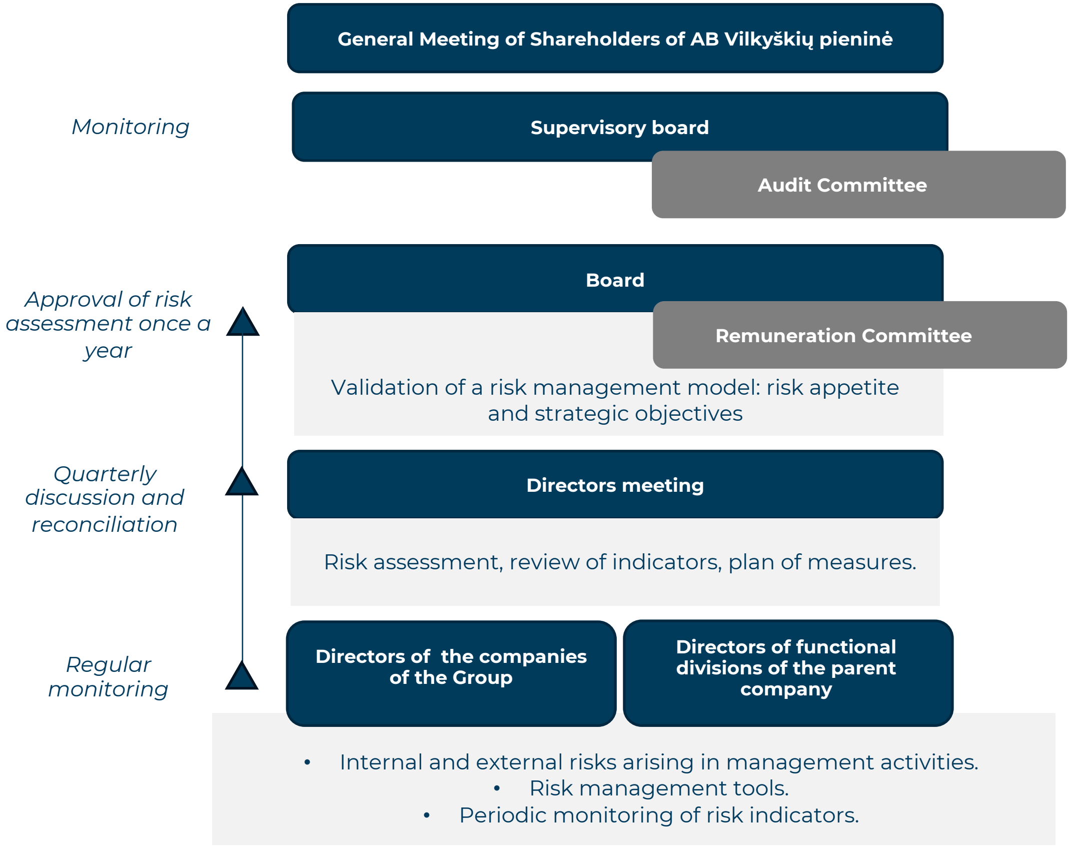
COMBINATION OF RISK APPETITE AND STRATEGY

IDENTIFICATION OF RISKS

RISK ASSESSMENT

RISK MANAGEMENT: MEASURES AND ACTIONS

RISK MONITORING



General Meeting of Shareholders of AB Vilkyškių pieninė

Monitoring

Supervisory board

Audit Committee

Approval of risk assessment once a year

Board

Remuneration Committee

Validation of a risk management model: risk appetite and strategic objectives

Quarterly discussion and reconciliation

Directors meeting

Risk assessment, review of indicators, plan of measures.

Regular monitoring

Directors of the companies of the Group

Directors of functional divisions of the parent company

- Internal and external risks arising in management activities.
- Risk management tools.
- Periodic monitoring of risk indicators.

Objectives of risk management:

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

Types of risks:

by period:
- Short-term (0-1 y.)
- Medium-term (1-4 y.)
- Long-term (>5 y.)

by source:
- Internal
- External

by ESG area:
- E (Environment) – affecting the field of environmental protection;
- S (Social) – affecting social factors, their management;
- G (Governance) – affecting the field of governance.

Types of risks:

Strategic risks affecting the Group's strategic goals.

Financial risks affecting the Group's financial result.

Operational risks affecting the efficient operation of the Group.

Compliance risks affecting compliance with laws and requirements.

RISK MANAGEMENT

TYPE OF RISKS	RISK FACTORS	RISK SOURCE	SOURCE TYPE (internal/external)	PERIOD (short-term, medium-term, long-term)	INFLUENCE STRATEGIC DIRECTION/ AREA OF INFLUENCE	RISK MANAGEMENT	ESG TYPE: E / S / G
STRATEGIC RISKS	The risk of strategic investment projects not being completed or not being completed on time	Unplanned external circumstances, problems in project management.	*Internal / external*	*Medium-term*	FINANCE	• A new Investment Projects department has been created for the management of investment projects, and project management competence has been raised. • The project implementation plan and emerging risks are regularly monitored. • External professionals and consultants are used as needed.	-
	Price jumps of raw materials and energy resources	Energy prices: fluctuating production costs.	*external*	*long-term*	FINANCE	• Regular monitoring of price fluctuations. • Diversification of strategic raw material procurement sources. • Technological solutions have been implemented that allow diversification of the energy resources used.	-
	Insufficient amount of the main raw material - milk	Seasonality of raw material supply, insufficient amount of raw material.	*external*	*long-term*	FINANCE	• Regular market monitoring. • Diversification of purchasing sources.	-
	Dependence on the branch of activity or large clients	Changes in the branch of activity, changes in the purchasing power of customers, competition.	*internal*	*long-term*	FINANCE	• Regular market monitoring. • Diversification of business branches. • Diversification of the client portfolio.	-
	Risk of not selling the product	Fluctuations in demand and price.	*external*	*long-term*	FINANCE	• Regular market monitoring. • Diversification of business branches. • Diversification of the client portfolio. • Loyal customer database.	-
	Unfair competition	Demand and price fluctuations caused by unfair competition.	*external*	*long-term*	FINANCE	• Regular market monitoring. • Diversification of business branches. • Diversification of the client portfolio. • Loyal customer database.	-
	The risk of not securing supply chains, logistics	Disruptions in logistics chains caused by global political or other unrest.	*external*	*long-term*	FINANCE	• Regular market monitoring. • Diversification of the client portfolio. • Loyal customer database.	-
	Reputational risks	Poor quality products, uncontrolled stakeholder accountability and uncontrolled communication, unfair labor practices, corruption and bribery.	*internal*	*long-term*	FINANCE	• Implementation of food safety and quality standards. • Timely and regular reporting to stakeholders. • The distribution of communication responsibilities and principles are defined in the Business Ethics Policy. • Policies and processes defining different areas of sustainability. • The possibility of confidential and anonymous messages is ensured.	**S, G**

RISK MANAGEMENT

TYPE OF RISKS	RISK FACTORS	RISK SOURCE	SOURCE TYPE (internal/external)	PERIOD (short-term, medium-term, long-term)	INFLUENCE STRATEGIC DIRECTION/ AREA OF INFLUENCE	RISK MANAGEMENT	ESG TYPE: E / S / G
FINANCIAL RISKS	Financial liquidity risk	The risk that the Group and the Company can no longer fulfill their financial obligations on time.	*internal*	*long-term*	FINANCE	• Sufficient flow of cash and cash equivalents or have financing through appropriate credit. • Maintaining a balance between funding continuity and flexibility.	-
	Credit risk	In the course of trading activities, the Group and the Company sell products and services with a deferred payment term, therefore there may be a risk that customers will not pay the Group's and the Company's receivables from the sale of products and Services.	*external*	*long-term*	FINANCE	• Application of credit limit principles that determine the amount of credits granted to customers and the corresponding types of collateral, such as: limit, guarantees, insurance. • Foreign buyers insurance. • Customer credit risk assessment.	-
	Market risk	Changes in market prices, e.g. foreign currency exchange rates and interest rate impact on the result of the Group and the Company or the value of available financial instruments.	*external*	*long-term*	FINANCE	• Management of foreign exchange rates.	-

RISK MANAGEMENT

TYPE OF RISKS	RISK FACTORS	RISK SOURCE	SOURCE TYPE (internal /external)	PERIOD (short-term, medium-term, long-term)	INFLUENCE STRATEGIC DIRECTION/ AREA OF INFLUENCE	RISK MANAGEMENT	ESG TYPE: E / S / G
OPERATIONAL RISKS	Product quality and safety risks.	Inadequate assessment and management of risk factors (biological, chemical, physical).	*Internal*	*long-term*	FINANCE	• Food safety, quality and management standards are implemented and continuously updated. • Regular training of employees and maintenance of competence. • Regular internal and external audit.	**S**
	Attracting and retaining employees.	Population decline in the region, lack of highly qualified workers.	*Internal / External*	*long-term*	ORGANIZATION / FINANCE	• Close cooperation with organizations and scientific institutions. • Search for motivational tools within the organization. • Training of competence improvement. • Loyalty incentives.	**S**
	Risk of accidents, incapacity.	Failure to manage occupational risks, safety and health violations.	*Internal*	*long-term*	ORGANIZATION	• The Employee Safety and Health Policy has been approved, safety and health briefings and trainings are conducted regularly. • Regular assessment of occupational risks. • Reduction of ergonomic, chemical and other risk factors by technological means and by implementing internal programs.	**S**
	The risk of compliance of working conditions and employee well-being with market conditions and customer requirements.	Increasing customer standards for employee well-being.	*External*	*long-term*	FINANCE / COMPLIANCE	• Regular monitoring of customer requirements. • Approved Remuneration Policy where remuneration is benchmarked against market conditions. • Regular monitoring and improvement of conditions.	**S**
	Human rights violations: discrimination and failure to ensure equal opportunities.	Inconsistency of employee behavior with the Group's values and established regulations.	*Internal*	*long-term*	ORGANIZATION	• Human Rights, Equal Opportunities, Violence and Harassment at Work policies and their implementation procedures have been approved. • Employee training. • The possibility of confidential and anonymous messages is ensured.	**S**
	Improper separation of waste streams, waste reduction rates are too slow.	Improper separation of waste in production processes, human factor, solutions offered by waste managers.	*Internal*	*medium-term*	ORGANIZATION / REPUTATION	• Approved waste management procedures and processes. • Contracts have been signed with waste managers. • Technical solutions for waste separation and collection. • Employee education.	**E**
	Risk of data traceability and correctness of GHG emission assessment and reduction targets.	Incorrect data collected, inappropriate data depth, human factor.	*Internal*	*medium-term*	ORGANIZATION / COMPLIANCE	• Automation of data collection. • External consultants are used as needed.	**E**
	Risk of adverse environmental impact.	The risk of environmental pollution due to the consumption and release of large amounts of natural resources, technology failures.	*Internal*	*long-term*	ORGANIZATION / COMPLIANCE	• Approved Environmental Protection Policy, compliance with laws. • Regular monitoring, impact assessment, pollution monitoring programs. • Implementation of mitigation technologies.	**E**
	Failure to ensure data security, cyber attacks.	Physical and software data security is not ensured.	*External*	*long-term*	ORGANIZATION / REPUTATION	• Approved IT security policy. • GDPR approved. • Continuous improvement of physical and software data security. • External consultants are used as needed.	**G**

RISK MANAGEMENT

TYPE OF RISKS	RISK FACTORS	RISK SOURCE	SOURCE TYPE (internal/external)	PERIOD (short-term, medium-term, long-term)	INFLUENCE STRATEGIC DIRECTION/ AREA OF INFLUENCE	RISK MANAGEMENT	ESG TYPE: E / S / G
OPERATIONAL RISKS	Risks of non-timely data management/inaccuracy	Slow digitization processes due to long-term acquisition of software and technological solutions, delayed implementation process.	*Internal*	*medium-term*	ORGANIZACIJA	• Implementation of data automation solutions. • Structural changes are being implemented to speed up implementation processes.	**S**
	Business continuity risk	Compliance with laws, extreme events caused by climate change, uncertainty caused by political and other unrest (e.g. pandemic, mobilization, civil security, etc.).	*External / internal*	*long-term*	ORGANIZATION / FINANCE	• Business continuity plans have been approved.	**S, G**
	Physical risks of climate change	Deterioration of factors affecting activity due to climate change: deterioration of the environment (air, water, soil pollution), deterioration/lack of water, climate warming.	*External*	*long-term*	ORGANIZATION / FINANCE	• Regular environmental factor monitoring programs.	**E**
	Climate change transition risk	The need for financial and human resources in adapting to climate change: implementation of low-emission technological measures, resources for continuous impact assessment and mitigation.	*External*	*long-term*	ORGANIZATION / FINANCE	• Continuous assessment of organizational sustainability. • Continuous monitoring of EU and LR law and action planning. • A new Investment Projects department has been created for the management of innovation projects, which also manages low-emission technology implementation projects.	**G**

RISK MANAGEMENT

TYPE OF RISKS	RISK FACTORS	RISK SOURCE	SOURCE TYPE (internal/ external)	PERIOD (short-term, medium-term, long-term)	INFLUENCE STRATEGIC DIRECTION/ AREA OF INFLUENCE	RISK MANAGEMENT	ESG TYPE: E / S / G
RISKS OF COMPLIANCE	Untimely reporting to shareholders / NASDAQ	Uncontrolled internal information and untimely communication to shareholders.	internal	long-term	FINANCE	• Regular reporting according to the plan. • Confirmed responsibilities for providing information.	**G**
	Climate change transition compliance risks	Unmanaged adaptation to changing regulation – failure to meet stakeholder requirements.	internal	long-term	FINANCE / COMPLIANCE	• Continuous assessment of organizational sustainability. • Continuous monitoring of EU and LR law and action planning. • Impact mitigation strategy, impact mitigation plans for individual areas. • Confirmed responsibility for the implementation of the plan. • Regular monitoring of mitigation results.	**E**
	Preparation of SUSTAINABILITY REPORT according to the CSRD directive is too slow	Decisions not approved on time and necessary information and evidence not collected.	internal	medium-term	COMPLIANCE	• Preparation plan for the implementation of the directive. • Confirmed responsibility and regular communication of readiness. • Implementation of technological solutions for data collection.	**G**
	Supply chain sustainability compliance risks	Growing customer demands on the supply chain.	internal	medium-term	COMPLIANCE	• Regular monitoring of customer requirements. • Implementation of sustainability actions in the Group. • Bringing sustainability requirements to the supply chain.	**G**
	Taxonomic investment growth too slow	Decisions not approved on time and necessary information and evidence not collected.	internal	long-term	FINANCE / COMPLIANCE	• Taxonomic Information Management Program. • Implementation of data traceability and storage solutions.	**G**
	Risk of adverse and unplanned regulatory changes	Uncontrolled or too slow adaptation to new regulatory changes.	external	medium-term	COMPLIANCE	• Confirmed responsibilities for different areas of activity. • Information management and risk assessment at the Group level.	**G**

SUSTAINABILITY REPORT
(Corporate Social Responsibility report)

ESG CONTENTS

The VILVI GROUP's annual report discloses environmental, social and governance information. It includes an information index for faster reading of sustainability information.

The Group is preparing for disclosures under the Corporate Sustainability Reporting Directive (CSRD) for 2024.

SUSTAINABILITY IN THE GROUP

About the report

This report introduces Vilvi Group (further on – the Group) activities in the fields of responsible business and sustainability in 2023. This document reveals how responsible business approach and the Group's management principles translate into the company's daily activities and future plans. It also presents the Group's strategic perspectives, actions and achievements in terms of social responsibility and sustainability, introducing progress-oriented environmental, social and governance aspects (further on – ESG areas).

The sustainability (social responsibility) report is part of the 2023 audited annual report of AB Vilkyškių pieninė consolidated and parent company.

This report has been issued according to NASDAQ environmental, social and governance guidelines, the United Nations Global Compact, the United Nations Sustainable Development Goals, and the European Commission's communication on 'Guidelines for Non-Financial Reporting' (2017/C215/01).

Sustainability in VILVI GROUP

We aim to make sustainability a core value of our organization, a part of our culture, and be integrated into all business processes. We monitor, measure and assess the impact of the Group's activities on the environment and on people. We understand that this is important not only for us, but also for stakeholders, therefore, we publish a sustainability (social responsibility) report every year. The Group employs a sustainability specialist, therefore, the importance of sustainability is understood in all staff lines and everyone strives to make their own contribution to building a sustainable organization. Sustainability issues are addressed not only in the top management team, but also in the Groups's Board.

Sustainability is integrated into the business processes of VILVI GROUP: from operational activities, work with suppliers and partners, to the implementation of sustainable innovations. We aim to reduce the negative impact on the environment.

Although the assessment given by consumers and partners allows us to call ourselves the leaders of the country's milk market, we realize that only the cooperation of all market players will ensure significant changes in sustainability in the entire sector, therefore, we strive for respectful competition and partnership, guaranteeing the well-being of society and positive changes towards nature.

Internal responsibility, transparency and accountability to society are the starting points for further sustainable growth of VILVI GROUP, development of employees and mutually beneficial cooperation with all stakeholders both in Lithuania and abroad.

Sustainable development goals of VILVI GROUP

This is not the first year we have joined the United Nations Organization's Sustainable Development Goals (SDG https://unglobalcompact.org/sdgs). From the 17 points identified as the biggest global sustainability challenges, we have selected those areas where we believe we can make a positive impact, we aim to turn the negative impact into a positive one or at least significantly reduce it. The goals we set become our daily push to find sustainable solutions.

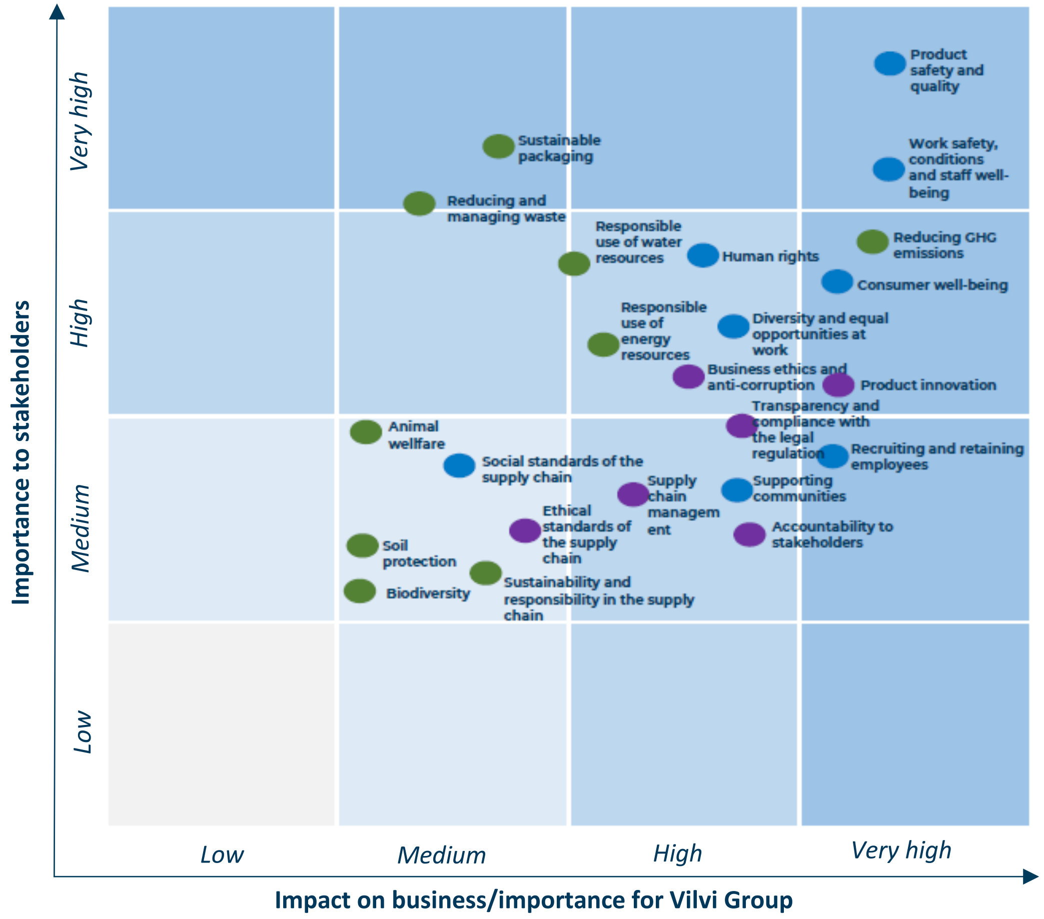
STAKEHOLDERS

The Group has a wide variety of stakeholders both inside and outside the Group. The concept of stakeholders refers to natural and legal entities, also organisations that could experience positive or negative impact, caused by the operations of Vilvi Group and all those who are interested in the company. The list has been compiled based on the company's internal information.

Interested group	Interests
Business clients	Partnership, rational product and service prices, precise and relevant information, ensured product and service quality, responsible supply chain.
End consumers	Product safety and quality, variety and availability, complete nutrition, social responsibility (transparency and reducing environmental impact).
Employees	Responsible employment: safe workplace, fair salary, guarantees, employment and social integration, equal opportunities, improvement opportunities.
Management	Development of the Group's value in the long term, product development perspectives.
Shareholders and investors	Fulfilment of financial goals, business efficiency, increasing the company's value, transparency and accountability.
Suppliers	Partnership, rational product and service prices, guaranteed supply of services and settlement, available, precise and relevant information, ensured product and service quality, efficient cooperation.
Suppliers of raw materials	Partnership, rational production price, responsibility in the supply of products.
National regulatory authorities	Consistent compliance with the requirements of the legislation, operations' control and monitoring, report assessment, transparent dialogue.
Local communities	Responsible employer and active membership in the community, transparency, reduction of environmental impact.
Educational institutions (colleges, universities, etc.)	Cooperation, sharing experience, career opportunities, investments into scientific research.
Competitors	Respect, fair, transparent and ethical business.
Non-governmental organisations	Cooperation, transparency, accountability, reduction of environmental impact.
Media	Transparency, responsibility and dialogue.

