



UAB "PIENO TYRIMAI"

# SET OF ANNUAL REPORTS **MANAGEMENT REPORT**

2024



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PIENO  
**PT**  
TYRIMAI

- Kalibravimo paslaugos
- Pieno tyrimai
- Gyvūnų produktyvumo tyrimai
- Pasorų tyrimai
- Mastitų tyrimai

☎ Tel. 8 (37) 36 11 81

🌐 [www.pieno-tyrimai.lt](http://www.pieno-tyrimai.lt)





## ADDRESS OF THE BOARD'S CHAIRMAN



### Dear all,

First of all, I would like to start by expressing my sincere gratitude to the previous board of UAB „Pieno tyrimai“ for their foresight, consistent work and efforts, which have created a solid foundation for future actions. The new board of the Company, which began work in November 2024, took over the strategy prepared by the previous board of the Company and management team, thoroughly evaluated it, and approved it as suitable for further development.

It is evident that the Company has worked purposefully to ensure the highest quality of services and meet the expectations of customers and shareholders. Last year, several important projects were implemented that improved activity efficiency and increased customer satisfaction. But

the main challenge, the declining number of milk producers, remains. New solutions are needed to address this challenge to ensure the sustainability of the Company's activity and further development.

Our goal for the future is to ensure that „Pieno tyrimai“ continues to grow, strengthen its market position, and create value for the shareholder, employees, and society. We will pursue sustainable growth, innovation, and efficiency, while maintaining the highest activity standards.

I thank all the company employees for their professionalism and dedication. Only by focusing on a common goal will we achieve lasting results!

Board's Chairman  
**Anatolijus Jadovas**

## ADDRESS OF DIRECTOR



### Dear all,

While 2024 brought new challenges and significant changes, we focused on delivering our goals and continued to create value for shareholders, employees and customers, and to seek opportunities for growth. In 2024, the Company continued to expand and strengthen its position in both local and international markets.

When introducing new services, we strive for quality and conformity assessment. On 06-03-2024, the National Accreditation Bureau approved the accreditation of our Laboratory as a Type C inspection body for compliance with LST EN ISO/IEC 17020:2012 and expanded the range of services for the inspection of measuring instruments. In 2024, we expanded the scope of accreditation of test activity with a

new lactose content test using the high-performance liquid chromatography (HPLC) method and the scope of calibration with the calibration of laboratory piston volumetric measuring instruments.

We have focused a lot of attention on the development of the strategic plan for 2025-2027. We held a strategic session with the board, involved all heads of key activities in developing the strategy, and planned work directions for the coming year according to the main strategic directions – efficient and profitable activity and the development of sustainable and partnership-based activities.

Sustainable management principles are an integral part of the company's strategy and are implement-



ed through the company's ethics and transparency, environmental protection, and relations with employees, the society, and customers. The company, taking into account that its activities may have an impact on the environment, makes decisions to avoid or minimize negative environmental impacts. The Company has implemented an environmental protection management system that meets the requirements of the ISO standard. During the management system surveillance audit held on the 15th of October, 2024, it was confirmed that the Company's environmental protection management system meets the requirements of the ISO 14001 standard.

We collaborate with international organizations to ensure the highest standards of milk quality assessment and promote innovation in the dairy sector. We participate in the activities of the International Dairy

Federation (IDF) and the International Organization for Standardization (ISO), developing standards for test methods and sampling. We also collaborate with the International Committee for Animal Recording (ICAR), which aims to increase the sustainability and efficiency of the livestock sector worldwide.

We are pleased to have received the highest rating of A+ in the assessment of good governance practices of state-owned enterprises by the Governance Coordination Centre. We will strive to maintain this assessment, although the assessment methodology is increasingly demanding.

Despite the fact that the number of dairy farms in Lithuania is decreasing faster than planned, the company has secured income for sustainable activity. The company achieved its goals and earned 377k

euros in net profit, achieving a return on equity of 8.8%.

A new board was established on the 25th of October, 2024, with one of the first and most important tasks being the finalization and approval of the company's strategic plan. I would like to thank the members of the previous board for their constructive work and contribution in preparing the strategic plan of 2025-2027, and the new board for its smooth involvement in the activities. This plan has been scored 10 points by the Governance Coordination Centre. The highest rating makes it even more important to succeed.