ASSESSMENT OF SIGNIFICANCE OF SUSTAINABILITY ASPECTS

The assessment of the significance of ESG aspects was carried out for the first time in 2022. The purpose of this assessment was to clarify the sustainability aspects, to be used as the foundation for Vilvi Group sustainability priorities. The assessment was conducted based on GRI guidelines and SASB and MSCI recommendations, taking into account the activities and the sector in which we operate. Targeted stakeholder groups were interviewed, an internal strategic



RELEVANT ESG ASPECTS OF VILVI GROUP

ENVIRONMENTAL PROTECTION

- Reduction of GHG emissions
- Responsible use of water resources
- Responsible use of energy resources
- More sustainable packaging
- Waste reduction and management
- Animal welfare
- Soil protection
- Biodiversity
- Sustainability and responsibility in the supply chain

SOCIAL ENVIRONMENT

- Occupational safety, conditions and staff well-being
- Product safety and quality
- Consumer well-being
- Human rights
- Diversity and equal opportunities at work
- Recruiting and retaining employees
- HELPING COMMUNITIES
- Social standards of the supply chain

GOVERNANCE

- Product innovation
- Supply chain management
- Ethical standards of the supply chain
- Business ethics and anti-corruption
- Transparency and compliance with the legal regulation
- Accountability to stakeholders

VILVI GROUP'S SUSTAINABLE DEVELOPMENT GOALS CORRESPONDING TO RELEVANT ESG ASPECTS

RELEVANT ESG ASPECTS OF VILVI GROUP

Sustainability aspects, which complied with the criterion of average, high or very high significance both to the stakeholders and Vilvi Group in the significance assessment. These ESG aspects receive the greatest attention in planning and fulfilment of sustainable business management on the Group level.

SUSTAINABILITY ASPECT	SIGNIFICANCE	ESG AREA
Product safety and quality	Ensuring safety and quality of the production.	SOCIAL ENVIRONMENT
Work safety, conditions and staff wellbeing	Creating a safe working environment, taking care of the employees' physical, psychological and emotional health, ensuring proper working conditions, balanced work-reset regime, and a proper salary.	SOCIAL ENVIRONMENT
Reducing GHG emissions	Assessment of greenhouse gas emissions, and setting and achieving reduction goals.	ENVIRONMENTAL PROTECTION
Consumer well-being	Proper product marking, indicating product nutritional value, consumer education, responsible marketing communication.	SOCIAL ENVIRONMENT
Product innovation	Introduction of innovation to achieve efficient and modern production and business processes.	GOVERNANCE
Human rights	Ensuring fundamental human rights.	SOCIAL ENVIRONMENT
Diversity and equal opportunities	Maintaining diversity and ensuring inclusion of sensitive social groups, social justice.	SOCIAL ENVIRONMENT
Business ethics and anti-corruption	Ethical and transparent operation.	GOVERNANCE
Transparency and compliance	Compliance with the law and legislation.	GOVERNANCE
Responsible use of water resources	Responsible management of water resources, introducing sustainable technology.	ENVIRONMENTAL PROTECTION
Responsible use of energy resources	Responsible management of energy resources, introduction of sustainable technology, using renewable energy resources.	ENVIRONMENTAL PROTECTION
HELPING COMMUNITIES	Inclusion of the community, cooperation in various projects, and assistance to community in relevant areas.	SOCIAL ENVIRONMENT
Accountability to stakeholders	Transparency and accountability according to the legislation of the Republic of Lithuania.	GOVERNANCE
Supply chain management	Efficient supply chain management, risk diversification.	GOVERNANCE
Recruiting and retaining employees	Active recruitment action, staff competence improvement, career opportunities, promotions.	SOCIAL ENVIRONMENT

ENVIRONMENTAL PRIORITIES

ASPECTS SIGNFICANT TO VILVI GROUP IN THE FIELD OF ENVIRONMENTAL PROTECTION:

- **Reducing GHG emissions**
- **Responsible use of water resources**
- **Responsible use of energy resources**
- **Reducing and managing waste**
- **Sustainable packaging**

7 PRIEINAMA IR ŠVARI ENERGIJA

12 ATSAKINGAS VARTOJIMAS IR GAMYBA

13 KOVA SU KLIMATO KAITA

VILVI GROUP PRIORITIES	GOALS	ACTIONS IN 2023	EXTERNAL FACTORS
RESPONSIBLE USE OF THE NATURAL RESOURCES AND ENERGY EFFICIENCY	**LONG-TERM DIRECTION:** Development and introduction of new, environmentally-friendly technology and saving natural resources thus ensuring a clean environment and a high quality of air, soil and water. **GOALS FOR 2023-2024:** • natural resource consumption monitoring system on the Group level; • renewable energy projects; • reducing water consumption and wastewater.	• Introduction of the unified VILVI GROUP natural resource use monitoring system. • Start of the installation of private solar power plants on the roofs of factories. • Local system upgrade works on the sites of operations. • AB Vilkyškių Pieninė started implementing a technology that cleans permeate water so that it can be used again in production processes (reducing water consumption and amounts of wastewater). • AB Modest installed heating and cooling regeneration technologies. • Installation of own electric vehicle charging stations.	• *In 2023, green electricity is significantly more expensive than non-renewable energy, which led to the termination of the purchase of green energy and the installation of own solar power plants.*
REDUCING ENVIRONMENTAL IMPACT	**LONG-TERM DIRECTION:** reducing GHG emissions by joining the global climate change agreement goals. **GOALS FOR 2023-2024:** • regular environmental impact assessment; • assessment of GHG emissions; • setting environmental impact reduction goals.	• Scope 1, Scope 2 assessment of GHG emissions. • Internal environmental audit to identify areas of greatest impact.	
REDUCING AND CIRCULARITY OF WASTE	**LONG-TERM DIRECTION:** reducing production waste and increasing reusability. **GOALS FOR 2023-2024:** • development of a waste monitoring system on the Group level; • adapting to new regulations in the field of chemical material/waste management; • adaptation to new regulations in the field of packaging; • installation of primary wastewater treatment equipment.	• A unified VILVI GROUP monitoring system for the use of natural resources is being prepared. • Management of the use of chemicals at the Group level. • Consistent implementation of projects for more sustainable packaging.. • Preparing to adapt to the EU single-use plastics directive - tying beverage stoppers to beverage packaging.	• *Changing and growing requirements in the fields of chemicals and packaging.*

PRIORITIES IN THE SOCIAL FIELD

ASPECTS SIGNFICANT TO VILVI GROUP IN THE SOCIAL FIELD:

- **Product safety and quality**
- **Work safety, conditions and staff well-being**
- **Human rights**
- **Consumer well-being**
- **Recruiting and retaining employees**
- **Diversity and equal opportunities**
- **HELPING COMMUNITIES**

2 KOVA SU BADU

3 GERA SVEIKATA

8 DERAMAS DARBAS IR EKONOMIKOS AUGIMAS

10 NELYGYBĖS MAŽINIMAS

VILVI GROUP PRIORITIES	GOALS	ACTIONS IN 2023	EXTERNAL FACTORS
TO ENSURE PRODUCT SAFETY AND QUALITY	**LONG-TERM DIRECTION:** ensuring product safety and quality with adherence to the highest food safety and quality standards, and legal regulation. **GOALS FOR 2023-2024:** • schedule food safety certificate renewal;; • scheduled internal audits;; • client and state institution audits according to the need..	• Upgraded all planned food safety and quality standards. • Scheduled internal audits. • SFVS and potential client audits according to the need.	
SUPPLY THE MARKET WITH PRODUCTS THAT ENSURE CONSUMER WELL-BEING	**LONG-TERM DIRECTION:** Promote healthier nutrition by offering the market healthier and accessible products (with favourable prices); conduct product marking and marketing communication with adherence to all legal regulations, and take additional steps to educate the consumers. **GOALS FOR 2023-2024:** • introducing the market to a dairy line with less sugar content; • research and development (R&D) project with the Lithuanian University of Health Sciences; • educate the consumer in the fields of healthier nutrition and sustainability.	• Development of a product line with less sugar content. • Completed R&D project with the Lithuanian University of Health Sciences (LUHS). • Implementation of continuous educational projects.	
ENSURING STAFF WELL-BEING	**LONG-TERM DIRECTION:** Ensuring ethical employment with respect to the fundamental human rights, equality, a right to a fair salary, and safe working conditions that are favourable to health and personal growth; putting an active effort in recruiting and retaining employees. **GOALS FOR 2023-2024:** • Ensuring safe working conditions; • Improvement of processes and tools to ensure the human right and equality; • Ensuring fair working conditions and qualification improvement opportunities.	• Increased attention on accident prevention. • Internal qualification management projects. • Leadership and specialty training. • Improving financial working conditions. • Projects for improving ergonomic working conditions.	• Growing customer demands for employee well-being.
STRENGTHENING COMMUNITIES	**LONG-TERM DIRECTION:** Developing an open dialogue, creating partnerships and strengthening local communities. **GOALS FOR 2023-2024:** • An open dialogue with local communities; • Offering support, based on the established criteria.	• Offering support, based on established selection criteria. • Active support for regional organizations. • Sponsorship of Tauragė - Lithuanian capital of culture in 2023.	

PRIORITIES IN THE FIELD OF GOVERNANCE

ASPECTS SIGNFICANT TO VILVI GROUP IN THE FIELD OF GOVERNANCE:

8 DERAMAS DARBAS IR EKONOMIKOS AUGIMAS

9 PRAMONĖ, INOVACIJOS IR INFRASTRUKTŪRA

16 TAIKA, TEISINGUMAS IR STIPRIOS INSTITUCIJOS

Product innovation

Transparency and compliance

Accountability to stakeholders

Business ethics and anti-corruption

Supply chain management

VILVI GROUP PRIORITIES	GOALS	ACTIONS IN 2023	EXTERNAL FACTORS
TECHNOLOGICAL INNOVATIONS	**LONG-TERM DIRECTION:** Introduce innovations to obtain the maximum value from each drop of milk and reduce the impact on the environment. **GOALS FOR 2023-2024:** • Innovations, focused on developing the range of products; • Innovations, increasing energy-independence and the use of renewable energy; • Improvement of the project management competence.	• Creation of the investment projects department. • Execution of innovation implementation projects according to the plan. • Biotechnology innovations/investments AB Vilkyškių pieninė. • Approved investments in the construction of a new factory of SIA Baltic Dairy Board, in Latvia. • Commencement of the installation of own solar power plants on the roofs of factories. • Heat regeneration project by AB Modest.	
TRANSPARENCY AND COMPLIANCE TO THE LAW	**LONG-TERM DIRECTION:** Ethical business in compliance with the law and legislation. **GOALS FOR 2023-2024:** • To deepen the knowledge and competence of business ethics at the Group level; • Adapting to the new requirements regarding the EU Green Deal: Increasing sustainability disclosure requirements, taxonomy..	• Active exploration of disclosure requirements for non-financial information. • The development of an information monitoring system for taxonomy eligible activities on the group level.. • The Supervisory Board was formed and started its work.	
ACCOUNTABILITY TO STAKEHOLDERS	**LONG-TERM DIRECTION:** transparent and timely information to shareholders and investors, trust-based relationship with all stakeholders. **GOALS FOR 2023-2024:** • Timely provision of relevant information to shareholders and investors, as established by the law; • Creating a dialogue and trust with stakeholders.	• Regular provision of information to shareholders and investors..	
SUPPLY CHAIN MANAGEMENT	**LONG-TERM DIRECTION:** Resilient and efficient supply chains. **GOALS FOR 2023-2024:** • Increasing energy independence;; • improvement of the supplier screening system by increasing the integration of aspects on social responsibility.	• Commencement of the installation of own solar power plant on factory roofs. • Improvement of the supplier screening system.	• Growing customer demands for supply chain management.

GROUP POLICIES THAT HAVE THE GREATEST IMPACT ON ESG AREAS

Policies and codes are certified on the scale of the entire Group or, if required the legislation – at each Company individually.

Each policy has **designated responsible persons** at senior management or department head level.

Policies and codes have::
- **An established implementation procudure** (established in the same policy or individual implementation procedures);
- **Processes of monitoring and control**.

Employees and other stakeholders can report cases of non-compliance to::
- In case of suspicion of harm to the public interest – the **roup's Reporting Channel** on the Group's website;
- All worrying situations can be reported to the **Group's Trust Line** on the Group's website. This channel also has an anonymous reporting option.

The Group's Reporting Channel and Trust Line has established procedures of how the persons, responsible for these channels, should react and what process applies to the situation analysis and finding a solution. Confidentiality and personal data protection are guaranteed.

Policy/procedure	Short description
Human Rights Policy	The major principles of respect to people, their rights and choices, based on the document of the United Nations, and procedure of adherence to these principles.
Code of Ethical Employment	The Group's established aim to ensure that all employees feel safe, respected and valued, know their rights and opportunities, which are equal to everyone. Code highlights the position not to employ children or minors, respect and support to the employees' right to unite into peaceful associations, and the right to collective negotiations, also taking care of employees' safety and well-being.
Equal Opportunities Policy	This policy establishes the fact that the Group has zero tolerance to direct or indirect discrimination, harassment or discriminative orders. It also lists the equal opportunities at work, applicable to all employees.
Policy for the Prevention of Violence and Harassment at Work	We strive to create a safe working environment not only physically, but also emotionally. Therefore, this document clearly lists the cases and behaviours that cannot and will not be tolerated in the Group, including preventive actions and control measures.
Code of Ethical Business	Lists the requirements for everyone working in the Group and those that we work with in order to ensure transparent, ethical and fair business and cooperation in terms of people and the environment, evading corruption, bribery or other cases of unauthorised agreements. It also establishes provisions regarding disclosure of information.
Occupational Safety and Health Policy	This policy reflects our priority of people and their well-being at work, focusing on the aim to provide each of our employees with safe working conditions that comply with the law, wellness culture development, promotion and support.
Environmental protection policy	This policy lists the principles, established according to the expectations of all of our stakeholders, and the Groups goals to reduce the negative and increase the positive impact on the environment.
Food Safety and Quality Policy	Since the Group aims to produce quality and safe food products, this policy lists all related goals and their implementation measures. This policy also highlights the efforts of creating a sustainable environment and reducing the impact on nature. Last, but not least, it also emphasizes the importance of close cooperation with milk suppliers.
Remuneration Policy	Establishes the principles of employee remuneration, the major provisions of efficient work pay cost management, at the same time creating motivational incentives for the employees to contribute to the mission, vision, values and goals of the responsibly managed Group. It highlights the principle of justice, which means paying equal salaries for employees with the same level of duties.
IT Safety Policy	This policy aims to define the necessary procedures and rules, applicable to employees using the Group's IT infrastructure resources to maintain their security, integrity and accessibility.
Rules of Personal Data Processing	Establishes personal data processing compliance with the provisions of the General Data Protection Regulation (GDPR).

TAXONOMY OVERVIEW

The Group reveals the valuation of taxonomic economic activities. 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 analysed, and the aim is to increase the taxonomy indicators.

The Group's main activity is dairy processing, food production is not included in Delegated Act (EU) 2021/2178 or the additional Delegated Acts published in 2022.

Taxonomy overview process at Vilvi Group:

The analysis of the Group's activities is based on the following process;:

- identification of taxonomy activities;;
- technical assessment of each of the activities to see compliance to technical and significant contribution to impact reduction and (or) adaptation goals;;
- assessment if the activities does not pose significant harm to other environmental;
- assessment of the provision of necessary protective measures;;
- final assessment of the activity's compliance;
- calculation of taxonomy indices for each of the activities;

Documents used as guidelines:

- Taxonomy Regulation (EU) 2020/852
- Delegated Act (EU) 2021/2139
- Delegated Act (EU) 2021/2178
- Delegated Act (EU) 2023/2486

GENERAL PRINCIPLES OF ACCOUNTING POLICIES:

In 2023, the VILIVI GROUP has set three key performance indicators for Taxonomy:

- **Turnover**, which is the external revenue in accordance with International Financial Reporting Standards, which corresponds to consolidated sales in the statement of comprehensive income of AB Vilkyškių pieninė.

- **CAPEX**, which is the increase in the value of property, plant and equipment and intangible assets before depreciation, amortisation and impairment over the previous financial year. The increase is the investment during the financial year (net of any government grants received), the amount of long-term investments presented in the consolidated financial statements excludes increases due to business combinations and liabilities related to the write-down of assets, but includes advances and prepayments.

- **Operating Expenses (OPEX for the purposes of the Taxonomy)**, which is the direct non-capitalised expenses relating to research and development, building renewal measures, short-term leases, maintenance and repairs, and any other direct costs relating to the day-to-day maintenance of property, plant and equipment carried out by the undertaking or by the third party from which the services are procured, and which is necessary in order to ensure the uninterrupted and efficient operation of such assets.

Double counting:
All disclosed indicators in the Taxonomy avoid double counting as each indicator is attributed to different activities. Intra-Group transactions are eliminated where necessary to avoid double counting. VILVI GROUP's activities 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

TAXONOMY OVERVIEW

Taxonomy-eligible and -aligned activities of the VILVI Group in 2023:

CCM – Climate Change Mitigation.

Taxonomy-eligible activities	Taxonomy-eligible activity code	Taxonomy-eligible activity description for Climate change mitigation objective	Corresponding activity in the Group
Collection and transport of non-hazardous waste in source segregated fractions	CCM 5.5	Separate collection and transport of non-hazardous waste in single or comingled fractions aimed at preparing for reuse or recycling.	Collection and transport of non-hazardous waste in single or comingled fractions aimed at preparing for reuse or recycling.
Transport by motorbikes, passenger cars and light commercial vehicles	CCM 6.5	Purchase, financing, renting, leasing and operation of vehicles designated as category M1, N1, both falling under the scope of Regulation (EC) No 715/2007 of the European Parliament and of the Council, or L (2- and 3-wheel vehicles and quadricycles).	Purchase and operation of vehicles. Purchase of EV.
Freight transport services by road	CCM 6.6	Purchase, financing, leasing, rental and operation of vehicles designated as category N1, N2 or N3 falling under the scope of EURO VI, step E or its successor, for freight transport services by road.	Purchase and operation of vehicles.
Construction of new buildings	CCM 7.1	Development of building projects for residential and non-residential buildings by bringing together financial, technical and physical means to realise the building projects for later sale as well as the construction of complete residential or non-residential buildings, on own account for sale or on a fee or contract basis.	Construction of new buildings.
Renovation of existing buildings	CCM 7.2	Construction and civil engineering works or preparation thereof.	Renovation of existing buildings.
Installation, maintenance and repair of charging stations for electric vehicles in buildings (and parking spaces attached to buildings)	CCM 7.4	Installation, maintenance and repair of charging stations for electric vehicles in buildings and parking spaces attached to buildings.	Installation, maintenance and repair of charging stations for electric vehicles.
Installation, maintenance and repair of renewable energy technologies	CCM 7.6	Installation, maintenance and repair of renewable energy technologies, on-site.	Installation, maintenance and repair of renewable energy technologies.
Acquisition and ownership of buildings	CCM 7.7	Buying real estate and exercising ownership of that real estate.	Buing and ownership of real estate.
Professional services related to energy performance of buildings	CCM 9.3.	Professional services related to energy performance of buildings.	Professional services related to energy performance of buildings

In the list are provided Taxonomy-eligible activities, which were implemented in 2023. The activity *5.4. Renewal of waste water collection and treatment* from 2022 is not included into the list of 2023 as it was no longer active. In case it will be renewed, it will be included in the list.

The main objective of VILVI GROUP activities is to contribute to climate change mitigation, therefore they are not fully assessed for climate change adaptation and disclosed as not aligned.

TAXONOMY OVERVIEW, REVENUE

Revenue under the Taxonomy Regulation

Financial year 2023				Substantial contribution criteria						DNSH criteria									
Economic activities under the Taxonomy Regulation	Taxonomy code	Revenue	Proportion of Revenue	Climate change mitigation	Climate change adaptation	Water	Pollution	Circularity	Biodiversity	Climate change mitigation	Climate change adaptation	Water	Pollution	Circularity	Biodiversity	Minimum safeguards	Proportion of Taxonomy-aligned or eligible revenue of 2022	Category enebling activity	Category transitional activity
		kEur	%	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	**37,17**	**0,02**	Y	N	N/EL	N/EL	N/EL	N/EL	-	Y	-	-	Y	-	Y	0,03	-	-
A.1 Total		**37,17**	**0,02**														0,03		
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)		**37,17**	**0,02**														0,,03		
B. Taxonomy non-eligible activities																			
Revenue of Taxonomy-non-eligible activities		**210 499**	**99,98**																
Total (A+B)		**210 536**	**100**																

Taxonomy-eligible activity 5.5. is the only Taxonomy-aligned activity which generated revenues, due to that other activities are not included in the table above.