I am proud of all our achievements and thank all our employees for their successful work and contribution to the results, and our shareholder, customers, and partners for their cooperation and trust in us.

Director

**Laima Urbšienė**

## 1. MAIN EVENTS DURING THE REPORTING PERIOD

### FOR CUSTOMERS:

- January 2024: Along with commercial milk composition tests or animal productivity test samples, customers can order a new service of fatty acid tests in milk.
- February 2024: „Pieno tyrimai“ Laboratory has started providing an **electronic transmission service**, ensuring that feed test results are automatically and promptly transmitted to the „NorFor“ ration calculation program.
- February 2024: „**Milk Test Transport Movement**“ was launched on the online platform, which allows customers to see in real time the routes for collecting milk samples, their points, the exact location and time of collection, and the contacts of the vehicles in motion.
- In 2024, the Ministry of Agriculture adopted decisions favorable to the Company's customers for the new financial period, which, in order to distribute support more purposefully and efficiently, will differentiate payments to dairy cow farmers, and also **provide for a premium of 10 euros for those cows for which animal productivity tests** are performed.
- In order to use animal productivity test data more informatively, by applying visual analysis, the company has started developing an **innovative analytical reporting program „GPT karvutė“**, which will help owners of herds under test to farm smartly and profitably.

### COMPANY

- **The events** of the 14<sup>th</sup> of October, 2024, are **related to the shareholder**. The new board of UAB „Pieno tyrimai“ was formed by the order No. 3D-733 of the Minister of Agriculture of the Republic of Lithuania.
- On the 3<sup>rd</sup> and 4<sup>th</sup> of October, 2024, a training course for employees „Execution of Productivity Tests on Dairy Animals in Dairy Farm“ was organized according to the program approved by the State Food and Veterinary Service and Agricultural Agency under the Ministry of Agriculture. All employees of the Animal Productivity Test Branch received new certificates necessary **to maintain the Animal Productivity Service License**.
- From October to December 2024, the team of UAB „Pieno tyrimai“ contributed to the significant activities of „Maisto bankas“. We were convinced that **short-term volunteering** is a great opportunity to strengthen the team and get to know colleagues in a different environment than usual.
- The company's employees consulted farmers, conducted their training, organized meetings and, in cooperation with dairy breeders' associations, achieved that all Lithuanian dairy breed animals under test are currently participating in approved breeding programs, and their keepers receive all kinds of **aid to carry out sustainable breeding**.

### ACHIEVEMENTS

- UAB „Pieno tyrimai“ received the **highest A+ rating** in the assessment of **good governance practices** of state-owned enterprises.
- On the 8<sup>th</sup> of May, 2024, the Company received a visit from a **delegation from the Ministry of Agriculture of Taiwan**, who were interested in the innovative technologies and test processes of the laboratory.
- **International recognition** – the Laboratory successfully participated in the international calibration test of piston liquid dispensers ILC, organized by the Czech Institute of Metrology.
- UAB „Pieno tyrimai“ Laboratory received another new accreditation certificate on 06-03-2024. The National Accreditation Bureau approved **the accreditation** of UAB „Pieno tyrimai“ Laboratory as a type **C control body**. The new accreditation certificate No. LA.114-06 is valid until 04-01-2028.
- **The employee engagement index** increased to **49%**.



## 2. GENERAL INFORMATION

### 2.1. Reporting period for which the management report was prepared

The management report was prepared for the period from the 1st of January, 2024, to the 31st of December, 2024. All data is as of the 31st of December, 2024, unless otherwise stated. In this report, UAB „Pieno tyrimai“ may hereinafter be referred to as the Company.



### 2.2. Company and its contact details

In accordance with the requirements of the Part 2 of the Article 4 of the Law on Financial Reporting by Undertakings of the Republic of Lithuania, the financial statements and management report of UAB „Pieno tyrimai“ have been prepared applying the same requirements as for

small undertakings. The Company does not comply with the provisions of the Part 39 of the Article 2 of the Lithuanian Law on the Audit of Financial Statements, therefore it is not considered a public interest entity. The company has no branches or representative offices.