CCM *– environmental objective - Climate Change Mitigation;* ***Y*** *– Yes/ Yes, Taxonomy-eligible and Taxonomy-aligned activity with the relevant environmental objective; ;* ***N*** *– No/ No, Taxonomy-eligible but not Taxonomy-aligned activity with the relevant environmental objective; ;* ***N/EL****– Not eligible, Taxonomy-non-eligible activity for the relevant environmental objective;* ***EL*** *– Taxonomy-eligible activity for the relevant objective.*

TAXONOMY OVERVIEW, CAPEX

Capital expenditure (Taxonomy CAPEX) under the Taxonomy Regulation																		
Financial year 2023				Substantial contribution criteria						DNSH criteria								
Economic activities under the Taxonomy Regulation	Taxonomy code	Taxonomy CAPEX	Proportion of Taxonomy CAPEX	Climate change mitigation	Climate change adaptation	Water	Pollution	Circularity	Biodiversity	Climate change mitigation	Climate change adaptation	Water	Pollution	Circularity	Biodiversity	Minimum safeguards	Proportion of Taxonomy-aligned or eligible Taxonomy CAPEX of 2022	Category enebling activity	Category transitional activity
		kEur	%	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.	**0**	**0**	Y	N	-	-	-	-	-	Y	-	-	Y	-	Y	0	-	-
Transport by motorbikes, passenger cars and light commercial vehicles	CCM 6.5	**120,9**	**0,90**	Y	N	-	-	-	-	-	Y	-	Y	Y	-	Y	0	-	-
Installation, maintenance and repair of charging stations for electric vehicles in buildings (and parking spaces attached to buildings)	CCM 7.4.	**0,8**	**0,01**	Y	N	-	-	-	-	-	Y	-	-	-	-	Y	0,04	E	-
Installation, maintenance and repair of renewable energy technologies	CCM 7.6.	**18,77**	**0,14**	Y	N	-	-	-	-	-	Y	-	-	-	-	Y	0	E	-
A.1 Total		**140,47**	**1,05**														0,04		
of which Enabling		**19,57**	**0,15**																
of which Transitional		**0**	**0**																

CCM *– environmental objective - Climate Change Mitigation;* ***Y*** *– Yes/ Yes, Taxonomy-eligible and Taxonomy-aligned activity with the relevant environmental objective; ;* ***N*** *– No/ No, Taxonomy-eligible but not Taxonomy-aligned activity with the relevant environmental objective; ;* ***N/EL****– Not eligible, Taxonomy-non-eligible activity for the relevant environmental objective;* ***EL*** *– Taxonomy-eligible activity for the relevant objective.*

TAXONOMY OVERVIEW, CAPEX

Capital expenditure (Taxonomy CAPEX) under the Taxonomy Regulation

		Financial year 2023		Substantial contribution criteria						DNSH criteria									
Economic activities under the Taxonomy Regulation	Taxonomy code	Taxonomy CAPEX	Proportion of Taxonomy CAPEX	Climate change mitigation	Climate change adaptation	Water	Pollution	Circularity	Biodiversity	Climate change mitigation	Climate change adaptation	Water	Pollution	Circularity	Biodiversity	Minimum safeguards	Proportion of Taxonomy-aligned or eligible Taxonomy CAPEX of 2022	Category enebling activity	Category transitional activity
		kEur	%	Y, N, N/EL	Y, N, N/EL	Y, N, N/EL	Y, N, N/EL	Y, N, N/EL	Y, N, N/EL	T/N	T/N	T/N	T/N	T/N	T/N	T/N	%	E	T
A.2 Taxonomy-eligible but not environmentally sustainable activities (not Taxonomy-aligned activities)																			
Collection and transport of non-hazardous waste in source segregated fractions	CCM 5.5.	**0**	**0**	EL	EL	N/EL	N/EL	N/EL	N/EL								0		
Transport by motorbikes, passenger cars and light commercial vehicles	CCM 6.5.	**94,49**	**0,70**	EL	EL	N/EL	N/EL	N/EL	N/EL								0		
Freight transport services by road	CCM 6.6.	**1 028,95**	**7,65**	EL	EL	N/EL	N/EL	N/EL	N/EL								0		
Construction of new buildings	CCM 7.1.	**1 314,13**	**9,78**	EL	EL	N/EL	N/EL	N/EL	N/EL								0		
Renovation of existing buildings	CCM 7.2.	**403,4**	**3**	EL	EL	N/EL	N/EL	N/EL	N/EL								0		
Acquisition and ownership of buildings	CCM 7.7	**0**	**0**	EL	EL	N/EL	N/EL	N/EL	N/EL								0		
Professional services related to energy performance of buildings	CCM 9.3	**0**	**0**	EL	EL	N/EL	N/EL	N/EL	N/EL								0		
A. 2 Total		**2 840,97**	**21,14**														0		
CAPEX of Taxonomy-eligible activities (A.1+A.2)		**3 121,91**	**23,23**																
B. Taxonomy non-eligible activities																			
Taxonomy CAPEX of Taxonomy-non-eligible activities		**10 320**	**76,77**																
Total(A+B)		**13 442**	**100**																

CCM *– environmental objective - Climate Change Mitigation;* ***Y*** *– Yes/ Yes, Taxonomy-eligible and Taxonomy-aligned activity with the relevant environmental objective; ;* ***N*** *– No/ No, Taxonomy-eligible but not Taxonomy-aligned activity with the relevant environmental objective; ;* ***N/EL****– Not eligible, Taxonomy-non-eligible activity for the relevant environmental objective;* ***EL*** *– Taxonomy-eligible activity for the relevant objective.*

TAXONOMY OVERVIEW, OPEX

Operating expenses (Taxonomy OPEX) under the Taxonomy Regulation

		Financial year 2023		Substantial contribution criteria						DNSH criteria									
Economic activities under the Taxonomy Regulation	Taxonomy code	Taxonomy OPEX	Proportion of Taxonomy OPEX	Climate change mitigation	Climate change adaptation	Water	Pollution	Circularity	Biodiversity	Climate change mitigation	Climate change adaptation	Water	Pollution	Circularity	Biodiversity	Minimum safeguards	Proportion of Taxonomy-aligned or eligible Taxonomy OPEX of 2022	Category enebling activity	Category transitional activity
		kEur	%	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.	**175,95**	**0,1**	Y	N	-	-	-	-	-	Y	-	-	Y	-	Y	0,05	-	-
Transport by motorbikes, passenger cars and light commercial vehicles	CCM 6.5.	**1,05**	**0,00**	Y	N	-	-	-	-	-	Y	-	Y	Y	-	Y	0	-	-
Installation, maintenance and repair of charging stations for electric vehicles in buildings (and parking spaces attached to buildings)	CCM 7.4.	**0,1**	**0,00**	Y	N	-	-	-	-	-	Y	-	-	-	-	-	0	E	-
Installation, maintenance and repair of renewable energy technologies	CCM 7.6.	**0**	**0**	Y	N	-	-	-	-	-	Y	-	-	-	-	Y	0	E	-
A.1 Total		**177,1**	**0,1**														0		
of which Enabling		**0,1**	**0**																
of which Transitional		**0**	**0**																

***CCM** – environmental objective - Climate Change Mitigation; **Y** – Yes/ Yes, Taxonomy-eligible and Taxonomy-aligned activity with the relevant environmental objective; ; **N** – No/ No, Taxonomy-eligible but not Taxonomy-aligned activity with the relevant environmental objective; ; **N/EL**– Not eligible, Taxonomy-non-eligible activity for the relevant environmental objective; **EL** – Taxonomy-eligible activity for the relevant objective.*

TAXONOMY OVERVIEW, OPEX

Operating expenses (Taxonomy OPEX) under the Taxonomy Regulation

		Financial year 2023		Substantial contribution criteria						DNSH criteria									
Economic activities under the Taxonomy Regulation	Taxonomy code	Taxonomy OPEX	Proportion of Taxonomy OPEX	Climate change mitigation	Climate change adaptation	Water	Pollution	Circularity	Biodiversity	Climate change mitigation	Climate change adaptation	Water	Pollution	Circularity	Biodiversity	Minimum safeguards	Proportion of Taxonomy-aligned or eligible Taxonomy OPEX of 2022	Category enebling activity	Category transitional activity
		kEur	%	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.2 Taxonomy-eligible but not environmentally sustainable activities (not Taxonomy-aligned activities)																			
Collection and transport of non-hazardous waste in source segregated fractions	CCM 5.5.	**30,11**	**0,02**	EL	EL	N/EL	N/EL	N/EL	N/EL								0,01		
Transport by motorbikes, passenger cars and light commercial vehicles	CCM 6.5.	**3,13**	**0,00**	EL	EL	N/EL	N/EL	N/EL	N/EL								0		
Freight transport services by road	CCM 6.6.	**10,57**	**0,01**	EL	EL	N/EL	N/EL	N/EL	N/EL								0		
Construction of new buildings	CCM 7.1.	**0**	**0**	EL	EL	N/EL	N/EL	N/EL	N/EL								0		
Renovation of existing buildings	CCM 7.2.	**0**	**0**	EL	EL	N/EL	N/EL	N/EL	N/EL								0		
Acquisition and ownership of buildings	CCM 7.7	**0**	**0**	EL	EL	N/EL	N/EL	N/EL	N/EL								0		
Professional services related to energy performance of buildings	CCM 9.3.	**4,97**	**0,00**	EL	EL	N/EL	N/EL	N/EL	N/EL								0		
A. 2 Total		**48,78**	**0,03**														0,12		
OPEX of Taxonomy-eligible activities (A.1+A.2)		**402,98**	**0,22**														0,0,6		
B. Taxonomy non-eligible activities																			
Taxonomy OPEX of Taxonomy-non-eligible activities		**182 446**	**99,78**																
Total(A+B)		**182 849**	**100**																

CCM *– environmental objective - Climate Change Mitigation;* ***Y*** *– Yes/ Yes, Taxonomy-eligible and Taxonomy-aligned activity with the relevant environmental objective; ;* ***N*** *– No/ No, Taxonomy-eligible but not Taxonomy-aligned activity with the relevant environmental objective; ;* ***N/EL****– Not eligible, Taxonomy-non-eligible activity for the relevant environmental objective;* ***EL*** *– Taxonomy-eligible activity for the relevant objective.*

ENVIRONMENTAL PROTECTION

ENVIRONMENTAL MANAGEMENT

Vilvi Group management is based on general principles and values of the Group, thus, the environmental management is conducted according to the same principles.

In 2022, the Group certified the Environmental Protection Policy, which defines the guidelines and principles of implementing a culture and practice of a sustainable business in all companies of the Group. The policy lists the major areas of environmental impact and goals of reducing the negative and increasing the positive impact.

Group companies seek to optimize energy consumption by active monitoring. Until 2023 VILVI GROUP purchased only green energy, i.e. derived from renewable sources. Due to the increases price spreads of green energy, the decision was made to cancel green energy purchases and invest into internal solar energy generation projects (solar panels on the roofs of manufacturing facilities). Towards the end of 2024 solar panels will start generating energy on the majority of manufacturing buildings.

Group actively measures CO2 emissions and environmental impact. In 2023 Scope 1 and Scope 2 measurement of CO2 emissions was implemented. In 2024 Scope 3 measurement will take place.

The business development is based on all applicable environmental protection legislation requirements, including taking pollution prevention actions, cooperation with business partners, state institutions, improvement of staff competence and responsible attitude towards environmental protection.

Seeking for its strategic goals, the Group is doing its best to reduce the negative impact on the environment, being on the path of continuous change towards being a more environmentally-friendly organization.

Policies, certified within the Group:

Environmental Protection Policy

We are aware of our impact on the environment in the following aspects:

- air pollution with greenhouse gasses;
- using a significant amount of energy and natural resources;
- generating production waste, surface wastewater and other waste during our operations;
- physical environmental pollution: noise, smells;
- using a significant amount of product packaging;
- using chemical substances;
- impact on biodiversity and animal well-being.

We aim to control and reduce the negative impact on the environment, and increase the positive impact by adhering to the following principles:

- monitoring our impact on the environment – the use of natural and energy resources, accumulation of production and surface waste water, packaging and other waste;
- we aim to assess the organisation's carbon footprint, setting targets to reduce it;
- our goal is to evade, limit or reduce the negative impact on the climate, protecting the air, water and soil from more pollution, and to control the physical pollution of the environment;
- we seek to process the waste, accumulating at the company, by following the 'reduce, reuse, recycle' principle;
- we initiate more sustainable packaging choices;
- we aim to increase the use of renewable energy (by reducing the use of other types of energy);
- we do our best to use high-quality and more environmentally-friendly materials and measures, applying processes and technology that do not increase the pollution or other negative impact on the environment.

How do we do it:

- we conduct our business according to all applicable environmental protection legislation requirements;
- we cooperate with other environmental improvement stakeholders – business partners, state institutions, authorities, and communities that we impact;
- we conduct regular reviews of the environmental impact, monitoring and inspecting our efficiency, improving our environmental protection policy, and informing the society of our advancement;
- we take pollution prevention action;
- we develop our staff competence and responsible attitude towards environmental protection.

ENERGY AND NATURAL RESOURCE USE

Energy resource use

In 2023, the Group's energy consumption was a little lower than in 2022, while the energy consumed was used particularly efficiently due to increased production scope and implemented technology. The amount of energy, used to produce 1 t of production and attributed to 1 unit of revenue (million Eur) was significantly lower in 2023 than 2022.

As the circumstances of the war in Ukraine strongly affected the energy sector, the Group was forced to quickly respond to the situation and adapt to the market changes. Under enormous energy price differences and in attempts to maintain stability, wherever technologically possible, plants quickly switched to using cheaper types of fuel. The boiler rooms of AB Modest and AB Kelmės Pieninė were equipped with technology, enabling to change the type of fuel. Changed market conditions in early 2023 enabled to switch back to the previously used less polluting solutions.

Due to the significant differences in the prices of green energy and electricity from non-renewable sources, the purchase of green electricity was stopped after several years of breaks. A decision was made to install our own solar power plants on the roofs of the factories. UAB Kelmės pienas installed a solar power plant with its own funds, in 2023 partial EU financing was approved for solar power plants on the roofs of AB Vilkyškių pieninė and AB Modest factories. After the implementation of the projects, the Group will produce more than 1000 MWh of electricity per year.

Energy resource use	2021	2022	2023
Total energy consumed, GWh	**99.77**	**98.45**	**95.23**
of which: energy from renewable electricity, GWh	27.99	27.00	0
of which: energy from non-renewable electricity, GWh	0	0	28.43
of which: energy from natural gas, GWh	53.21	48.48	27.33
of which: energy from liquefied petroleum gas, GWh	18.57	21.52	75.14
of which: energy from diesel fuel, GWh	0	1.44	0.17
Most of the natural and petroleum gas is used for the production of steam used in technological processes.			
Intensity of energy consumption	**2021**	**2022**	**2023**
Energy, consumed to produce 1 t of production, MWh	**1.25**	**1.16**	**1,09**
Production, t.	79434	84635	87036
Energy consumption per one unit of revenue, GWh	**0.64**	**0.42**	**0,45**
Turnover, million EUR	156	234	210,5
Energy according to type	**2021**	**2022**	**2023**
Renewable energy, %	**28**	**27**	**0**
Non-renewable energy, %	**72**	**73**	**100%**

Sustainable consumption of water

AB Vilkyškių pieninė has its own water source, where it extracts water. Other companies in the Group are supplied with water by centralised water production companies. In 2023, Vilkyškių Pieninė started introducing a technology that cleans permeate water so that it can be reused in production processes. This is aimed at sustainable use of water – to reduce not only the amount of water consumed, but also the amount of wastewater.

Water consumption	2021	2022	2023
Total water consumed, m3	**890264**	**867398**	**848496**
Amount of water to produce 1 t of production, m3	**11.21**	**10.25**	**9.75**
Production, t	79434	84635	87036

ENVIRONMENTAL IMPACT

Air pollution and waste water management

At AB Vilkyškių pieninė Water is extracted from an underground water well. The wastewater generated by production processes at AB Vilkyškių Pieninė, is cleaned by the plant's own mechanical-biological treatment equipment. The wastewater treatment efficiency amounts to 99%. In 2020, the company installed an automatic waste water release control system, preventing excess waste water sludge from entering the environment with cleaned wastewater. In order to save water, reduce the amount of wastewater and the amount of pollutants entering the environment, wastewater treatment facilities have been successfully installed, which enable the reuse of water used in production processes. Thanks to them, the amount of wastewater is reduced by 30%. The project is partially financed by EU funds. The activity also involves: 2 boilers using natural gas, underground fuel tanks that release volatile organic compounds into the air.

UAB Kelmės pienas wastewater generated during the production of fresh milk products is discharged to UAB Kelmės vanduo treatment facilities. Water is extracted from an underground water well owned by UAB Kelmės pienas.

AB Kelmės pieninė dry milk products factory produces bulk, dusty products, therefore it is very important to minimize the entry of solid particles and pollutants into the air and environment. The air contaminated with solid particles from the dryers is directed to the cyclones and cleaned in them is released into the environment. Wastewater generated during production is discharged to the treatment facilities of UAB Tauragės vandenys.

At AB Modest wastewater generated in the company during production is discharged into the city's sewage system, which is operated by UAB Tauragės vandenys. In 2023, a wastewater primary treatment project was prepared, which will be implemented in 2024.

Pollution permits

AB Vilkyškių pieninė has an integrated pollution prevention and control (IPPC) permit. TIPK was issued to the company based on its activities, when more than 200 tons of milk are processed per day. The amount of carbon monoxide, nitrogen, sulfur oxides, solid particles, volatile organic compounds and other pollutants emitted into the air is controlled according to the values set in the IPPC permit. The pollution of wastewater discharged into the environment is also controlled.

UAB Kelmės pienas has been issued a pollution permit for the management of environmental air pollution. According to this permit, the amount of nitrogen oxides emitted into the ambient air is controlled..

Pollution permits are not mandatory for other companies of the Group.

Monitoring programmes

AB Vilkyškių Pieninė developed a monitoring programme for the impact of their water source on the groundwater and conducts surveillance. The monitoring programme is also used to control the possible impact of the gas station for the groundwater, and conduct the monitoring of the pollutants emitted into the air and sources of pollution.

UAB Kelmės pienas has approved a monitoring program for the impact on groundwater due to the available water well, and regular observations are carried out.

GHG emissions

Our priority until 2024 is to determine where in our business cycle we have the greatest impact on the environment, so we use the latest analysis methods and methods in order to achieve effective solutions. In 2023, GHG emissions of Scopes 1 and 2 were assessed, in 2024 it is planned to evaluate emissions of Scope 3.

Methodology

GHG emissions	Unit of measurement	2023
Direct emissions (Scope 1)	*Thousand t of CO2 eq.*	19 150,59
Indirect emissions (Scope 2)		12 319,13
Total (Scopes 1 and 2)		31 469,73
GHG emission intensity		
Amount of emissions per unit of income	*t CO2 eq./ mln. EUR*	82,45
Amount of emissions per ton of purchased raw material	*t CO2 eq./*	0,064
Amount of emissions per ton of manufactured products	*t CO2 eq./ t*	0,119

WASTE REDUCTION

Waste management and accounting

The accounting of pollutants emitted into the air and sources of pollution is carried out in accordance with the procedure established by the companies. In the entire Group, the waste generated during production is managed and accounted for in accordance with the established environmental requirements in the product, packaging and waste accounting information systems – GPAIS and AIVIKS.

Waste is sorted, temporarily stored, collected, transported and processed in such a way that it does not have a negative impact on public health and the environment. All waste, including hazardous and chemical substances, is handled in accordance with the laws and regulations of the Republic of Lithuania. Each company of the Group has entered into contracts with waste managers.

All whey is used for production. Whey is used to obtain energy by transferring it to energy-producing companies that have permits to engage in such activities.

Type of waste	2022	2023
Packaging waste, t	134,09	199,60
Hazardous waste, t	23,54	20,18
Production waste, t	8153,14	8803,57
Other waste, t	35,93	62,17
In total	**8346,7**	**9085,51**

More sustainable packaging

The Group keeps investing into environmentally-friendlier solutions with responsible packaging choices. We're on a continuous mission of searching for more sustainable packaging. We keep looking for ways to reduce the consumption of plastic or paper by replacing materials, packaging size or thickness. We also look for ways to replace our combined packaging with monopackaging. This is an area of continuous investigation and discovery and we do it in close cooperation with packaging producers and suppliers.

The packaging waste, generated by Vilvi Group companies is handled and accounted according to established environmental requirements in product, packaging and waste accounting information systems – GPAIS.

Our greatest attention is focused on preservation of nature, so we urge our consumers to sort dairy product packaging by clearly indicating the waste containers they should be placed in We also make the sorting easier by marking separation points of multilayer packaging with perforation.

Changing packaging regulations

European Union packaging regulations are changing rapidly, we are constantly monitoring the changes and preparing for them. In 2023, we prepared for the upcoming changes due to the EU single-use plastic directive 2019/904/EU. The requirement to attach the beverage lid to the packaging affects our line of kefir and drinkable yogurts – a new production line is being installed that will allow this requirement to be implemented. We actively follow discussions and possible changes regarding the EU Green Deal, which may also be relevant for our packaging solutions.

From 2023, according to the new requirements, we calculate the amount of disposable plastic products (kefir, drinkable yogurt packages) used.

Sustainable solutions

We invest in solutions that are more environmentally friendly. When manufacturing products, we responsibly choose packages and packaging materials. Every day we look for more sustainable choices in our activities, every year we carry out packaging reduction, thinning and replacement projects that allow us to reduce the amount of raw materials used.