<b>Name of the company</b>	UAB „Pieno tyrimai“
<b>Legal form</b>	UAB
<b>The rights and obligations of a shareholder are implemented by</b>	the Ministry of Agriculture of the Republic of Lithuania
<b>Legal entity code</b>	233816290
<b>VAT payer code</b>	LT338162917
<b>Administrator of the Register of Legal Entities</b>	State Enterprise Centre of Registers
<b>Registered office</b>	Radvilų Dvaro g. 31, LT- 48331 Kaunas
<b>Telephone:</b>	+370 (37) 361181
<b>E-mail:</b>	info@pieno-tyrimai.lt
<b>Website:</b>	www.pieno-tyrimai.lt
<b>Authorized capital</b>	3,784,731 euros
<b>Share value</b>	1 Eur
<b>Number of shares</b>	3,784,731 units



## 2.3. Company management and employees

The Company's governing bodies are the followings: the general meeting of shareholders, the collegial governing body – the board, the sole governing body – the manager (director). A collegial supervisory body – the supervisory board – is not established in the Company. The Company's bodies must act in the interest of the Company and its shareholders, comply with laws and other legal acts, and also be guided by the Company's articles of association.

### SHAREHOLDER

The supreme governing body of the Company is the general meeting of shareholders. The competence of the Company's shareholders' meeting, the procedure for its convening and decision-making do not differ from those specified in the Law on Companies.

### Functions of the general meeting of shareholders:

- 1) to change the articles of association of the Company, except for the exceptions provided for in this Law;
- 2) to change the registered office of the Company;
- 3) to elect and recall the board and its members;
- 4) to select and recall an auditor or audit firm to conduct an audit of the set of annual financial statements, and to establish the terms of payment for audit services;
- 5) to determine the class, number, nominal value, and minimum issue price of shares issued by the Company; to adopt a decision to convert shares of one class of the Company into another, to change the number of shares of the same class issued by the Company and the nominal value of a share, without changing the size of the authorized capital, and to convert the Company's share certificates into shares;
- 6) to approve the set of annual financial statements and to make a decision on the distribution of profit (loss), on the formation, use, reduction, and destruction of reserves;
- 7) to decide on the granting of dividends for a period of less than one financial year and to approve the set of interim financial statements drawn up for the purpose of deciding on the granting of dividends for a period of less than one financial year;
- 8) to make a decision to issue convertible bonds;
- 9) to adopt a decision to revoke the pre-emptive right of all shareholders to acquire shares or convertible bonds of a specific issue of the company;
- 10) to decide to increase or decrease the share capital;
- 11) to adopt a decision on the approval of the rules for granting shares to employees and / or members of bodies;
- 12) to adopt a decision on the reorganization, separation, or transformation of the Company, and on the restructuring

- of the Company in cases established by the Law on Insolvency of Legal Persons of the Republic of Lithuania;
- 13) to adopt a decision to liquidate the company, to cancel the liquidation of the company, and to elect and recall the company's liquidator, except for the exceptions provided for in this Law;
- 14) to make a decision on the audit of the company's annual financial statements in cases other than those specified in the Law on the Audit of Financial Statements of the Republic of Lithuania or provided for in the Company's articles of association.
- 15) may also resolve other issues assigned to its competence in the Law on Companies or the company's articles of association, if this is not assigned to the competence of other company bodies and if, in essence, these are not functions of governing bodies.

The general meeting of shareholders does not have the right to delegate to other bodies of the Company the resolution of issues within its competence.



The owner of the Company's shares is the Republic of Lithuania, which owns 100% of the Company's intangible shares. Each fully paid share grants one vote at the shareholders' meeting. The Ministry of Agriculture of the Republic of Lithuania is the manager of the shares owned by the state. Since the owner of the shares is one person, the shareholder's decisions are formalized by orders of the Minister of Agriculture of the Republic of Lithuania. The company's authorized capital is 3,784,731 euros and is divided into 3,784,731 ordinary registered shares. The nominal value of one share is 1 euro (one euro). During the period of 2022-2024, the authorized capital and number of shares did not change.