Since 2018, we have been transporting fresh dairy products intended for consumers in reusable boxes, cardboard secondary boxes have been gradually abandoned. In 2023, a request was received from Lithuanian retail chains to return to cardboard secondary packaging. Such a decision again significantly increased the previously effectively reduced amounts of secondary packaging used.

SOCIAL ENVIRONMENT

ENSURING PRODUCT SAFETY AND QUALITY

Food safety and culture development, as well as ensuring product safety and quality is one of our major priorities. Our goods are produced and controlled by adherence to adherence to the highest food safety and quality standards, and legal regulation. The Group follows the certified Food Safety and Quality Policy.

The Group is also subject to audits of controlling and certifying institutions, inspections by current and potential clients or their representatives, and the State Food and Veterinary Service (SFVS).

Consumer inquiries, feedback and complaints can be submitted to the quality line and by e-mail. We analyse all consumer complaints, engaging in a dialogue to clarify the circumstances. We register, analyse and respond to complaints according to certified Complaint Guidelines and Non-compliance Management Procedure..

Management of customer expectations

In order to ensure the highest product quality and compliance with client demands, we actively cooperate by collecting information on their specific needs and marking requirements. This makes us sure that we meet their expectations from the selection of raw materials and production processes. We conduct annual client and consumer surveys and use this date for further analysis of their needs.

The Group sets new measurable food safety and quality goals every year. We aim for guaranteed food safety and quality and thus keep improving our internal processes.

Policies and procedures, certified within the Group:

Food Safety and Quality Policy

Food Safety and Quality System

Quality lines:

+370 800 20802

info@vilvi.eu

Food safety and quality certificates of VILVI GROUP companies:

Sertifikatai	AB Vilkyškių pieninė	AB Modest	AB Kelmės pieninė	UAB Kelmės pienas	AB Pieno logistika	SIA Baltic Dairy Board
ISO 22000			✓			
FSSC 22000	✓	✓	✓			✓
ISO 50001						✓
HALAL	✓	✓	✓			✓
Kosher			✓			✓
IFS Food Version 7				✓		
Certificate of ecological production				✓		✓

OUR EMPLOYEES

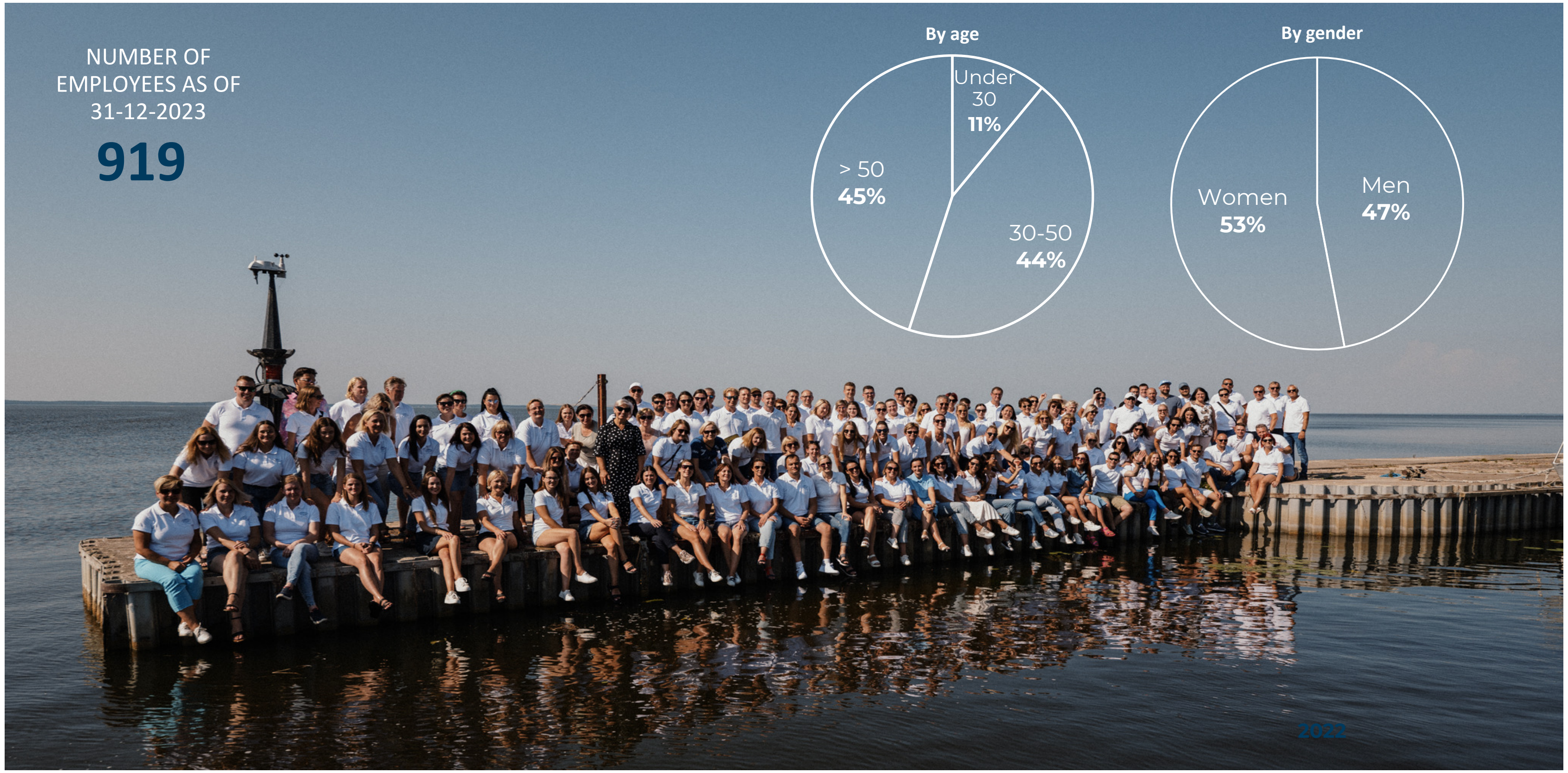
People, ensuring human rights and equal opportunities – this is our priority. In 2023, VILVI GROUP's greatest focus was on employees: their well-being, safety, health, attraction and retention, competence development and career opportunities.

The year 2023 was dedicated to the personal and professional growth of employees. We continue to nurture a culture of respect and open communication and cooperation within the Group. We try to create the most favorable conditions for sharing knowledge and improving skills. We create a supportive and inspiring environment for employees through internal and external training, so that everyone can find the most acceptable way for them to grow and develop. We encourage the involvement of employees, accept their ideas, create conditions for active participation in improving the company's operational processes.

In order to preserve the good physical health of employees, we are continuing the project of purchasing ergonomic tools for the production employees of the Group, and the Group's administration employees are given additional health motivational measures.

We take care of not only the physical but also the emotional health of our employees, continuing to focus on psychosocial factors. Remdamiesi Based on the data of the risk assessment of psychosocial factors conducted in 2021, we are continuing the program for reducing stress at work, implementing measures and improving solutions.

Good emotional health requires communication and leisure activities that connect employees, common interests. In order to foster a close and sincere relationship within the Group, in 2023 we brought back festive events and gatherings to the lives of VILVI GROUP employees. We continue and their number is only increasing. In the summer, we invited employees, their families, residents of the surrounding community and towns to the 30th anniversary celebration of VILVI GROUP. During it, the long-term employees of VILVI GROUP were congratulated and honored. 354 employees have been sharing their knowledge and skills for more than 10 years.



NUMBER OF EMPLOYEES AS OF 31-12-2023

919

Employees by contract type	Part-time	Full-time	Fixed-term contract	Indefinite contract
Women	78	410	17	471
Men	51	380	15	416
Total	129	790	32	887

Most of the part-time employees are persons with limited working capacity (retired, people with disabilities, who have lost professional or general working capacity). In the group, they are given the conditions to work and integrate into the team.

RESPECT FOR HUMAN RIGHTS AND DIVERSITY

Essential policies have been approved in the Group so that not only within the Group we know what 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 interested parties. To make sure that our responsible attitude always reflects on our business, we established the necessary procedures, appointed responsible persons and certified control mechanisms.

We've always emphasized zero tolerance to any forms of violence or any other attempts of harm. We keep on watch to prevent this in our daily work and business overall. We've also certified the Policy for the Prevention of Violence and Harassment at Work and initiated employee trainings.

Fundamental policies and codes, certified within the Group:

- **Human Rights Policy**
- **Code of Ethical Employment**
- **Equal Opportunities Policy**
- **Policy for the Prevention of Violence and Harassment at Work**
- **Rules of Personal Data Processing**
- **IT Safety Policy**

The Group as reporting channels, where employees and other stakeholders can report situations that concern them:

- **Reporting channel**
- **Trust line**

The number of complaints, received on the Reporting channel: 2021 – 0, 2022 – 0, 2023 – 1.

We are proud to maintain an excellent gender balance both at the level of all employees and at the management level. Since the entire personnel management policy of the Group is based on the principle of non-discrimination, both men and women are provided with equal conditions to work, develop and advance in their careers. Our Remuneration Policy, Pay System and Equal Opportunities Policy also ensure that equally qualified men and women doing the same job are paid the same wages.

Distribution of all employees by gender:

	2021	2022	2023
Women	56%	52%	53%
Men	44%	48%	47%

Distribution of managers by gender:

		2021	2022	2023
Middle-level managers	women	47%	47%	58%
Top-level managers				30%
Middle-level managers	men	53%	53%	42%
Top-level managers				70%

Distribution of members of management bodies by gender:

		2021	2022	2023
Board	women	17%	17%	17%
	men	83%	83%	83%
Committees (audit, remuneration)	women	100%	100%	100%
	men	0%	0%	0%
Supervisory board	women	-	-	33%
	men	-	-	67%

OCCUPATIONAL SAFETY AND HEALTH

The Group adheres to all laws and legislation applicable to occupational safety and health, has appointed responsible persons and established processes to ensure adherence to the rules of occupational safety and health procedures, regular staff instructions, certifications, necessary training and exercises. Companies of the Group conduct regular risk assessments, trainings and instructions, while the employees are provided with all necessary personal safety measures.

Seeking to encourage our employees to take a better care of their health, the Group conducts various projects and programmes:

- Administrative employees are provided with additional motivational wellness measures: the opportunity for detailed health examinations/specialist consultations, use of sports club, dentist, rehabilitation and other services;
- All employees are welcome to check their eyes and get their flu vaccinations for free;
- In order to prevent possible chronic occupational diseases and preserve the health of employees, the project of ergonomic measures is in progress – employees are provided with ergonomic measures, workplace improvements are implemented, which will allow to preserve health, prevent injuries and other consequences for health;
- During the trainings, we urge our employees to take a better care of their health and acquire the necessary skills.

Each accident is followed by a detailed investigation of the situation, immediately initiating changes and introducing the necessary measures to prevent new cases. The Group follows the Implementation Plan for Prevention Measures to Evade Accidents at Work and Occupational Diseases, certified every year. 2022 marked the introduction of external trainings on preventing accidents at work for managers of all levels. The training will continue in 2023 as well.

Policies certified within the Group:

Occupational Safety and Health Policy

Nnumber of accidents:

	2021	2022	2023
Total number of accidents	11	10	13
of which accidents on the way to/from work	6	5	7
of which accidents at work	5	5	6
TRIR (*total recordable employee injury rate*)	n.a.	n.a.	1,8
TRIR, KPI	*n.a.*	*n.a.*	*<2*

Employees that have used health services:

	2021	2022	2023
Number of employees that have used health services (health insurance, vaccinations, vision screening, etc.)	192	214	200
Number of employees vaccinated against flu	110	94	122
Total wellness, EUR	37.000	44.000	38.000

REMUNERATION POLICY

All employees contribute to the creation of the company's value, thus, seeking to remain a competitive employer, we stand for clear, reasonable and fair wages. The remuneration system is based on the principles of gender equality, non-discrimination and fair remuneration, and is also based on the LR legislation and Vilvi Group's certified Remuneration Policy..

The remuneration system clearly defines the categories of the employees and the positions, attributed to these categories. The work remuneration provisions, established in the system and its annexes, are applied in a way to evade any gender or other types of discrimination. Men and women must receive equal payment for the same or equal work..

The content of the work, done by the employees, applicable qualification requirements (if any), compulsory and voluntary qualification improvement procedures are established in the job description and/or employment contract..

We focus special attention on the internal promotion and professional improvement of our employees. All vacant positions, subject to higher requirements, are firstly offered to our company's employees that comply with the requirements. Employees may receive benefits for their qualifications obtained and/or premiums for additional work or fulfilment of additional duties or tasks.

Additional benefits and the welfare package

Due to the difference in the age and education of our employees, our goal is to offer a balanced package, which meets the needs of different groups.

The employees are offered all kinds of financial assistance and other incentives: financial assistance in case of a death in the family; shopping centre vouchers for a birth of a child or weddings; presents for birthdays, anniversaries, Christmas or retirement; taking care of the employees' arrival to work; administration employees are given additional health motivational measures..

At the end of 2023, as in 2022., in view of the inflation that has strongly affected people's incomes, each employee of the Group was given a shopping center gift voucher worth EUR 100 as a gift.

Policies and procedures certified within the Group: :

Remuneration Policy

Work Pay System

We value clarity and transparency, when it comes to remuneration, so we use the services of Korn Ferry Hay Group the leading supplier of precise remuneration information and analysis. Korn Ferry Hay Group remuneration market analysis enables us to compare Vilvi Group's remuneration policy with the local market, helping to ensure that our wages are competitive and reasonable.

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| HayGroup

Median salary ratio by gender:

	2021	2022	2023
Salary median, Eur	1281	1508	1746
MEN : WOMEN	1:0.92	1:0.87	1 : 0,90
	EUR 1,289 : EUR 1,186	1619 Eur. : 1413 Eur.	1875 Eur. : 1689 Eur.
Salary median by employee groups, MEN : WOMEN			
workers	1 : 0,77	1 : 0,79	1 : 0,83
specialists	1 : 0,89	1 : 0,85	1 : 0,87
managers	1 : 0,9	1 : 0,9	1 : 0,83

The Remuneration Policy and Work Pay System, adopted by the Group ensures that men and women receive equal payment for the same or equal work. The Group employs a large number of employees with different competencies for various positions. This complexity is the reason for the median salary ratio.

INCLUDING SENSITIVE GROUPS

At Vilvi Group we always do our best to create suitable working conditions for people with limited working capacity. These include persons of retirement age and people that have lost their vocational or general working capacity, are unable to compete in the labour market under equal conditions and, based on the official statistics, possible encounter a higher risk of poverty. We value these employees and they have all the conditions to work according to their abilities and to integrate both into the labour market and in the staff of the Group. In 2022, the Group employed 48 employees of retirement age and 68 employees with a disability.

The Group enables people of mature age to work as long as they want. Our employees are welcome to continue their employment and enjoy the community, achievements, and joint work even when they reach retirement age. Our Group's employees belong to various age groups. We're proud of our different generations working together with the older employees sharing their good practice with the young and newlyhired employees. This means sharing not only the experience, but also culture and values, cherished by the Group for many years.

Seeking to ensure better conditions for employees with small children, in 2010, with the EU support, one of the Group's companies established a childcare room, referred to as the kindergarten by the residents of Vilkyškiai town. As of 2013, upon the expiry of the project funds, the kindergarten has been further partially funded by the Group. Children can take part at pre-school education while their parents are at work.

VILVI GROUP also employs employees from other countries. In 2023, 7 citizens of other countries worked. The group ensures the same working conditions and remuneration for migrant workers as for Lithuanian citizens.

Sharing the experience with the employees and their family members

The offspring of our employees is also welcome to get to know their parents' workplace. Excursions are held, during which children can take a closer look at what their mother or father are doing at the plants or the administrative premises, the processes, manufacturing and creation of the products many of them enjoy every day. Every year, we show attention to the minor children of employees on the occasion of the biggest holidays of the year – we give gifts or experiences at events.

In 2023, VILVI GROUP participated in a children's diabetes camp with its low-sugar fresh milk product line.

SPECIAL ATTENTION TO EMPLOYEE GROWTH

Our greatest attention is focused not only on maintaining a good physical emotional health of our employees, but also on the development of their competencies and opening career opportunities. We help people grow and improve, encouraging them and doing our best to keep an open and safe environment, reflecting the major human values, encouraging cooperation and sharing knowledge.

Targeted employee training is organized in the Group, taking into account the Group's goals, employee needs and competence expectations. Both specialized, vocational and general competence trainings are carried out at the organization level. We cooperate with various scientific and training institutions, employees are provided with opportunities to acquire missing competences both in internal and external trainings, seminars or conferences. It is important for us that all links improve, achieve the same goals and foster the same values that are the basis of VILVI GROUP's activities.

In 2023, great attention was paid to the leadership training of managers, during which the main practices of leading a team were explored in detail - the development of a leader's mindset, mobilizing and leading a team through change, time and energy management, and creating a culture of feedback. Managers also deepened their knowledge and skills during individual sessions with lecturers.

Staff training hours:

	2021	2022	2023
Specialist trainings, h in total	2300	2017	944
Hours per specialist	**19** *Out of them, 4 hours for the lowest qualified employees*	**17** *Out of them, 8 hours for the lowest qualified employees.*	**12** *Out of them, 4 hours for the lowest qualified employees.*
Manager trainings, h in total	2827	2240	3908
Hours per manager	**35**	**22**	**44**

The company has a **book library** where employees can read professional, motivational and fiction literature.

CHALLENGES AND SOLUTIONS IN ATTRACTING NEW EMLOYEES

We remain the major employer in regions, where all of our plants are located. We are valued for stability, taking care of our employees and the surrounding communities. One of the advantages of business development in rural areas is being able to be close to each other, getting to know and understanding each other better. Yet it also poses certain challenges in finding new staff, because the population away from the metropolitan areas is shrinking. However, we find solutions and manage to lure specialists from other, larger cities. We actively cooperate with vocational and higher schools, organize professional information, career planning presentations, familiarization tours to factories, participate in career fairs organized by higher schools. Graduates are encouraged to do an internship in order to get a better understanding of working in a manufacturing company and possibly secure a job after graduation.

Our programme Bring Your Friend has been open for several years, enabling our employees to recommend the Group as an employer to their friends, relatives or acquaintances, receiving a monetary bonus. We’re proud of our people becoming the ambassadors of Vilvi Group, attracting new employees that they love working with, building the company’s microclimate together. In 2023, this programme brought us 21 new employees (22 in 2022, 9 in 2021).

We keep polishing the systems of introducing new employees into the team and work. Responding to the changing situation, we also keep improving the processes of recruiting, screening, introduction and integration. The consistent introduction of new staff members introduces them to the company’s culture, improving the efficiency of integration and training, building their motivation to work.

We have a motivational system not only for the newly-hired, but also employees that have already been working with us for a while. We do our best to find out and respond to our employees’ needs, offering them namely what they need most.

Employee turnover indices:

	2021	2022	2023
Average length of employment	7 years	8 years	8 years
Employee turnover (voluntary)	23%	16%	18%

30th anniversary celebration of VILVI GROUP

By gender	New employees
Women	140
Men	131
Total	271

By age	New employees
Under 30	81
30-50	120
>50	70

CONSUMER WELL-BEING

Responsible development of quality products for Lithuania and the world

We're proud of the fact that Lithuanian people value our products. We aim to make our quality products available to enjoy not only for Lithuanians, but citizens in neighbouring and other countries as well. We believe that the opportunities to enjoy our whole foods contribute to creating a better world.

Technological improvement in combination with the mastery and traditions enables us to provide our consumers in the closest foreign markets with their favourite highest quality goods that meet their expectations.

The experience we have gained and the skills we are developing allow us to enter larger markets, delivering products to the most distant lands and not only catering for their people, but also successfully cooperating with local businesses, supplying them with ingredients and products that later are turned into delicious dishes.

Dairy products for a healthier daily life

Our goal is to produce healthy and quality products. By constantly updating, supplementing and reacting to the latest trends in healthy food and lifestyle, we aim for our consumer to choose what is best for their health. In the selection of the highest quality products, you can find specialized products manufactured by VILVI GROUP.

Priority on product safety

Every day, we do our best to supply people with quality, tasty and healthy products, which supplement their nutrition with the necessary nutrients, enabling to enjoy a full life. Product safety is our highest priority. We set the highest standards and monitor our daily processes to ensure the quality and safety of our goods.

Recent discoveries to supplement the nutrition of the elderly

In 2023, with the help of partial EU funding, together with the Lithuanian University of Health Sciences (LSMU), we completed a R&D project lasting several years, which will allow us to offer a line of products with a special composition for the elderly in the future. Together with scientists, we developed an innovative nutritional supplement for the elderly to prevent geriatric frailty syndrome and malnutrition or to recover from surgery.

Healthier choice every day

Both doctors and nutritionists encourage people to consume as little sugar as possible. Realizing the importance of such a choice for health, we created the **Vilkyškių less sugar** product line, which includes a healthier selection of your favorite dairy products. These cottage cheese bars contain 40 to 43% less sugar, compared to the average sugar in other cottage cheese bars sold in Lithuania, and yogurts have 35 to 36% less sugar compared to other yogurts on store shelves.

Proteins for the active ones

GymON products are dedicated for those who are determined to achieve their goals - to grow muscles or maintain muscle mass, balance their diet or control body weight. This is a high-quality whey protein powder for making smoothies. Whey proteins are complete proteins consisting of essential and replaceable amino acids, including branched-chain amino acids (BCAAs): isoleucine, leucine, valine. Whey protein concentrate is one of the sources from which the body absorbs proteins best.

Quality dairy products, available to all

We find it crucial not only to ensure that our products are safe and of high quality, but also to make dairy products available to be enjoyed by people in a more difficult financial situation both in Lithuania and abroad. Our products with plant-based fats have been popular both here and in other countries for a while, thus, responding to an increasing demand, we released the **MILIKO** product line. This wide range of products is characterised by excellent flavours and attractive prices. In 2023, the product range was expanded.

CONSUMER WELL-BEING

Sharing knowledge about healthier choices

We follow scientific innovations and healthy lifestyle tendencies, applying this knowledge in creating new products or improving the ones that are already enjoyed by our consumers. We want to share the knowledge accumulated with our consumers as well.

All products are marked according to the LR legislation requirements. We also add additional useful information about the health benefits of each product. Shopping for their food, people find the good qualities, valuable ingredients, and other important information (e.g. less sugar, a source of protein, more fibre, etc.) listed on the packaging, and this helps them pick the products that suit their needs best..

During 2023 was implemented marketing campaign for lower sugar products, which educated consumers about the benefits of lower sugar consumption when choosing sugar lower products:

Fair marketing and communication

We highly value, appreciate, cherish and do not abuse our consumers' positive feedback and trust. We always clearly list all ingredients of our products, introducing them to our consumers, never boasting fake facts or using marketing tricks, because our goal is building a long-term connection rather than attracting short-term interest. We do our best to respond to our consumer needs, improving our products, their production technology, and looking for solutions enabling us to produce highest quality dairy goods to be enjoyed by dairy consumers in Lithuania and abroad.

Simple recipes – ideas for healthier daily choices

We seek to demonstrate our care about our consumers' health by not only producing highest quality ready-to-use dairy goods, but also offer ideas on enriching their diet with dishes, containing our dairy products as ingredients. Our social media followers can find inspiring ideas, offered by popular food bloggers and recipe book authors: Liucina Rimgailė, Kitchen Julie, Ant Medinės Lentelės, etc. We think it's important that people include more healthy food options into their daily diet.

Project for shaping traditions

We produce different types of cheese and want to offer them to as many people as possible. To make this product a discovery, a healthy choice, and a part of the daily diet, we cooperate with the blogger Urtė Mikelevičiūtė of myliusuri.lt blog, which offers lots of ideas to unfold the many flavours cheese can offer. The blog not only offers a number of simple recipes, but also ideas for lunch, a special dinner or celebrations, brought from abroad. We want our consumers to not only enjoy a healthy product, but also additional suggestions on how to eat as healthy as possible and enjoy good health for as long as possible.

A call to join a more sustainable life

Realising the situation and feeling responsible for the climate change, we not only took the path of sustainability, but also invite our consumers join us. We focus special attention on preserving nature, striving to reduce our footprint and make our products not only beneficial to people, but also environmentally-friendly. We help our consumers with sorting our product packaging by giving clear indications on their sorting and disposal. We also create packaging that is easy to sort and recycle.

HELPING COMMUNITIES

Vilvi Group is an active community member. Fulfilling the principles of a responsible business in the social area, the Group has been actively cooperating with local communities and the society, strengthening the ties between business and academic community, contributing to youth employment, and improving career opportunities.

Support to communities and various initiatives based on pre-established criteria is offered as an additional measure of social responsibility fulfilment, contributing to building partnerships and implementing the Group's priorities. Vilvi Group supports and takes part at cultural, educational events, featuring educational activities or entertainment for both adults and children, thus contributing to a more active social life in the region and building mutual relationships.

We've been closely cooperating and offering assistance in both finances or our goods to the communities of not only Vilkyškiai, but also Pagėgiai, Tauragė and Kelmė for already a few years. In 2022, we supported cultural, wellness and sport initiatives, local community celebrations and green initiatives.

The year 2023 was a jubilee year for VILVI GROUP, we celebrated the 30th anniversary of our activity

VILVI GROUP – the main partner of Tauragė – Lithuanian Capital of Culture 2023

Being one of the largest business companies in the region, we feel obliged and proud to be able to contribute to such an important project for Tauragė. We helped to ensure the smooth and meaningful implementation of the year-long project – we contributed financially, we donated much-needed durable and more sustainable chairs for outdoor events to the cultural organizers of the district and the community, we were participants and speakers in the program of conferences and events of this project, and we treated the event participants with our products.

TAURAGĖ 2023

Long-term partnership with Žalgiris basketball team

Supporting the ideas of a healthy lifestyle, movement, sport, and Lithuanian traditions, Vilvi Group has been sponsoring Kaunas Žalgiris team since 2009. This long and sustainable partnership has already become an inseparable part of both of the brands. The cooperation between Vilvi Group and Žalgiris is also notable during the matches as well with the symbol of Vilkyškiai brand – the black cat – entertaining the audience during the breaks. We also organise various partner competitions. The Group contributes to organising the matches, while our employees support Žalgiris team in every game.

ŽALGIRIS 1944

Consolidated and the parent company’s separate financial statements for the year ended 31 December 2023

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, General Manager
Vaidotas Juškys, Executive Director
Sigitas Trijonis, Director of Investment Project Department
Rimantas Jancevičius, Director for Purchasing Raw Materials
Arvydas Zaranka, Production Director
Vilija Milaševičiutė, Director for Economic and Financial Affairs
Rita Juodikienė, Director for Corporate Governance and Quality
Paulinas Stanaitis, Director for Transport and Logistics

Auditor
PricewaterhouseCoopers UAB

Banks
SEB Bankas AB
Swedbank AB
Luminor Bank AB
Šiaulių Bankas AB
OP Corporate Bank plc Lithuania branch
AS Citadele Banka Lithuania 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, 5 April 2024

Gintaras Bertašius
General Manager
(The document has been signed by a qualified electronic signature)

Vilija Milaševičiutė
Director for Economic and Financial Affairs
(The document has been signed by a qualified electronic signature)

CONSOLIDATED AND SEPARATE STATEMENTS OF FINANCIAL POSITION

EUR‘000

GROUP At 31 December			Note	COMPANY At 31 December.	
2023	**2022**	**Assets**		**2023**	**2022**
-	-	Investment property	12,14	6,903	6,527
56,178	48,365	Property, plant and equipment	12	18,370	13,052
1,542	1,082	Right-of-use assets	12,13	1,483	1,050
4,168	4,175	Intangible assets	15	2	5
	-	Investments in subsidiaries	16	11,318	10,918
913	111	Non-current amounts receivable	17	2,022	1,008
62,801	**53,733**	**Non-current assets**		**40,098**	**32,560**
17,627	25,493	Inventories	18	8,988	9,188
17,207	17,875	Trade and other receivables	19	17,686	27,795
679	741	Prepayments	20	527	596
8,725	621	Cash and cash equivalents	21	2,854	325
44,238	**44,730**	**Current assets**		**30,055**	**37,904**
107,039	**98,463**	**Total assets**		**70,153**	**70,464**

GROUP At 31 December			Note	COMPANY At 31 December	
2023	**2022**	**Equity**		**2023**	**2022**
3,463	3,463	Share capital		3,463	3,463
3,301	3,301	Share premium		3,301	3,301
1,883	2,068	Reserves		1,248	1,400
52,379	40,749	Retained earnings		38,610	39,096
61,026	**49,581**	**Equity attributable to owners of the Company**	**22**	**46,622**	**47,260**
5	321	**Non-controlling interest**		-	-
61,031	**49,902**	**Equity**	**22**	**46,622**	**47,260**
		Liabilities			
15,706	12,978	Borrowings	23	2,569	1,499
775	399	Lease liabilities	23	728	374
3,598	3,743	Government grants	24	671	520
-	42	Trade and other payables	26	-	-
930	790	Deferred income tax liabilities		568	518
21,009	**17,952**	**Non-current liabilities**		**4,536**	**2,911**
3,235	9,238	Borrowings	23	1,356	3,483
469	314	Lease liabilities	23	432	309
512	344	Income tax payable			146
20,783	20,713	Trade and other payables	26	17,207	16,355
24,999	**30,609**	**Current liabilities**		**18,995**	**20,293**
46,008	**48,561**	**Liabilities**		**23,531**	**23,204**
107,039	**98,463**	**Total equity and liabilities**		**70,153**	**70,464**

The notes on pages 10 to 70 form an integral part of these separate and consolidated financial statements, which were issued and signed on 5 April 2024.

CONSOLIDATED AND SEPARATE STATEMENTS OF PROFIT AND LOSS

EUR‘000

GROUP At 31 December			**Note**	**COMPANY** At 31 December.	
2023	**2022**			**2023**	**2022**
210,536	234,083	Revenue	1	245,072	288,643
-182,849	-209,809	Cost of sales	2	-236,059	-271,448
27,687	**24,274**	**Gross profit**		**9,013**	**17,195**
275	313	Other operating income	3	5,598	11,592
-4,438	-4,149	Distribution expenses	6	-4,224	-3,843
-6,662	-5,427	Administrative expenses	7	-4,434	-3,855
-305	-179	Other operating expenses	4	-3,264	-6,951
221	89	Other gain (loss) – net	5	223	-245
16,778	**14,921**	**Results of operating activities**		**2,912**	**13,893**
39	127	Finance income		100	193
-1,378	-868	Finance costs		-438	-353
-1,339	**-741**	**Finance costs, net**	9	**-338**	**-160**
15,439	**14,180**	**Profit (loss) before income tax**		**2,574**	**13,733**
-787	-1,481	Income tax	10	-47	-1,134
14,652	**12,699**	**Profit (loss) for the reporting year**		**2,527**	**12,599**
		Attributable to:			
14,666	12,511	Shareholders of the Company		2,527	12,599
-14	188	Non-controlling interest		-	-
14,652	**12,699**	**Profit (loss) for the reporting year**		**2,527**	**12,599**
1.23	1.05	Basic and diluted earnings per share (in EUR)	11	0.21	1.05

The notes on pages 10 to 70 form an integral part of these separate and consolidated financial statements, which were issued and signed on 5 April 2024.

CONSOLIDATED AND SEPARATE STATEMENTS OF COMPREHENSIVE INCOME

EUR‘000

GROUP At 31 December			COMPANY At 31 December	
2023	2022		2023	2022
14,652	**12,699**	**Profit (loss) for the reporting year**	**2,527**	**12,599**
		Other comprehensive income		
-	**-**	**Items that will not be reclassified to profit or loss**	**-**	**-**
-	**-**	**Items that are or may be subsequently reclassified to profit or loss**	**-**	**-**
-	**-**	**Other comprehensive income**	**-**	**-**
14,652	**12,699**	**Total comprehensive income for the year**	**2,527**	**12,599**
		Attributable to:		
14,666	12,511	Shareholders of the Company	2,527	12,599
-14	188	Non-controlling interest	-	-
14,652	**12,699**	**Total comprehensive income for the year**	**2,527**	**12,599**

The notes on pages 10 to 70 form an integral part of these separate and consolidated financial statements, which were issued and signed on 5 April 2024.

SEPARATE STATEMENT OF CHANGES IN EQUITY

EUR'000

	Share capital	Share premium	Revaluation reserve	Legal reserve	Retained earnings	Total
Balance at 1 January 2022	3,463	3,301	1,099	346	28,841	37,050
Profit (loss) for the period	-	-	-	-	12,599	12,599
Other comprehensive income	-	-	-	-	-	-
Total comprehensive income for the year	-	-	-	-	12,599	12,599
Depreciation, write-off of revalued assets	-	-	-45	-	45	-
Transactions with owners recognised directly in equity						
Dividends	-	-	-	-	-2,389	-2,389
Total transactions with owners recognised directly in equity	-	-	-	-	-2,389	-2,389
Balance at 31 December 2022	3,463	3,301	1,054	346	39,096	47,260
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	-	-	-	-	2,527	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

The notes on pages 10 to 70 form an integral part of these separate and consolidated financial statements, which were issued and signed on 5 April 2024.

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 2022	**3,463**	**3,301**	**1,828**	**346**	**30,510**	**39,448**	**133**	**39,581**
Comprehensive income for the year								
Net profit (loss)	-	-	-	-	12,511	12,511	188	12,699
Other comprehensive income	-	-	-	-	-	-	-	-
Total comprehensive income for the year	-	**-**	**-**	**-**	**12,511**	**12,511**	**188**	**12,699**
Depreciation, write-off of revalued assets	-	-	-106	-	106	-	-	-
Transactions with owners recognised directly in equity								
Dividends	**-**	**-**	**-**	**-**	-2,389	-2,389	-	-2,389
Change in fair value of put option	**-**	**-**	**-**	**-**	11	11	-	11
Total transactions with owners recognised directly in equity	**-**	**-**	**-**	**-**	**-2,378**	**-2,378**	**-**	**-2,378**
Changes in the Group not resulting in a loss of control								
Non-controlling interests on acquisition of subsidiary	-	-	-	-	-	-	-	-
Total transactions with owners	**-**	**-**	**-**	**-**	**-2,378**	**-2,378**	**-**	**-2,378**
At 31 December 2022	**3,463**	**3,301**	**1,722**	**346**	**40,749**	**49,581**	**321**	**49,902**
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	-	-	-	-	-	-	-	-
Total comprehensive income for the year	**-**	**-**	**-**	**-**	**14,666**	**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**

The notes on pages 10 to 70 form an integral part of these separate and consolidated financial statements, which were issued and signed on 5 April 2024.

CONSOLIDATED AND SEPARATE STATEMENTS OF CASH FLOWS

EUR‘000

GROUP			COMPANY	
2023	2022		2023	2022
		Cash flows from operating activities		
14,652	12,699	Profit (loss) for the year	2,527	12,599
		Adjustments for:		
4,648	4,742	Depreciation of property, plant and equipment	1,719	1,793
-	-	Loss (gain) on change in fair value of investment property	-123	280
7	11	Amortisation of intangible assets	3	9
-430	-394	Amortisation and write-off of grants	-134	-165
-1,413	2,593	Change in inventory write-down allowance	59	521
-	-	Impairment of goodwill	-	-
-33	-28	Loss (gain) from disposal and write-off of property, plant and equipment	12	29
-	-	Losses (gain) from disposal of investments	-	2
-	-	Other operating income	-1,523	-3,931
787	1,481	Income tax expenses	47	1,134
1,339	741	Finance costs, net	338	160
19,557	**21,845**		**2,925**	**12,431**
9,278	-10,461	Change in inventories	141	-1,663
-802	177	Change in non-current amounts receivable	-1,014	108
541	-4,159	Change in trade and other receivables and prepayments	8,566	-8,070
-292	365	Change in trade and other payables	2,100	2,881
28,282	**7,767**		**12,718**	**5,687**
-1,225	-393	Interest paid	-287	-178
-364	-222	Income tax paid	-	-
26,693	**7,152**	**Net cash flows generated from operating activities**	**12,431**	**5,509**

GROUP			Note	COMPANY	
2023	2022			2023	2022
		Cash flows from investing activities			
-12,151	-3,958	Payments for acquisition of property, plant and equipment		-6,773	-3,384
-	-	Payments for acquisition of intangible assets		-	1
557	83	Proceeds from sale of property, plant and equipment		137	8
-	-	Proceeds from disposal of investments		-	63
-	-	Acquisition of ownership interest in subsidiary		-400	-
-170	-800	Loans granted		-320	-800
285	13	Government grants		285	-
-	-	Dividends received		1,631	1,000
381	1,361	Repayment of loans		381	1,361
-400	-	Outflow of cash to acquire subsidiary, net of cash acquired		-	-
-11,498	**-3,301**	**Net cash flows (used in) investing activities**		**-5,059**	**-1,751**
		Cash flows from financing activities			
2,134	6,911	Proceeds from borrowings	23	2,134	669
-5,410	-8,165	Repayments of borrowings	23	-3,191	-1,913
-650	-386	Lease payments		-621	-379
-3,165	-2,389	Payment of dividends		-3,165	-2,389
-7,091	**-4,029**	**Net cash flows (used in) financing activities**		**-4,843**	**-4,012**
8,104	-178	**Net increase (decrease) in cash and cash equivalents**		2,529	-254
621	799	Cash and cash equivalents as at 1 January		325	579
8,725	621	**Cash and cash equivalents as at 31 December**	21	2,854	325

The notes on pages 10 to 70 form an integral part of these separate and consolidated financial statements, which were issued and signed on 5 April 2024.

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 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	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 2022, 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
Gintaras Bertašius	219,364	0.29	63,616
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 (Mrs. R. Bertašienė, Mrs. G. Jozūnienė, Mr. M.Bertašius).

As at 31 December 2023, Mr. Gintaras Bertašius held no shares of Vilkyškių Pieninė AB, however, he held 60.4% of voting rights at the General Meeting of Shareholders (since 2018, a joint life insurance policy has been drawn up with insurance company Swisspartners Versicherung AG Zweigniederlassung Österreich, which at 31 December 2023 has taken over ownership rights to 7,213,680 shares of Vilkyškių Pieninė AB). As at 31 December 2022, Mr. Gintaras Bertašius held 219,364 shares of Vilkyškių Pieninė AB, however, he also held 60.4% of voting rights at the General Meeting of Shareholders (As at 31 December 2022, insurance company Swisspartners Versicherung AG Zweigniederlassung Österreich, has taken over ownership rights to 6,994,316 shares of Vilkyškių Pieninė AB). For the entire validity term of the insurance policy, the insurance company has irrevocably authorised Mr. Gintaras Bertašius and persons related to him to fulfil all non-property rights of a shareholder, including the right to vote at the General Meeting of Shareholders.

The Parent's core line of business is production and sale of fermented cheese, 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 cream. At 2023 The Company owns 99.7% of shares with voting rights in the subsidiary Modest AB (2022: 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 2023 The Company owns 100% of shares with voting rights in the subsidiary Kelmės Pieninė AB (at 2022: 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 snacks, butter. At 2023 Kelmės Pieninė AB owns 100% of shares in Kelmės Pienas UAB (at 2022: 100%).

Kelmės Pienas UAB controls the subsidiary Pieno Logistika AB with the main business activity of lease of buildings and transport of milk. At 2023 Kelmės Pienas UAB owns 58.9% of shares with voting rights in Pieno Logistika AB (at 2022: 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 (at 2022: 70%).

As at 31 December 2023, the Group had 919 (31 December 2022: 884) employees.

As at 31 December 2023, the Company had 424 (31 December 2022: 462) employees.

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS

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.

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS

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

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS

SUMMARY OF MATERIAL ACCOUNTING POLICIES (CONTINUED)

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

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS

SUMMARY OF MATERIAL ACCOUNTING POLICIES (CONTINUED)

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 to 60 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 2022 or 31 December 2021, 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.

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS

SUMMARY OF MATERIAL ACCOUNTING POLICIES (CONTINUED)

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

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.

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS

SUMMARY OF MATERIAL ACCOUNTING POLICIES (CONTINUED)

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 concernedFor 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.

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS

SUMMARY OF MATERIAL ACCOUNTING POLICIES (CONTINUED)

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 wholesaler, the wholesaler has full discretion over the channel and price to sell the products, and there is no unfulfilled obligation that could affect the wholesaler'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.

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS

SUMMARY OF MATERIAL ACCOUNTING POLICIES (CONTINUED)

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.

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 for the reporting year.

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.

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS

SUMMARY OF MATERIAL ACCOUNTING POLICIES (CONTINUED)

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. The Group has three reportable segments established on the basis of different groups of products (cheese, cheese products and others, dry milk products, and fresh milk products)

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:

a) Standards and amendments to the existing standards that became effective on 1 January 2023

There are no standards, amendments to standards or interpretations that are effective for annual periods commencing on 1 January 2023 and that would have a material impact on the Group's financial statements, except for:

Amendments to IAS 1 and IFRS Practice Statement 2: Disclosure of accounting policies (issued on 12 February 2021 and effective for annual periods commencing on or after 1 January 2023). IAS 1 was amended to require companies to disclose their material accounting policy information rather than their significant accounting policies. The amendment provided the definition of material accounting policy information. The amendment also clarified that accounting policy information is expected to be material if, without it, the users of the financial statements would be unable to understand other material information in the financial statements. The amendment provided illustrative examples of accounting policy information that is likely to be considered material to the entity's financial statements. Further, the amendment to IAS 1 clarified that immaterial accounting policy information need not be disclosed. However, if it is disclosed, it should not obscure material accounting policy information. To support this amendment, IFRS Practice Statement 2, 'Making Materiality Judgements' was also amended to provide guidance on how to apply the concept of materiality to accounting policy disclosures.

The Group has applied the amendment to IAS 1 when preparing its financial statements for the year 2023. In accordance with the recommendations set out in IAS 1, only a material accounting policy information is presented in the notes to the financial statements.

b) Standards, interpretations and their amendments that became effective after 1 January 2023 and that have not been early adopted by the Group

Several new standards, amendments to standards and interpretations are effective for annual periods commencing after 1 January 2023, but they have not been applied in the preparation of these financial statements. None of them are expected to have a material impact on the Group's financial statements.

c) 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.

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS

SUMMARY OF MATERIAL ACCOUNTING POLICIES (CONTINUED)

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 2023 and 2022, 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 2023 and 2022 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 2022, 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.

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS

SUMMARY OF MATERIAL ACCOUNTING POLICIES (CONTINUED)

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..

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS

NOTES

1. 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 engaged in lease of buildings, collection and transportation of raw milk.

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, cream, and liquid whey that remains during the process of cheese production;
- *Dried milk products*. The operating segment comprises WPC, skimmed-milk, permeate, whey powder produced by the subsidiaries;
- *Fresh milk products*. The operating segment comprises fresh milk products produced by the subsidiaries (kephir, yoghurt, sour cream, butter, curd products).