### BOARD

The board is elected by the general meeting of shareholders for a term of office of 4 years from among 5 (five) members. At least 3 members of the Company's board must meet the independence criteria set out in the selection description for candidates to the board of a state-owned enterprise or a municipal-owned enterprise and candidates to the collegial supervisory or governing body elected by the general meeting of shareholders of a state enterprise or a municipal company, approved by the Resolution No. 631 "On the Approval of the Description of the Selection of Candidates for the Board of a

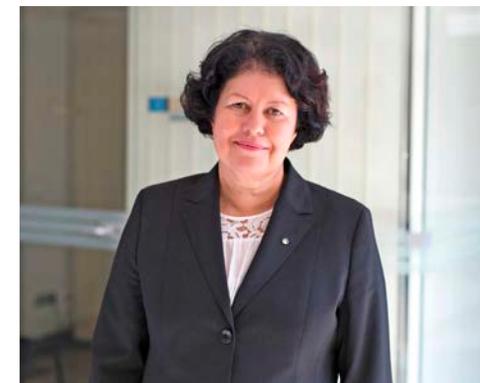
State Enterprise or Municipal Enterprise and Candidates for the Collegial Supervisory or Management Body Elected by the General Meeting of Shareholders of a Company Controlled by the State or a Municipality" of the Government of the Republic of Lithuania of the 17th of June, 2015 (hereinafter referred to as the Selection Description).

The working procedures of the Company's board are determined by its working regulations adopted by the board. The competence of the board, decision-making procedure, responsibility, as well as the rights and obligations of its members do not differ from those specified in the Law on Companies, the Description of the Procedure for the Implementation of Property and Non-Property Rights of the State in Enterprises Controlled by the State, approved by the Resolution No. 665 "On Approval of the Description of the Procedure for the Implementation Property and Non-Property Rights of the State in Enterprises Controlled by the State" of the 6th of June, 2012, of the Government of the Republic of Lithuania (hereinafter referred to as the "Description"), the Selection Description, and other legal acts, except that the board shall have the right to take decisions referred to in the Point 3, 4, 5, and 6 of the Part 4 of the Article 34 of the Law on Companies without the approval of the Company's general meeting of shareholders.

### BOARD MEMBERS



Board's Chairman Anatolijus Jadovas



Director Laima Urbšienė



Andrius Burlega



Neringa Gujytė



Rolandas Stankevicius



Vilma Skrypnikovaite

**Board functions:**

- 1) considers and approves: the management report, the company's governing structure and employee positions, and positions for which employees are recruited through a competitive process;
- 2) elects and dismisses the manager of the Company, determines his / her remuneration, other terms, and conditions of the employment contract, approves job regulations, and encourages him / her and imposes penalties.
- 3) establishes information that is considered commercial (industrial) secret and confidential information of the Company. Commercial (industrial) secret and confidential information cannot be considered information that, according to this and other laws, must be public.
- 4) makes decisions: to become a founder or participant of other legal entities, to establish branches and representative offices of the company, on the acquisition, investment, transfer, lease, pledge and mortgage, surety, or guarantee of fixed assets with a carrying amount exceeding 1/20 of the authorized capital of the company;
- 5) analyzes and evaluates the material provided by the company's manager regarding the organization of the company's activities, the company's financial condition, the results of economic activities, income and expense estimates, inventory, and other accounting data on changes in assets;
- 6) considers and approves the Company's business strategy, analyzes and evaluates information on the implementation of the Company's business strategy, and submits this information to the ordinary general meeting of shareholders;
- 7) analyzes and evaluates the Company's set of annual financial statements, the draft profit (loss) distribution, the draft decision on the allocation of dividends for a period shorter than the financial year, and the set of interim financial statements prepared for its adoption, which are submitted to the general meeting of shareholders together with feedback and proposals thereon;
- 8) supervises the activities of the Company's manager, submits feedback and proposals to the general meeting of shareholders regarding the activities of the Company's manager, considers whether the Company's manager is suitable to hold office if the Company is operating at a loss, submits proposals to the Company's manager to revoke his / her decisions that contradict laws and other legal acts, the Company's articles of association, and decisions of the general meeting of shareholders or the board;
- 9) resolve other issues of supervision of the activities of the Company and the Company's manager assigned to the competence of the board in the Company's articles of association, as well as in the decisions of the general meeting of shareholders;
- 10) the member of the board must protect the Company's commercial (industrial) secrets and confidential information that they learned while being members of the board.