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 2023, EUR'000:

	Cheese, cheese products and other	Dried milk products	Fresh milk products	Total
Revenue	139,603	37,971	32,962	210,536
Cost of sales	-130,634	-26,152	-26,063	-182,849
Gross profit	**8,969**	**11,819**	**6,899**	**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**

In 2023, gross profit from the Group's operating segment *Dried milk products* increased by EUR 8,603 thousand compared to 2022 due to lower prices of raw materials and energy. In 2023, gross profit from operating segment *Cheese, cheese products and other* decreased by 50.4% due to decrease in price levels of export markets.

Results of operations of the operating segments at 31 December 2022, EUR'000:

	Cheese, cheese products and other	Dried milk products	Fresh milk products	Total
Revenue	170,589	36,630	26,864	234,083
Cost of sales	-152,498	-33,414	-23,897	-209,809
Gross profit	**18,091**	**3,216**	**2,967**	**24,274**
Other operating income				313
Distribution, administrative and other operating expenses				-9,755
Other gain (loss) – net				89
Operating result				**14,921**
Finance income				127
Finance costs				-868
Finance costs, net				**-741**
Profit (loss) before income tax				**14,180**

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 2023 and 2022, 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.

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS

NOTES

1. Segment information (continued)

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 2023, EUR'000:

	GROUP		COMPANY	
	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
Total	**210,536**	**107,039**	**245,072**	**70,153**

Breakdown by geographical location for 2022, EUR'000:

	GROUP		COMPANY	
	Revenue	**Assets**	**Revenue**	**Assets**
Lithuania	26,751	80,468	101,179	58,691
European Union (excluding Lithuania)	132,771	10,515	117,049	4,293
Other countries	74,561	7,480	70,415	7,480
Total	**234,083**	**98,463**	**288,643**	**70,464**

Information on major clients.

In 2023, the Group had one client with sales revenue representing 11.3% of its total revenue. (In 2022, the Group had no clients with sales revenue representing over 10% of total revenue).

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS

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2. Cost of sales (EUR ‘000)

As at 31 December 2023, the Group’s and the Company’s inventory write-down to net realizable value amounted to EUR 1,218 thousand and EUR 617 thousand, respectively. In 2022, the Group’s and the Company’s inventory write-down to net realizable value amounted to EUR 2,630 thousand and EUR 558 thousand, respectively.

GROUP			COMPANY	
2023	2022		2023	2022
-143,805	-168,220	Raw materials	-117,098	-147,779
-	-	Resale cost of goods produced by the subsidiaries	-102,928	-105,268
-10,817	-9,916	Employee expenses, including social security contributions	-3,974	-3,323
-3,562	-3,750	Depreciation and grants’ amortisation	-952	-1,117
-6,387	-5,922	Milk collection and transportation costs	-5,445	-5,758
-7,758	-14,186	Gas, electricity, water	-1,827	-3,844
-2,109	-2,205	Transport costs	-2,109	-2,205
-8,411	-5,610	Other	-1,726	-2,154
-182,849	**-209,809**		**-236,059**	**-271,448**

3. Other operating income (EUR ’000)

GROUP			COMPANY	
2023	2022		2023	2022
183	89	Income from rendering of services	3,625	7,300
-	-	Dividends	1,523	3,931
16	16	Income from accounting services	388	197
76	208	Other income	62	164
275	**313**		**5,598**	**11,592**

4. Other operating expenses (EUR ’000)

GROUP			COMPANY	
2023	2022		2023	2022
-80	-82	Cost of services rendered	-3,260	-6,950
-225	-97	Other expenses	-4	-1
-305	**-179**		**-3,264**	**-6,951**

5. Other gain (loss) – net (EUR ’000)

GROUP			COMPANY	
2023	2022		2023	2022
221	89	Gain (loss) from disposal of raw materials, non-current assets	98	35
-	-	Gain (loss) from fair value change of investment property	125	-280
221	**89**		**223**	**-245**

NOTES

6. Distribution expenses (EUR ’000)

GROUP			COMPANY	
2023	2022		2023	2022
-1,602	-1,530	Logistics and transport services	-1,427	-1,332
-549	-499	Marketing and advertising services	-481	-446
-1,201	-1,126	Personnel expenses, including social security contributions	-1,201	-1,126
-39	-65	Depreciation expenses	-21	-48
-1,047	-929	Other selling expenses	-1,094	-891
-4,438	**-4,149**		**-4,224**	**-3,843**

7 Administrative expenses (EUR ’000)

In 2023, the Group’s and the Company’s social security contributions payable by an employer amounted to EUR 533 thousand and EUR 182 thousand, respectively (2022: EUR 420 thousand and EUR 160 thousand, respectively). Social security amount includes social security contributions on vacation and pension reserves.

GROUP			COMPANY	
2023	2022		2023	2022
-3,239	-2,441	Personnel expenses, including social security contributions and change in vacation reserve	-2,374	-1,822
-155	-140	Depreciation and amortisation, including amortisation of subsidies	-99	-92
-451	-393	Services received	-192	-175
-282	-242	Taxes, other than income tax	-201	-179
-131	-126	Veterinary services	-82	-80
-198	-210	Consultation services	-136	-151
11	-	Inventory write-down, reversal	11	-
-166	-142	Security	-62	-54
-93	-22	Fines and interest paid on late payments	-1	-9
-209	-52	Write-off of bad debt expenses	-209	-52
-209	-205	Computer expenses	-197	-194
-55	-85	Fuel	-48	-46
-65	-66	Repair expenses	-44	-55
-47	-44	Fee for membership in association	-47	-44
-34	-31	Stock exchange expenses	-31	-29
-16	-132	New product development expenses	-	-98
-84	-99	Insurance	-36	-52
-65	-23	Bank charges	-52	-18
-1,174	-974	Other	-634	-705
-6,662	**-5,427**		**-4,434**	**-3,855**

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS

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8. Services provided by the audit firm to the Company and the Group in 2023 (EUR '000)

GROUP			COMPANY	
2023	2022		2023	2022
90	74	UAB PricewaterhouseCoopers financial statement audit services under the agreements	64	65
22	20	Audit services of financial statements of other independent auditors under the agreements	-	-
1	2	Other services	1	1
113	**96**	**Total**	**65**	**66**

9. Finance costs, net (EUR '000)

GROUP			COMPANY	
2023	2022		2023	2022
		Finance income		
34	19	Interest	98	87
-	95	Foreign exchange gain	-	95
5	13	Other	2	11
39	**127**	**Total finance income**	**100**	**193**
		Finance costs		
-1194	-671	Interest	-257	-162
-37	-17	Interest on lease	-32	-17
-129	-119	Factoring charges	-129	-116
-18	-	Foreign exchange loss	-20	-
-	-61	Other	-	-58
-1,378	**-868**	**Total finance costs**	**-438**	**-353**
-1,339	**-741**		**-338**	**-160**

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS

NOTES

10. Income tax expenses (EUR ’000)

Recognised in profit or loss

GROUP			COMPANY	
2023	**2022**		**2023**	**2022**
		Current year income tax expenses		
-647	-386	Reporting period	3	-146
		Deferred income tax expenses		
-140	-1,095	Change in deferred income tax	-50	-988
-787	**-1,481**		**-47**	**-1,134**

Reconciliation of effective income tax rate (EUR ’000):

GROUP			COMPANY	
2023	**2022**		**2023**	**2022**
15,439	14,180	Profit for the year	2,574	13,733
2,316	2,127	Income tax calculated at a rate of 15%	386	2,060
-	-	Gain from inter-company disposal of business	-	-
-	-	Dividend income	-228	-589
-128	-27	Other non-taxable income	-1	-2
-	-	Impairment of goodwill	-	-
-12	-17	Charity expenses deductible twice for tax purposes	-11	-16
-12	-40	R&D expenses deductible thrice for tax purposes	-	-
-107	-592	Investment project relief	-87	-363
-67	-86	Tax loss utilisation	-67	-
151	402	Other expenses not deductible for tax purposes	55	44
-1,354	-286	Other expenses deductible for tax purposes	-	-
787	1,481	Income tax expenses (benefit)	47	1,134

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.

NOTES

11. Earnings per share

GROUP			COMPANY	
2023	2022		2023	2022
14,666	12,511	Net profit attributable to holders of ordinary shares of the Parent, EUR '000	2,527	12,599
11,943	11,943	Number of issued shares calculated based on the weighted average unit cost method, '000 units	11,943	11,943
1.23	1.05	Basic earnings (loss) per share (EUR	0.21	1.05

The diluted earnings per share are the same as basic earnings per share.

12. Property, plant and equipment (EUR '000)

* For more details on right-of-use assets, see Note 13.

	GROUP					
	Right-of-use assets*	Land and buildings	Plant and machinery	Other assets	Construction in progress	Total
Cost/revalued amount						
Balance at 1 January 2022	1,986	19,438	61,470	3,684	355	86,933
Additions	335	26	442	150	3,383	4,336
Disposals	-	-133	-114	-27	-	-274
Reclassifications	-475	71	710	8	-314	-
Balance at 31 December 2022	1,846	19,402	62,508	3,815	3,424	90,995
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
Depreciation and impairment losses						
Balance at 1 January 2022	878	4,025	29,675	2,476	-	37,054
Depreciation charge for the year	211	679	3,523	300	-	4,713
Disposals	-	-91	-104	-24	-	-219
Reclassifications	-325	-	325	-	-	-
Balance at 31 December 2023	764	4,613	33,419	2,752	-	41,548
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
Net book amount						
At 1 January 2022	1,108	15,413	31,795	1,208	355	49,879
At 31 December 2022	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

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12. Property, plant and equipment (EUR ’000) (continued)

* For more details on right-of-use assets, see Note 13.

(a) Amount of EUR 310 thousand is related to reclassification of assets to investment property. Prepayments made for non-current assets are classified under additions.

	COMPANY					
	Right-of-use assets*	**Land and buildings**	**Plant and machinery**	**Other assets**	**Construction in progress**	**Total**
Cost/revalued amount						
Balance at 1 January 2022	2,015	6,792	22,133	1,373	237	32,550
Additions	289	-	248	48	3,157	3,742
Increase in value	-	-	-	-	-	-
Disposals	-	-80	-97	-7	-	-184
Reclassifications	-476	8	487	-	-83	-64
Balance at 31 December 2022	1,828	6,720	22,771	1,414	3,311	36,044
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	-565	415	1,115	-	-1,275	-310(a)
Balance at 31 December 2023	2,022	7,094	23,353	1,359	8,450	42,278
Depreciation and impairment losses						
Balance at 1 January 2022	886	1,626	16,620	1,199	-	20,331
Depreciation charge for the year	215	274	1,256	48	-	1,793
Impairment	2	-	-	-	-	2
Disposals	-	-80	-97	-7	-	-184
Reclassifications	-325	-	325	-	-	-
Balance at 31 December 2022	778	1,820	18,104	1,240	-	21,942
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
Impairment	-96	-	-	-	-	-96
Disposals	1	-34	-931	-118	-	-1,082
Reclassifications	-338	-58	338	-	-	-58
Balance at 31 December 2023	539	1,970	18,738	1,178	-	22,425
Net book amount						
At 1 January 2022	1,129	5,166	5,513	174	237	12,219
At 31 December 2022	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

12. Property, plant and equipment (EUR '000) (continued)

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 7,780 thousand as at 31 December 2023 (31 December 2022: EUR 9,753 thousand);
- Production plant and machinery, fixtures and equipment with the net book amount of EUR 23,078 thousand as at 31 December 2023 (31 December 2022: EUR 24,382 thousand) (Note 23).

To secure the repayment of its bank borrowings, the Company has pledged the following PP&E:

- Buildings with the carrying amount of EUR 3,427 thousand as at 31 December 2023 (31 December 2022: EUR 3,640 thousand);
- Production plant and machinery, fixtures and equipment with the net book amount of EUR 2,923 thousand as at 31 December 2023 (31 December 2022: EUR 3,792 thousand) (Note 23).

The acquisition cost of the Group's property, plant and equipment fully depreciated but still in use amounted to EUR 12,138 thousand as at 31 December 2023 (31 December 2022: EUR 12,540 thousand).

The acquisition cost of the Company's property, plant and equipment fully depreciated but still in use amounted to EUR 10,628 thousand as at 31 December 2023 (31 December 2022: EUR 11,365 thousand).

Depreciation

Depreciation was included in the following line items:

GROUP			COMPANY	
2023	**2022**		**2023**	**2022**
4,426	4,517	Cost of finished products	1,447	1,543
219	196	Distribution and administrative expenses	144	131
-	-	Other operating expenses	128	119
4,645	**4,713**		**1,719**	**1,793**

Valuation of buildings

The Group/Company accounts for the buildings at a revalued amount, less subsequent accumulated depreciation and impairment.

In the management's opinion, there were no significant changes in the domestic real estate market or the Company's operations, and the fair value of investment property did not change significantly. In 2023, the following valuations were carried out for part of the Group's buildings:

- The valuation performed by independent property valuation corporation Matininkai UAB included determining the fair value of the buildings and structures owned by the Company under the title at address Gaurės g. 23 and Gaurės g. 31O in Tauragė, as at 1 December 2023. The total market/fair value of part of the Company's buildings and structures, which were included in the valuation under the market approach, amounted to EUR 7,891 thousand at the date of valuation.
- The valuation performed by an independent property valuation company SIA NEWSEC VALUATIONS LV included determining the fair value of part of buildings and structures owned by the Group under the title at address Stacijas g. 2 and Stacijas g. 4 in Bauska (Latvia), as at 7 February 2023. The total market/fair value of part of the Group's buildings and structures, which were included in the valuation under the discounted cash flow approach, amounted to EUR 2,300 thousand at the date of valuation.

Based on the valuation of part of the Group's buildings and structures, it was concluded that the carrying amount of property did not differ significantly from the potential market price of property, and accordingly, no revaluation was performed for the property.

In 2023, no revaluation was performed for the Group's and the Company's assets because, in the management's opinion, there were no significant changes in the domestic real estate market and in the Group's/Company's operations, nor were there any significant changes in the fair value of buildings.

As at 31 December 2023, the net value of the Group's revaluation reserve amounted to EUR 1,537 thousand (31 December 2022: EUR 1,722 thousand). As at 31 December 2023, the net value of the Company's revaluation reserve amounted to EUR 902 thousand (31 December 2022: EUR 1,054 thousand).

If the Group's buildings were carried at cost, their net book amount would be EUR 9,471 thousand (revalued amount would is EUR 11,339 thousand) as at 31 December 2023 (31 December 2022: net book amount – EUR 9,115 thousand, revalued amount – EUR 11,077 thousand).

If the Company's buildings were carried at cost, their net book amount would be EUR 2,464 thousand (revalued amount would be EUR 3,443 thousand) as at 31 December 2023 (31 December 2022: net book amount – EUR 2,663 thousand, revalued amount – EUR 3,817 thousand).

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13. Leases (EUR ’000)

Amounts recognised in profit or loss were as follows:

Movements in right-of-use assets during 2023 and 2022 are disclosed in Note 12.

Lease liabilities, including the breakdown of lease liabilities by maturity are disclosed in Note 23.

GROUP			COMPANY	
2023	2022		2023	2022
199	211	Depreciation of right-of-use assets	194	215
-	-	Impairment of right-of-use assets	1	2
37	18	Interest expenses (included in finance costs)	32	17
39	34	Expenses related to short-term leases (included in cost of sales and general and administrative expenses)	31	27
78	67	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)	25	15
24	37	Expenses related to variable lease payments not included in lease liabilities (included in cost of sales, general and administrative expenses, other operating expenses)	24	37
377	**367**		**307**	**313**

14. Investment property (EUR ’000)

	2023	2022
Balance at 1 January	**6,527**	**6,780**
Additions	38	64
Disposals	-	-37
Net gain/(loss) on fair value adjustment	123	-280
Reclassification from/(to) inventories and owner-occupied PP&E	215*	-
Balance at 31 December	**6,903**	**6,527**

(*) Amount of EUR 215 thousand is related to reclassification of investment property from owner-occupied PP&E.

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 property consists of production facilities leased out to the subsidiaries. Based on the terms and conditions of the lease contracts, the assets have been leased for the term of 5 to 7 years, and the lease term expires by 31 December 2023-2026. The fulfilment of lease contracts has not been secured with any collateral, guarantees or other pledges.

14. Investment property (EUR ’000) (continued)

Fair value of investment property

Below is allocation of the Company’s investment property to hierarchy levels for fair value measurement purposes, EUR ’000:

	31/12/2023	31/12/2022
Hierarchy level 2 (a)	2,821	1,614
Hierarchy level 3 (b)	4,082	4,913
	6,903	**6,527**

(a) The Company’s investment property, the fair value of which was determined using the market approach, are attributed to level 2 in the fair value measurement hierarchy. The fair value was determined with reference to the valuation performed on 1 December 2023 by an independent property valuation corporation Matininkai UAB (the same approach was applied on 1 December 2022). 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 buildings leased to produce processed whey products (whey protein concentrate WPC80 and permeate) are evaluated using the income approach and attributed to level 3 in the fair value measurement hierarchy. The fair value was determined with reference to the valuation performed on 1 December 2023 by an independent property valuation corporation Matininkai UAB. The valuation of assets encompasses fair value measurement of a complex of assets of whey processing facilities (including buildings, plant and machinery, and other assets) constituting a cash-generating unit. The measured fair value is attributed to each item of property, plant and equipment, and accordingly, the fair value of buildings is known. The value of assets is determined using a discounted cash flow model.

The value in use is determined by discounting the post-tax future cash flows to their present value based on a 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. The adjusted weighted average cost of capital (pre-tax) was 16.3% (2022: 15.5%). Key assumptions used in calculation of value of in use were as follows:

- Future cash flows are estimated based on historical experience and 2024-2028 business forecasts based on the existing long-term contracts with the customers of the products, and the expected expansion of sales (production) in view of growth in demand for whey processing products on the domestic and global markets.
- Forecasts of production costs are estimated on the basis of factual production, including the expected fluctuations therein due to growth of production. Based on 2024-2028 forecast, the annual average growth of production and sales is expected to be 2%.

The same approach was applied on 1 December 2022.

Minimum lease payments receivable on lease of investment property:

EUR ’000	31/12/2023	31/12/2022
Within one year	330	293
Between 1 and 5 years	941	878
After 5 years	-	-
	1,271	**1,171**

In 2023, the Company’s rental income amounted to EUR 330 thousand (2022: EUR 293 thousand). Rental income is included in other operating income. There were no direct operating expenses from investment property that generated rental income during 2023 and 2022.

The Company’s investment property with the carrying amount of EUR 5,106 thousand as at 31 December 2023 (31 December 2022: EUR 6,527 thousand) was pledged to the banks as a security for bank borrowings.

15. Intangible assets (EUR ‘000)

Amortisation charge for the year was included in administrative expenses.

	GROUP			
	Goodwill	Computer software	Other intangible assets	Total
Cost				
Balance at 1 January 2022	6,915	546	17	7,478
Additions	-	-	-	-
Disposals	-	-	-	-
Reclassifications	-	-	-	-
Balance at 31 December 2022	**6,915**	**546**	**17**	**7,478**
Balance at 1 January 2023	6,915	546	17	7,478
Additions	-	-	-	-
Disposals	-	-	-	-
Reclassifications	-	-	-	-
Balance at 31 December 2023	**6,915**	**546**	**17**	**7,478**
Amortisation and impairment				
Balance at 1 January 2022	2,749	533	10	3,292
Amortisation charge for the year	-	11	-	11
Disposals	-	-	-	-
Impairment	-	-	-	-
Balance at 31 December 2022	**2,749**	**544**	**10**	**3,303**
Balance at 1 January 2023	2,749	544	10	3,303
Amortisation charge for the year	-	2	5	7
Disposals	-	-	-	-
Impairment	-	-	-	-
Balance at 31 December 2023	**2,749**	**546**	**15**	**3,310**
Net book amounts				
At 1 January 2022	**4,166**	**13**	**7**	**4,186**
At 31 December 2022	**4,166**	**2**	**7**	**4,175**
At 31 December 2023	**4,166**	**-**	**2**	**4,168**

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15. Intangible assets (EUR ‘000) (continued)

Amortisation charge for the year was included in administrative expenses.

	COMPANY			
	Goodwill	Computer software	Other intangible assets	Total
Savikaina				
Balance at 1 January 2022	-	656	17	673
Additions	-	-	-	-
Disposals	-	-	-	-
Reclassifications	-	-	-	-
Balance at 31 December 2022	-	**656**	**17**	**673**
Balance at 1 January 2023	-	656	17	673
Additions	-	-	-	-
Disposals	-	-	-	-
Reclassifications	-	-	-	-
Balance at 31 December 2023	-	**656**	**17**	**673**
Amortisation and impairment				
Balance at 1 January 2022	-	646	13	659
Amortisation charge for the year	-	8	1	9
Disposals	-	-	-	-
Balance at 31 December 2022	-	**654**	**14**	**668**
Balance at 1 January 2023	-	654	14	668
Amortisation charge for the year	-	2	1	3
Disposals	-	-	-	-
Balance at 31 December 2023	-	**656**	**15**	**671**
Net book amounts				
At 1 January 2022	-	**10**	**4**	**14**
At 31 December 2022	-	**2**	**3**	**5**
At 31 December 2023	-	**-**	**2**	**2**

15. Intangible assets (EUR '000) (continued)

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's business activities relating to production and sale of cheese and cheese products; Kelmės Pienas UAB's business activities relating to production and sale of fresh milk products), as specified below:

	31/12/2023	31/12/2022
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 amount of cash-generating unit of Kelmės Pienas UAB

The recoverable amount of cash-generating unit (production of fresh milk products) of Kelmės Pienas UAB was determined by an independent property valuation corporation Matininkai UAB. The date of valuation was 31 December 2023. 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 1,5% (2022: growth rate of 1%).
- 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 12.74% (2022: 15.55%).
- The annual revenue growth rate is projected to be 0.2% in 2024 and 2.5% during 2024-2028. 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.
- Gross profit is expected to decrease in 2024 due to the rising prices of raw milk, other raw materials and consumables.
- The capital expenditures for maintenance of production-technological assets are projected to be EUR 958 thousand in 2024 (additional capital expenditures of EUR 450 thousand are projected for the modernization of production line of glazed curd cheese snacks), and on average EUR 541 thousand during 2025-2028. When calculating the terminal value (capitalising the last cash flows), the amount of deductible capital expenditures is equal to the aggregate amount of depreciation of capital expenditures.
- The basic components of the working capital: inventory requirement, trade receivables and trade payables are taken as the factual amounts at the end of 2023. Subsequently (starting from 2024), 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.

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15. Intangible assets (EUR '000) (continued)

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 2023 compared to the management's forecast, no impairment would have been recognised for the Group's goodwill. The reasonably possible change of 3% lower budgeted gross margin represents a reasonably possible increase in raw milk price by 1%.
- 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 (16.5% instead of 15.5%), 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.

Recoverable amount of cash-generating unit of Modest AB

For Modest AB, the value in use was calculated using the future cash flows discounted to their present value. Key assumptions used in the calculation of the value in use 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 1,5% (2022: growth rate of 1%).
- 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 12.74% (2022: 15.5%).
- Based on the management's budget for Modest AB, revenue budgeted for 2024 amounts to EUR 43,390 thousand. Compared to 2023, revenue is expected to decrease by 2.1%. The annual revenue growth rate of 8.0% is expected in 2025 and 5% during 2026-2028.
- In 2024, gross profit margin is expected to decrease by 1.2 p.p. down to 2.7% compared to 2023 because of decreasing price levels in export markets. During 2025-2028, gross profit margin is expected to reach 3.1% during the entire forecast period.

Based on these assumptions, the recoverable amount of the cash-generating unit calculated for Modest AB exceeded the carrying amount, and no impairment was recognised

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16. Investments in subsidiaries

EUR '000	31/12/2023	31/12/2022
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	671	271
	11,318	**10,918**

The Company acquired control over Modest AB in 2006. The ownership interest held by the Company was 99.7% as at 31 December 2023 (31 December 2022: 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 2023 (31 December 2022: 100%).

On 1 April 2021, Vilkyškių Pieninė AB acquired 70% of shares in Baltic Dairy Board SIA (in total 544,446 shares were acquired for the acquisition cost of EUR 271 thousand. On 14 April 2023, Vilkyškių Pieninė AB acquired the remaining 30% of shares in Baltic Dairy Board SIA (in total 233,332 shares were acquired for the acquisition cost of EUR 400 thousand). The transaction price was set in the agreement. As at 31 December 2023, the ownership interest held was 100%, and the total acquisition cost was EUR 671 thousand.

As at 31 December 2023 (and 31 December 2022), there were no indications of impairment for investments in subsidiaries.

Key financial indicators of Pieno Logistika AB:

EUR '000	31/12/2023	31/12/2022
Total assets	559	174
Shareholders' equity	68	105
Net profit (loss)	-37	-4

Key financial indicators of Modest AB:

EUR '000	31/12/2023	31/12/2022
Total assets	7,692	15,409
Shareholders' equity	5,664	5,053
Net profit (loss)	611	1,351

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17. Non-current amounts receivable (EUR ‘000)

GROUP				COMPANY	
31/12/2023	31/12/2022	Pastaba		31/12/2023	31/12/2022
			Financial instruments		
-	-	28	Loans granted to related parties (a)	1,111	897
600	-		Loans granted to related parties (b)	600	-
600	**-**			**1,711**	**897**
			Non-financial assets		
-	-	28	Prepayments made to related parties	-	-
311	111		Non-current amounts receivable from farmers (c)	311	111
2	-		Other non-current amounts receivable	-	-
313	**111**			**311**	**111**
913	**111**			**2,022**	**1,008**

(a) In December 2021, a loan was granted to the subsidiary Baltic Dairy Board SIA. As at 31 December 2023, the outstanding balance of the loan was EUR 980 thousand (31 December 2022: EUR 830 thousand) and interest was EUR 131 thousand (31 December 2022: EUR 67 thousand). The loan is to be repaid by 31 January 2026.

(b) The Group’s and the Company’s loan receivable from other related parties amounted to EUR 600 thousand as at 31 December 2023. The loan is to be repaid by 31 December 2025. Interest is charged on the outstanding balance of the loan.

(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.

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18. Inventories (EUR '000)

GROUP			COMPANY	
31/12/2023	31/12/2022		31/12/2023	31/12/2022
11,343	21,063	Finished products	5,958	7,709
1,650	-	Products in transit	1,650	-
12,993	**21,063**		**7,608**	**7,709**
324	449	Raw materials	105	158
4,016	3,661	Consumables	1,275	1,321
294	320	Work in progress	-	-
-	-	Non-current assets held for sale	-	-
17,627	**25,493**		**8,988**	**9,188**

Raw materials include milk and other materials used in the production.

As at 31 December 2023, the Group's materials (packaging, auxiliary materials, etc.) written down to net realisable value amounted to EUR 26 thousand (31 December 2022: EUR 37 thousand).

As at 31 December 2022, the Company's materials (tare, packaging, auxiliary materials, etc.) written down to net realisable value amounted to EUR 26 thousand (31 December 2022: EUR 37 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 2022, the Group's and the Company's inventories (finished products) written down to net realisable value amounted to EUR 1,192 thousand and EUR 591 thousand, respectively (31 December 2022: EUR 2,593 thousand and EUR 521 thousand, respectively).

As at 31 December 2023, the inventories of the Group/Company (cheese, cheese products, dry milk products) were pledged to the financial institutions (as at 31 December 2023, the net book amount of the Group's and the Company's inventories was EUR 12,091 and EUR 8,988 thousand, respectively. In 2022, the net book amount of inventories pledged as collateral was up to EUR 25,493 thousand for the Group, and up to EUR 9,188 thousand for the Company) (Note 23).

19. Trade and other receivables (EUR '000)

		GROUP	
	Note	31/12/2023	31/12/2022
Trade receivables		14,815	14,133
Impairment losses		-307	-99
Trade receivables from related parties		88	30
Loans granted to related parties, including interest charged and administration fee	28	-	928
Financial assets		**14,596**	**14,992**
Taxes receivable (other than income tax)		2,593	2,764
Other receivables from related parties		-	-
Other receivables		18	119
Total trade and other receivables		**17,207**	**17,875**

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19. Trade and other receivables (EUR ‘000) (continued)

		COMPANY	
	Pastaba	31/12/2023	31/12/2022
Trade receivables		11,686	13,808
Impairment losses		-307	-99
Trade receivables from related parties	28	499	8,762
Loans granted to related parties, including interest charged and administration fee	28	-	928
Financial assets		**11,878**	**23,399**
Taxes receivable (other than income tax)		2,283	2,665
Other receivables from related parties	28	-	1,631
Other receivables		3,525	100
Total trade and other receivables		**17,686**	**27,795**

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 2023, the Group’s/Company’s receivables were not pledged (31 December 2022: all receivables of the Group/Company were pledged as collateral (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.

20. Prepayments (EUR ’000)

GROUP				COMPANY	
31/12/2023	31/12/2022	Note		31/12/2023	31/12/2022
608	544	(a)	Prepayments	456	399
71	-		Advance income tax	71	-
-		28	Prepayments to related parties	-	197
679	741			527	596

(a) Prepayments consist of prepayments made to the companies for goods and services and to the farmers for milk.

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21. Cash and cash equivalents (EUR ’000)

GROUP			COMPANY	
31/12/2023	31/12/2022		31/12/2023	31/12/2022
8,609	596	Cash at bank	2,740	301
116	25	Cash on hand	114	24
8,725	**621**		**2,854**	**325**

As at 31 December 2023, cash balances on bank accounts were not pledged as collateral to secure repayment of bank borrowings (31 December 2022: all cash balances on bank accounts were pledged as collateral to secure repayment of bank borrowings .
The Group’s and the Company’s exposure to interest rate risk arising from cash and cash equivalents is disclosed in Note 29

22. Capital and reserves

As at 31 December 2023 and 2022, 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 2023, the Company’s/ Group’s legal reserve amounted to EUR 346 thousand (31 December 2022: 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 2023, dividends of EUR 0.265 per share were paid out to the shareholders (2022: dividends of EUR 0.20 per share were paid out to the shareholders).

23. Borrowings and lease liabilities (EUR '000)

GROUP				COMPANY	
31/12/2023	31/12/2022		Pastaba	31/12/2023	31/12/2022
15,706	12,978	Non-current borrowings	27,28	2,569	1,499
775	399	Lease liabilities	13	728	374
16,481	**13,377**	**Non-current**		**3,297**	**1,873**
3,235	9,238	Current bank borrowings and other borrowings	27,28	1,356	3,483
469	314	Lease liabilities	13	432	309
3,704	**9,552**	**Current**		**1,788**	**3,792**
20,185	**22,929**	**Total borrowings and lease liabilities**		**5,085**	**5,665**

As at 31 December 2023, the Company/Group had no short-term credit limits (2022: the undrawn balance of short-term credit limits amounted to EUR 465 thousand). As at 31 December 2023, the Company/Group had no long-term credit limits, but there was an undrawn balance of a long-term credit limit of the Company from Swedbank AB amounting to EUR 5,408 thousand (for the purchase of production equipment). Under the agreements signed with the banks, the Company's/Group's credits are subject to the following interest rates: 6-month EURIBOR + margin and 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 2023 and 2022

Borrowings by maturity (EUR '000):

GROUP			COMPANY	
31/12/2023	31/12/2022		31/12/2023	31/12/2022
3,234	9,238	Within 1 year	1,356	3,483
15,706	12,978	Between 1 and 5 years	2,569	1,499
18,940	**22,216**		**3,925**	**4,982**

In 2023, the Group's borrowings were subject to annual effective interest rate of 6.10% (2022: 3.0%).
In 2023, the Company's borrowings were subject to annual effective interest rate of 5.68% (2022: 3.16%).

Lease liabilities (EUR '000):

GROUP			COMPANY	
31/12/2023	31/12/2022		31/12/2023	31/12/2022
469	314	Within 1 year	432	309
775	399	Between 1 and 5 years	728	374
1,244	**713**		**1,160**	**683**

The right-of-use assets recognised in relation to lease liabilities is disclosed in Notes 12 and 13.

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23. Borrowings and lease liabilities (EUR '000) (continued)

Cash flows from financing activities

COMPANY

	Liabilities arising from financing activities					**Total**
	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	
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

	Liabilities arising from financing activities					**Total**
	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	
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**

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NOTES

23. Borrowings and lease liabilities (EUR '000) (continued)

	COMPANY					
	Liabilities arising from financing activities					
	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 2022	301	414	2,206	1,735	2,285	6,941
Cash inflows - proceeds from borrowings	-	-	-	669	-	669
Cash outflows - repayments of borrowings	-	-	-786	-1,127	-	-1,913
Additions - lease	-	347	-	-	-	347
Repayments – lease	-379	-	-	-	-	-379
Other non-cash changes (reclassification of current/non-current portion, impairment, write-offs)	387	-387	786	-	-786	-
At 31 December 2022	**309**	**374**	**2,206**	**1,277**	**1,499**	**5,665**

	GROUP					
	Liabilities arising from financing activities					
	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 2022	290	403	4,685	1,735	17,050	24,163
Cash inflows - proceeds from borrowings	-	-	4,642	669	1,600	6,911
Cash outflows - repayments of borrowings	-	-	-3,872	-	-4,293	-8,165
Additions - lease	13	393	-	-	-	406
Repayments – lease	-386	-	-	-	-	-386
Other non-cash changes (reclassification of current/non-current portion, impairment, write-offs)	397	-397	1,379	-	-1,379	-
At 31 December 2022	**314**	**399**	**6,834**	**2,404**	**12,978**	**22,929**

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24. Government grants (EUR ’000)

GROUP			COMPANY	
31/12/2023	31/12/2022		31/12/2023	31/12/2022
3,743	4,125	Opening net book amount	520	685
285	13	Grants received	285	-
-	-	Grant receivable	-	-
-417	-456	Amortisation recognised in profit or loss and write-off of grants	-134	-165
-13	61	Write-off of grants upon disposal of assets	-	-
3,598	**3,743**	Closing net book amount	**671**	**520**

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"*. Up to 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.

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.

25. Deferred income tax assets (liabilities) (EUR ’000)

Deferred income tax assets and liabilities calculated at a 15% tax rate in 2023 (2022: 15%) relate to the following line items:

			COMPANY			
	31/12/2023	31/12/2022	31/12/2023	31/12/2022	31/12/2023	31/12/2022
Property, plant and equipment	-	-	1,725	1,741	1,725	1,741
Vacation reserve	-252	-174	-	-	-252	-174
Inventories	-92	-84	-	-	-92	-84
Government grants	-62	-78	-	-	-62	-78
Tax loss carry forward	-751	-887	-	-	-751	-887
Deferred income tax (assets)/liabilities	**-1,157**	**-1,223**	**1,725**	**1,741**	**568**	**518**

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25. Deferred income tax assets (liabilities) (continued)

In 2023, the Group's deferred income tax assets and liabilities were calculated at the effective tax rate of 15% 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:

EUR '000	**GROUP**					
	Assets		**Liabilities**		**Net value**	
	31/12/2023	**31/12/2022**	**31/12/2023**	**31/12/2022**	**31/12/2023**	**31/12/2022**
Property, plant and equipment	-	-	1,960	1,896	1,960	1,896
Vacation reserve	-316	-214	-	-	-316	-214
Inventories	-92	-84	-	-	-92	-84
Government grants	-62	-78	-	-	-62	-78
Tax loss carry forward	-751	-887	-	-	-751	-887
Fair value adjustment to assets and liabilities of Baltic Dairy Board SIA	-	-	191	157	191	157
Deferred income tax (assets)/liabilities	**-1,221**	**-1,263**	**2,151**	**2,053**	**930**	**790**

	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**

	COMPANY			
	01/01/2022	Recognised in profit or loss	Recognised in equity	31/12/2022
Property, plant and equipment	1,832	-91	-	1,741
Vacation reserve	-117	-57	-	-174
Inventories	-6	-78	-	-84
Government grants	-103	25	-	-78
Tax loss carry forward	-2,076	1,189	-	-887
Deferred income tax (assets)/liabilities	**-470**	**988**	**-**	**518**

25. Deferred income tax assets (liabilities) (continued)

The difference between the tax base and the reported net book amount of property, plant and equipment occurred mainly due to revaluation of the buildings, different depreciation periods and recognition of tax losses as at 31 December 2023.

	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**

	GROUP			
	01/01/2022	Recognised in profit or loss	Recognised in equity	31/12/2022
Property, plant and equipment	1,903	-7	-	1,896
Vacation reserve	-145	-69	-	-214
Inventories	-6	-78	-	-84
Government grants	-103	25	-	-78
Tax loss carry forward	-2,076	1,189	-	-887
Adjustment to assets and liabilities of Baltic Dairy Board SIA	123	34		157
Deferred income tax (assets)/liabilities	**-304**	**1,094**	**-**	**790**

GROUP			**COMPANY**	
31/12/2023	**31/12/2022**		**31/12/2023**	**31/12/2022**
		Deferred income tax assets/(liability)		
470/-442	376/ -404	Deferred income tax assets (liability), which will be realised within 12 months	273/ -16	382/ -91
751/ -1,709	887/ -1,649	Deferred income tax assets (liability), which will be realised after 12 months	884/ -1,709	840/ -1,649
-930	**-790**	**Net deferred income tax assets (liability)**	**-568**	**-518**

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, 2023 amounts to EUR 626 thousand, respectively on December 31, 2022 - there were none.

NOTES

26 Trade and other payables (EUR ’000)

GROUP				COMPANY	
31/12/2023	31/12/2022		Note	31/12/2023	31/12/2022
		Financial instruments			
13,171	14,328	Trade payables		9,903	11,162
-	8	Trade payables to related parties	28	3,798	2,831
13,171	**14,336**			**13,701**	**13,993**
		Non-financial instruments			
4,684	3,319	Employment-related liabilities		2,575	1,949
781	302	Advance amounts received		781	296
73	74	Dividends payable		-	-
1,680	2,560	Taxes payable (other than income tax)*		77	71
394	122	Accrued expenses and provisions		71	45
-	-	Other amounts payable		2	1
7,612	**6,377**			**3,506**	**2,362**
20,783	**20,713**			**17,207**	**16,355**

* In December 2022, the Group received a tax-related aid measure for the repayment of the loan in amount of EUR 1,900 thousand. The final loan repayment date is 25 December 2024. The Group committed to pay interest at the rate set by the Lithuanian Ministry of Finance. As at 31 December 2023, the outstanding balance of the loan was EUR 871 thousand.

The Group’s/Company’s exposure to foreign exchange and liquidity risks arising from trade and other payables is disclosed in Note 29.

27. Contingent liabilities (EUR ’000)

Significant contractual commitments:

GROUP			COMPANY	
31/12/2023	31/12/2022		31/12/2023	31/12/2022
39,577*	6,387	Acquisition of PP&E	6,353	6,353
5,692	7,251	Purchase of raw materials	5,583	7,251
45,269	**13,638**		**11,936**	**13,604**

*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 2023, 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 7,780 thousand;
- movable property with the carrying amount of EUR 23,078 thousand;
- inventories in turnover with the carrying amount of EUR 15,977 thousand;
- lease rights to state-owned land.

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27. Contingent liabilities (EUR '000) (continued)

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 3,297 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 5,106 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 2,955 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 3,499 thousand as at 31 December 2023 (the surety agreements were signed in 2021 and 2022).

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 3,536 thousand as at 31 December 2023. (the surety agreement was signed in 2021).
- surety issued to Op Corporate bank to secure fulfilment of financial liabilities of Kelmės Pieninė AB in amount of EUR 11,479 thousand as at 31 December 2023 (the surety agreement was signed in 2021).

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

28. 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.

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28. Transactions with related parties and management personnel (continued)

(i) Transactions with related parties:

Purchases of raw materials, products, non-current assets and services, interest expenses, EUR '000:

GROUP			COMPANY	
2023	2022		2023	2022
-	-	Kelmės Pieninė AB	34,606	31,071
-	-	Kelmės Pienas UAB	30,806	26,659
-	-	Modest AB	43,579	47,724
		Pieno Logistika AB	142	-
-	-	Baltic Dairy Board SIA	20	351
1	-	Management personnel	1	-
1,076	3,085	Other related parties	1,076	3,085
1,077	**3,085**		**110,230**	**108,890**

(ii) Transactions with related parties:

Sale of raw materials, products, non-current assets and services, interest income

GROUP			COMPANY	
2023	2022		2023	2022
-	-	Kelmės Pieninė AB	5,659	14,945
-	-	Kelmės Pienas UAB	12,126	14,190
-	-	Modest AB	33,752	43,702
-	-	Pieno Logistika AB	143	1
-	-	Baltic Dairy Board SIA	4,088	5,072
-	1	Management personnel	-	1
45	45	Other related parties	45	45
45	**46**		**55,813**	**77,956**

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28. Transactions with related parties and management personnel (continued)

(iii) *Year-end balances of transactions with related parties:*

GROUP			COMPANY	
2023	2022		2023	2022
-	-	**Loan payable** *(Kelmės Pieninė AB)*	-	-
-	**-**	**Trade and other amounts payable**	**3,799**	**2,824**
-	-	*(Kelmės Pieninė AB)*	3,762	-
-	-	*(Kelmės Pienas UAB)*	-	2,824
-	-	*(Pieno Logistika AB)*	37	-
-	-	**Trade and other receivables**	**499**	**10,393**
-	-	*(Kelmės Pieninė AB)*	-	2,021
		(Kelmės Pienas UAB)	377	-
-	-	*(Modest AB)*	63	8,196
-	-	*(Baltic Dairy Board SIA)*	59	146
-	-	*(From other related parties)*	-	30
-	-	**Loan receivable** *(Baltic Dairy Board SIA, including interest)*	**1,111**	**897**
-	**13**	**Loan receivable** *(including interest from management personnel)*	**-**	**13**
-	**-**	**Other receivables** *(from management personnel)*	**-**	**-**
54	**8**	**Trade and other payables** *(to other related parties)*	**54**	**8**
-	**36**	**Trade receivables** *(from other related parties)*	**-**	**36**
-	**197**	**Advance amounts receivable** *(from other related parties)*	**-**	**197**
600	**915**	**Loan receivable** *(including interest and administration fee from other related parties)*	**600**	**915**
-	**-**	**Loan payable** *(including interest to other related parties)*	-	-

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 2023. Interest receivable in 2023 was EUR 131 thousand.
- The Group's/Company's loans receivable from other related parties amounted to EUR 600 thousand as at 31 December 2023. The loan has to be repaid by 31 December 2025. Interest is charged on the outstanding balance of the loan.