The board of the Company held 13 meetings in 2024. All meetings of the board were attended by all the members of the board, except for one meeting at which V. Sliesoraitis was not present. Among the issues discussed were the constant review of the company's current activity information, control of financial indicators, and risk management measures and strategy implementation. In 2024, in order to improve the employee engagement rate, the company's remuneration policy was approved, employee position levels were approved, and great attention was paid to the preparation of a new strategic plan, which was substantially changed compared to the strategic plan of previous years. Other issues included in the board's activity plan were also discussed. The board had two meetings with the institution (the Ministry of Agriculture of the Republic of Lithuania) implementing shareholder rights and obligations, which is the owner of 100%

of the company's shares. The board has implemented all planned work and annual tasks.

The institution implementing shareholder rights and obligations organized the selection of independent members of the board as the board term expired, as a result of which two independent members of the board were replaced by new ones. After the appointment of the new board, the election of the board's chairman was organized and Anatolijus Jadovas was elected as the board's chairman. The newly formed board approved the work plan of 2025 in January. The board plans meetings with the heads of departments in 2025, to organize a strategic session, to consider the development and implementation of projects, and the issues of diversification and development of services abroad.

The date of report formation is based on the order No. 3D-733 "On the Formation of the board of UAB "Pieno tyrimai" of the 14th of October, 2024, of the Minister of Agriculture of the Republic of Lithuania, which approves the Company's board consisting of 5 members (including the board's chairman) The term of office of the members of the board is 4 years. The members of the board do not hold shares in the Company and do not perform any duties in the Company except as a member of the board.



Table 1.

**Execution of the goals set by the board at the meeting of the board in accordance with the approved work plan**

Functions of the board	Date of the meeting	Decision	Number of the participants
<b>Analysis, evaluation, and implementation supervision of the company's business strategy</b>	10-01-2024	Approval of the strategic plan for 2024-2026	5
	08-04-2024	Approval of the strategy implementation report for 2023	5
	13-06-2024	Intermediate (4 months) discussion of financial and strategy implementation results	4
		Discussion of preparation for the strategic session	5
	18-06-2024	Strategic session and discussion of sustainability issues	5
	26-07-2024	Intermediate discussion of financial and strategy implementation results	5
	30-08-2024	Intermediate discussion of financial and strategy implementation results	5
	27-09-2024	Intermediate discussion of financial and strategy implementation results	5
		Discussion of the draft strategy activity plan	5
	21-10-2024	Discussion of the draft strategy activity plan	5
26-11-2024	Intermediate discussion of financial and strategy implementation results	5	
	Presentation of the draft strategy activity plan submitted by the Governance Coordination Centre	5	
<b>Analysis and assessment of financial condition and annual reports</b>	23-02-2024	Discussion of interim financial results and risk management measures	5
		Assessment of January financial results by departments and activities	5
	28-03-2024	Discussion of interim financial results and risk management measures	5
		Consideration of the profit distribution project	5
	08-04-2024	Assessment of the Company's annual financial statements and profit (loss) distribution draft for 2023 and approval of the annual report	5
	30-08-2024	Intermediate discussion of financial and strategy implementation results	5
	27-09-2024	Intermediate discussion of financial and strategy implementation results	5
26-11-2024	Intermediate discussion of financial and strategy implementation results	5	
<b>Asset and investment issues</b>	-	There was no need <i>(considered when the value of the asset is greater than 1/20 of the company's authorized capital)</i>	-