In 2023, the Group's and the Company's payments for employees to Pillar III investment funds under the defined plan for contributions amounted to EUR 194 thousand (2022: EUR 290 thousand).

29. 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 2023 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	31/12/2023	31/12/2022
Non-current amounts receivable	17	600	-
Trade and other amounts receivable, net of tax	19	14,596	14,992
Cash and cash equivalents	21	8,725	621
		23,921	**15,613**

The table below analyses by geographical region the maximum exposure to credit risk at the reporting date arising from trade receivables:

	Net book amount	
	31/12/2023	31/12/2022
Lithuania	2,977	1,922
Great Britain	140	2,009
Israel	-	594
Saudi Arabia	1,400	2,871
Portugal	609	788
Italy	237	640
Poland	2,477	1,593
Latvia	219	556
Estonia	140	56
Republic of Korea	236	-
Kazakhstan	-	76
Belgium	-	81
Egypt	-	141
Albania	336	170
Denmark	203	433
The Netherlands	1,550	254
Azerbaijan	441	192
Macedonia	67	-
Qatar	-	91
Thailand	-	237
Germany	787	551
Libya	78	94
Lebanon	-	58
Dominican Republic	69	-
Greece	157	422
Bosnia-Herzegovina	447	307
Slovakia	200	28
Finland	246	186
Spain	203	-
Czech	37	2
South Africa	79	86
Slovenia	35	-
Norway	-	5
UAE	456	299
Kosovo	78	-
India	99	-
Vietnam	580	226
USA	11	23
Other	2	1
	14,596	**14,992**

As at 31 December 2023, significant credit risk concentration was related to three customers, the receivables from which accounted for 21% of total trade receivables (31 December 2022: 41%).

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS

NOTES

29. Financial instruments and risk management
(continued)

EUR '000	Note	COMPANY Net book amount 31/12/2023	 31/12/2022
Non-current amounts receivable	17	1,711	897
Trade and other receivables	19	11,878	23,399
Cash and cash equivalents	21	2,854	325
		16,443	**24,621**

The table below analyses the maximum exposure to credit risk by geographical region arising from trade receivables at the reporting date:

EUR '000	Net book amount 31/12/2023	 31/12/2022
Lithuania	572	10,572
Great Britain	140	2,009
Israel	-	594
Saudi Arabia	1,400	2,871
Portugal	609	788
Italy	237	640
Poland	2,439	1,533
Latvia	59	555
Estonia	47	56
Republic of Korea	236	-
Kazakhstan	-	76
Belgium	-	81
Egypt	-	141
Albania	336	170
Denmark	203	433
The Netherlands	1,550	72
Azerbaijan	441	192
Qatar	-	91
Thailand	-	237
Germany	787	551
Libya	78	94
Lebanon	-	58
USA	11	23
Greece	157	422
Bosnia-Herzegovina	447	307
Slovakia	200	28
Finland	226	186
Spain	203	-
Czech	37	2
South Africa	79	86
Norway	-	5
Sakartvelo	78	-
Kosovo	99	-
India	580	226
UAE	456	299
Macedonia	67	-
Slovenia	35	-
Dominican Republic	69	-
Other	-	1
	11,878	**23,399**

As at 31 December 2023, a significant credit risk concentration was related to four customers, the receivables from which accounted for 30% of total trade receivables (31 December 2022: 20t%).

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS

NOTES

29. Financial instruments and risk management (continued)

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:

	GROUP			
EUR '000	Total amount	Impairment	Total amount	Impairment
	31/12/2023	31/12/2023	31/12/2022	31/12/2022
Related parties:				
Not past due	688	-	862	-
Past due 0-30 days	-	-	-	-
Past due 31-60 days	-	-	-	-
More than 60 days	-	-	96	-
	688	**-**	**958**	**-**
Not past due	13,059	-	9,500	-
Past due 0-30 days	1,502	-	3,935	-
Past due 31-60 days	82	-	479	-
More than 60 days	172	-307	219	-99
	14,815	**-307**	**14,133**	**-99**
	15,503	**-307**	**15,091**	**-99**

Impairment losses related to trade and other receivables amounted to EUR 307 thousand as at 31 December 2023 (2022: EUR 99 thousand).

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS

NOTES

29. Financial instruments and risk management
(continued)

EUR '000	COMPANY			
	Total amount	Impairment	Total amount	Impairment
	31/12/2023	31/12/2023	31/12/2022	31/12/2022
Related parties:				
Not past due	2,152	-	10,346	-
Past due 0-30 days	59	-	-	-
Past due 31-60 days	-	-	-	-
More than 60 days	-	-	242	-
	2,211	**-**	**10,588**	**-**
Other parties:				
Not past due	10,011	-	9,293	-
Past due 0-30 days	1,420	-	3,930	-
Past due 31-60 days	82	-	471	-
More than 60 days	172	-307	113	-99
	11,685	**-307**	**13,807**	**-99**
	13,896	**-307**	**24,395**	**-99**

Impairment losses related to trade and other receivables amounted to EUR 307 thousand as at 31 December 2023 (2022: EUR 99 thousand).

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS

NOTES

29. Financial instruments and risk management
(continued)

Movements on the account of provisions for impairment of trade and other receivables during the year were as follows:

GROUP		*EUR '000*	COMPANY	
2023	2022	**Net book amount**	2023	2022
-99	-59	Balance at 1 January	-99	-59
-268	-75	Impairment losses recognised	-268	-75
-	11	Write-off of bad debts	-	11
60	24	Impairment losses reversed	60	24
-307	**-99**	Balance at 31 December	**-307**	**-99**

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. During the recent five years, the Company recognised amounts receivable of EUR 307 thousand as bad debts.

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS

29. Financial instruments and risk management
(continued)

Liquidity risk

The table below analyses financial liabilities, including interest charged thereon, based on their contractual maturities:

At 31 December 2023 *EUR '000*	**GROUP**					
	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 2022 *EUR '000*	**COMPANY**					
	Net book amount	Contractual cash flows	Less than 6 months	6-12 months	1-2 years	2-5 years
Financial liabilities						
Bank borrowings	21,781	-22,921	-1,583	-7,761	-2,486	-11,091
Other borrowings	-	-	-	-	-	-
Lease liabilities	713	-747	-189	-142	-219	-197
Factoring	435	-448	-448	-	-	-
Trade payables	14,336	-14,336	-14,336	-	-	-
	37,265	**-38,452**	**-16,556**	**-7,903**	**-2,705**	**-11,288**

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS

NOTES

29. Financial instruments and risk management
(continued)

At 31 December 2023 *EUR '000*	**COMPANY**					
	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**

At 31 December 2022 *EUR '000*	**COMPANY**					
	Net book amount	Contractual cash flows	Less than 6 months	6-12 months	1-2 years	2-5 years
Financial liabilities						
Bank borrowings	4,690	-4,937	-414	-2,945	-827	-751
Lease liabilities	683	-717	-187	-139	-202	-190
Factoring	292	-301	-301	-	-	-
Trade payables	13,993	-13,993	-13,993	-	-	-
	19,658	**-19,948**	**-14,895**	**-3,084**	**-1,029**	**-941**

As at 31 December 2023, the Group's and the Company's current assets exceeded the current liabilities by EUR 19,282 thousand and EUR 11,162 thousand, respectively. As at 31 December 2023, the Group's and the Company's borrowings and lease liabilities totalled EUR 20,185 thousand and EUR 5,085 thousand, respectively. Under the effective loan and other agreements with the banks, the outstanding balances of the Group and the Company to be repaid in 2023 amounted to EUR 3,704 thousand and EUR 1,788 thousand, respectively (see Note 23).

The export is particularly important for the Group, since it accounts for 83% of total annual turnover.

It is expected that in 2024 the level of sale prices of products will be similar to that in 2023. Borrowings and lease liabilities are expected to amount to around EUR 30 million as at 31 December 2024. With due consideration of all the projections for 2024, the Group's net debt to EBITDA ratio will be around 1.8 as at 31 December 2024

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS

NOTES

29. Financial instruments and risk management
(continued)

Foreign exchange risk
Exposure to foreign exchange risk at the exchange rates effective at 2023 31 December:

EUR ,000	GROUP (COMPANY)			
	USD		PLN	
	2023	**2022**	**2023**	**2022**
Trade and other receivables, net of tax	1,451	3,211	38	47
Cash and cash equivalents	-	-	-	-
Trade payables	-	-	-	-
Net exposure	**1,451**	**3,211**	**38**	**47**

During the year the exchange rates against the euro were as follows:

	Average	
	2023	**2022**
USD	1.0809	1.0522
PLN	4.5441	4.6856

The exchange rates against the euro applied as at 31 December:

	Average	
	2023	**2022**
USD	1.1050	1.0666
PLN	4.3395	4.6808

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 2023, the Company's transactions were mostly conducted in the euros, and therefore, the Company was not exposed to significant foreign exchange risk.
The Group's and the Company's borrowings bear variable interest rates linked to EURIBOR + margin.

NOTES

29. Financial instruments and risk management
(continued)

Interest rates applied to the Group's and the Company's financial instruments as at 31 December 2023 were as follows:

GROUP			**COMPANY**	
Net book amount		*EUR '000*	**Net book amount**	
31/12/2023	**31/12/2022**		**31/12/2023**	**31/12/2022**
		Financial instruments with fixed interest rates		
-	-	Loan granted to Baltic Dairy Board SIA	980	830
-	800	Current portion of loan granted	-	800
-	11	Short-term loan granted to management personnel	-	11
-	-	Current borrowings of management personnel	-	-
-	**811**		**980**	**1,641**

GROUP			**COMPANY**	
Net book amount		*EUR '000*	**Net book amount**	
31/12/2023	**31/12/2022**		**31/12/2023**	**31/12/2022**
		Financial instruments with variable interest rates		
-18,515	-21,781	Bank borrowings	-3,499	-4,690
-426	-435	Factoring	-426	-292
-1,244	-713	Lease liabilities	-1,160	-683
-20,185	**-22,929**		**-5,085**	**-5,665**
-20,185	**-22,118**		**-4,105**	**-4,024**

In 2023, the Group paid interest of EUR 1,162 thousand on borrowings. In 2024, interest payments are projected to approximate EUR 1 million, provided there is a similar level of borrowings.

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS

NOTES

29. Financial instruments and risk management
(continued)

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 2022 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 2023		
-202	202	Financial instruments bearing variable interest rates	-41	41
		At 31 December 2022		
-221	221	Financial instruments bearing variable interest rates	-40	40

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.

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS

NOTES

29. Financial instruments and risk management
(continued)

At 31 December 2023 *EUR ‘000*	**GROUP**			
	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	-	-	-20,185	-20,185
Trade and other payables	-	-	-13,171	-13,171
	8,725	**-**	**-18,160**	**-9,435**

At 31 December 2022 *EUR ‘000*	**GROUP**			
	Level 1	Level 2	Level 3	Total
Non-current amounts receivable	-	-	-	-
Trade and other receivables	-	-	14,992	14,992
Cash and cash equivalents	621	-	-	621
Borrowings and lease liabilities	-	-	-20,601	-20,601
Trade and other payables	-	-	-14,336	-14,336
	621	**-**	**-19,945**	**-19,324**

At 31 December 2023 *EUR ‘000*	**COMPANY**			
	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		-		
Trade and other payables	-	-	-5,085	-5,085
	2,854	**-**	**-5,197**	**-2,343**

At 31 December 2022 *EUR ‘000*	**COMPANY**			
	Level 1	Level 2	Level 3	Total
Non-current amounts receivable	-	-	897	897
Trade and other receivables	-	-	23,399	23,399
Cash and cash equivalents	325	-	-	325
Borrowings and lease liabilities		-		
Trade and other payables	-	-	-5,090	-5,090
	325	**-**	**5,213**	**5,538**

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS

NOTES

29. Financial instruments and risk management
(continued)

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 2023 and 31 December 2022.

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.

Risk of changes in energy prices

In 2023, the Group's energy consumption was slightly higher compared to 2022. Due to the increased production volume and implemented technologies, there was an improvement in energy efficiency. In 2023, the energy consumption per 1 tonne of production was lower compared to 2022 (3.03 MWh/t in 2023 and 3.12 MWh/t in 2022).

The energy prices sharply increased in spring 2022 and continued to rise through to the year end, thereby resulting in a high level of energy prices in 2022.

In 2023, a significantly lower demand for natural gas and electricity was observed in the EU, which was one of the major factors for a lower price level of energy prices. In 2023, the electricity consumption remained at the same level as in 2008, whereas electricity generation from renewable sources rapidly increased in the EU during 2023. The local electricity generation from renewable sources also increased, which in turn contributed to a lower level of electricity prices in Lithuania. The gas consumption in the EU in 2023 declined by even 11%. In 2023, efforts were made across the EU to replace the Russian gas and to diversify the import channels. New LNG terminals were built, thereby opening more import possibilities and allowing to achieve a record EU gas storage filling level in 2023. The year 2024 was marked by a still high level of reserves for the EU, i.e. the gas storage filling level reaching as much as 86%, which allows projecting a stable price level throughout the cold season 2024.

Although the above-mentioned factors will have a favourable effect on a stable and similar price level in the upcoming year 2024, both the EU and Lithuania are dependent on the energy imports, and accordingly, there remains a risk of disruption of import channels given the current geopolitical environment. The commodity prices on the exchanges have become sensitive to various incidents, such as attempts on the LNG terminals, strikes, various attacks only inside the EU, but also far away outside the EU.

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS

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30. 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 reached EUR 477 thousand, and in 2023 it increased 2.5 times to EUR 1,169 thousand.

The Company's and Group’s sales to Russia and Belarus were insignificant in 2022, and there were none in2023.

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.

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.

31. Events after the reporting period

VILVI GROUP plans to invest about EUR 50 million in new cheese production capacity in Bauska, Latvia, on the territory of the Group's company SIA Baltic Dairy Board. The project is planned to be completed by 2027. The project is financed with own resources and loans from Citadele Bank. In March 2024, The Latvian Government, through the Latvian State Development Finance Institution decided to provide EUR 8,52 million loan for the project "Investments in the creation of a new cheese production line, including the purchase of equipment" to be implemented together with AS Citadele bank under the support program "Large loan with capital discount".

AB "Vilkyškių pieninė" , the sole shareholder of SIA "Baltic Dairy Board", increased the authorized capital of SIA "Baltic Dairy Board". On 26 March 2024, the authorized capital of VILVI GROUP subsidiary SIA "Baltic Dairy Board" was increased by EUR 10,070,000, the nominal value of the share - EUR 1. The amount of the increased authorized capital is EUR 10,847,778.

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 JSC 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

AB VILKYŠKIŲ PIENINĖ CORPORATE GOVERNANCE REPORT FORM FOR THE YEAR THAT ENDED ON 31 DECEMBER 2023

The public limited liability company ***AB ,Vilkyškių pieninė*** (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 AB Vilkyškių pienienė 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 AB Vilkyškių pieninė 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 2023.

PRINCIPLES/ RECOMMENDATIONS	YES/NO/ NOT APPLICABLE	COMMENTARY
Principle 1: General meeting of shareholders, equitable treatment of shareholders, and shareholders' rights **The corporate governance framework should ensure the equitable treatment of all shareholders. The corporate governance framework should protect the rights of shareholders.**		
1.1. All shareholders should be provided with access to the information and/or documents established in the legal acts on equal terms. All shareholders should be furnished with equal opportunity to participate in the decision-making process where significant corporate matters are discussed.	Yes	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. 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. 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

PRINCIPLES/ RECOMMENDATIONS	YES/NO/ NOT APPLICABLE	COMMENTARY
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. The name of the proposed audit firm shall be submitted to the general meeting in advance as a draft resolution. 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 **Functions and liability of the supervisory board** **The supervisory board of the company should ensure representation of the interests of the company and its shareholders, accountability of this body to the shareholders and objective monitoring of the company's operations and its management bodies as well as constantly provide recommendations to the management bodies of the company.** The supervisory board should ensure the integrity and transparency of the company's financial accounting and control system.		
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	AB "Vilkyškių pieninė" in 2023 the supervisory board established and elected in April 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.

PRINCIPLES/ RECOMMENDATIONS	YES/NO/ NOT APPLICABLE	COMMENTARY
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 **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 2023 in April the board of supervisors established and elected at the held general meeting of shareholders 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. 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.

PRINCIPLES/ RECOMMENDATIONS	YES/NO/ NOT APPLICABLE	COMMENTARY
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. 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 **Functions and liability of the management board** The management board should ensure the implementation of the company's strategy and good corporate governance with due regard to the interests of its shareholders, employees and other interest groups.		
3.1.1. The management board should ensure the implementation of the company's strategy approved by the supervisory board if the latter has been formed at the company. In such cases where the supervisory board is not formed, the management board is also responsible for the approval of the company's strategy.	Yes	The 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 AB Pieno logistika 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. The Supervisory board of Vilkyškių pieninė AB performs the supervisory functions provided for in the Law. The Management Board of LTD „Baltic dairy board" 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.

PRINCIPLES/ RECOMMENDATIONS	YES/NO/ NOT APPLICABLE	COMMENTARY
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 AB Vilkyškių pieninė and one on the management board of AB Modest and one on the management board of LTD Baltic Dairy Board of the Company Group; and two women on the management board of AB Kelmės pieninė and on the management board UAB Kelmės pienas 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	AB Vilkyškių pieninė 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.

PRINCIPLES/ RECOMMENDATIONS	YES/NO/ NOT APPLICABLE	COMMENTARY
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 2023, 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. There were no management board members who attended less than half of the management board meetings during fiscal year of 2023.
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 AB Vilkyškių pieninė, AB Modest, AB Kelmės pieninė, UAB Kelmės pienas and LTD „Baltic dairy board“ 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 2023.
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 **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. If necessary, 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.

PRINCIPLES/ RECOMMENDATIONS	YES/NO/ NOT APPLICABLE	COMMENTARY
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 **Purpose and formation of committees** **The committees formed at the company should increase the work efficiency of the supervisory board or, where the supervisory board is not formed, of the management board which performs the supervisory functions by ensuring that decisions are based on due consideration and help organise its work in such a way that the decisions it takes would be free of material conflicts of interest.** **Committees should exercise independent judgment and integrity when performing their functions and provide the collegial body with recommendations concerning the decisions of the collegial body. However, the final decision should be adopted by the collegial body.**		
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	AB Vilkyškių pieninė has 2 committees: Nomination and Remuneration Committee and Audit Committee. Prior to the election of the Company's supervisors, the Appointments and Remuneration Committee was formed by the Board, and now by the Supervisory Board.
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 members of the Audit Committee and the Regulations of the Committee is approved by the general meeting of shareholders. AB Modest, AB Kelmės pieninė, AB Pieno logistika, UAB Kelmės pienas and LTD „Baltic dairy board" have no committees. 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 AB „Vilkyškių pieninė" 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 shall have managerial experience and one of them shall be an independent member.

PRINCIPLES/ RECOMMENDATIONS	YES/NO/ NOT APPLICABLE	COMMENTARY
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	AB "Vilkyškių pieninė" The activities of the Nomination and Remuneration Committee until the election of the Supervisory Board were regulated by the committee regulations approved by the Board, and now by the committee regulations approved by the Supervisory Board. Regulations of the Audit Committee of AB Vilkyškių pieninė 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 2023.
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: 1) to select candidates to fill vacancies in the membership of supervisory and management bodies and the administration and recommend the collegial body to approve them. The nomination committee should evaluate the balance of skills, knowledge and experience in the management body, prepare a description of the functions and capabilities required to assume a particular position and assess the time commitment expected; 2) assess, on a regular basis, the structure, size and composition of the supervisory and management bodies as well as the skills, knowledge and activity of its members, and provide the collegial body with recommendations on how the required changes should be sought; 3) devote the attention necessary to ensure succession planning.	Yes	The functions of the Nomination Committee specified in this recommendation are essentially performed by the Nomination and Remuneration Committee of AB Vilkyškių pieninė.
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: 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; 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; 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 AB „Vilkyškių pieninė". The Nomination and Remuneration Committee submits proposals to the collegial body on the remuneration policy, reviews it regularly, and monitors its implementation.

PRINCIPLES/ RECOMMENDATIONS	YES/NO/ NOT APPLICABLE	COMMENTARY
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 management 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.

PRINCIPLES/ RECOMMENDATIONS	YES/NO/ NOT APPLICABLE	COMMENTARY
Principle 7: Remuneration policy of the company **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. 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.

PRINCIPLES/ RECOMMENDATIONS	YES/NO/ NOT APPLICABLE	COMMENTARY
Principle 8: Role of stakeholders in corporate governance The corporate governance framework should recognize the rights of stakeholders entrenched in the laws or mutual agreements and encourage active cooperation between companies and stakeholders in creating the company value, jobs and financial sustainability. In the context of this principle the concept "*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 **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.

PRINCIPLES/ RECOMMENDATIONS	YES/NO/ NOT APPLICABLE	COMMENTARY
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 social report.
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 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	AB Vilkyškių pieninė 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.

PRINCIPLES/ RECOMMENDATIONS	YES/NO/ NOT APPLICABLE	COMMENTARY
Principle 10: Selection of the company’s audit firm **The company’s audit firm selection mechanism should ensure the independence of the report and opinion of the audit firm.**		
10.1. With a view to obtain an objective opinion on the company’s financial condition and financial results, the company’s annual financial statements and the financial information provided in its annual report should be audited by an independent audit firm.	Yes	The 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 (AB Vilkyškiu pienine Supervisory board, manager in AB Pieno logistika 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 2023, 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.