Functions of the board	Date of the meeting	Decision	Number of the participants
<b>Change of the structure and analysis, assessment, and supervision of the organization of activities and the activities of the Company's manager and determination of his / her remuneration</b>	10-01-2024	Approval of remuneration policy	5
	22-01-2024	Determination of the coefficient for calculating the salary of the Company's director	5
	22-01-2024	Approval of the Company's activity indicators for the calculation of the director's variable component for 2024	5
	23-02-2024	Change of structure and approval of the list of positions	5
		Approval of position levels	5
	28-03-2024	Approval of the Company's board activity report for 2023 and of activity improvement measure plan	5
		Adjustment of activity indicators for the calculation of the variable component of the remuneration of the company's manager	5
	30-04-2024	Approval of the variable part for the Company's activity results achieved in 2023	5
	18-06-2024	Approval of the company's activity measurement indicators	5
30-08-2024	Change of the company's activity measurement indicators	5	
26-11-2024	Election of the board's chairman and appointment of the board's secretary	5	
<b>Analysis, assessment, and supervision of the organization of activities</b>	10-01-2024	Discussion of risk management measures	5
		Current company activity information	5
	23-02-2024	Current company activity information	5
		IT department information on activity	5
	28-03-2024	Review of the execution of board resolutions	5
		Current company activity information	5
	13-06-2024	Current company activity information	4
		Discussion of the logistics project of the National Food and Veterinary Risk Assessment Institute	4
	26-07-2024	Discussion of information provided by the project manager	5
		Current company activity information	5
		Discussion of risk management	5
	30-08-2024	Current company activity information	5
	27-09-2024	Current company activity information	5
Meeting with the project manager		5	
21-10-2024	Current company activity information	5	
26-11-2024	Current company activity information	5	



Table 2.  
**Board of UAB „Pieno tyrimai“**

Position on the board, name, and surname	Workplace, duties, and qualifications
Board's Chairman <b>Anatolijus Jadovas</b>	<b>AB „VIAMATIKA“</b> , code 120721845, Granito g. 3-101, LT-02300 Vilnius, Director, ISM, Master's Degree, Master of Management (studies ongoing) VILNIUS TECH (VGTU), Master's Degree, Road Safety Engineering VILNIUS TECH (VGTU), Bachelor's Degree, Engineering Informatics
Independent Board's Member <b>prof. dr. Rolandas Stankevičius</b>	<b>Lithuanian University of Health Sciences (LSMU)</b> , code 302536989, A. Mickevičiaus g. 9, LT 44307 Kaunas, Lithuanian Veterinary Academy, Dean of the Faculty of Veterinary Medicine, Professor of the Department of Animal Nutrition, Board's Member <b>of the Public Institution Practical Training and Testing Centre of the Lithuanian University of Health Sciences</b> , Board's Member <b>of the Public Institution Baisogala Livestock Centre of the Lithuanian University of Health Sciences</b> , PhD in Agricultural Sciences, and Veterinarian.
Independent Board's Member <b>Vilma Skrypnikovaitė</b>	<b>Finance Manager</b> (providing services to companies), <b>UAB „Plungės autobusų parkas“</b> , code 269814430 Pramonės pr. 13B, LT-90112 Plungė, Board's Member International Professional Qualification in Finance CGMA, ISM University of Management and Economics - Business Administration and Management, Kaunas University of Technology - Master of Economics
Board's Member <b>Andrius Burlėga</b>	<b>Ministry of Agriculture</b> , code 188675190, Gedimino pr. 19, LT-101103 Vilnius, Head of the Legislative and Representation Division, UAB „Lietuvos žirgynas“, kodas 302795881, Žirgų g. 2, Riešė, LT-14265 Vilnius District, Board's Member, Lithuanian Academy of Law, Law and Police Activity Study Program - Bachelor's Qualification Degree in Law, Lithuanian University of Law, Law and Governance Study Program - Master Qualification Degree in Law
Board's Member <b>Neringa Gujytė</b>	<b>Ministry of Agriculture</b> , code 188675190, Gedimino pr. 19, LT-101103 Vilnius, Advisor to the Asset and Public Procurement Department, Kaunas University of Technology - Master's Degree in Chemical Engineering

**The manager** (director) of the Company is the sole governing body of the Company, who organizes the activity of the Company, hires and dismisses employees, encourages them and imposes penalties, acts on behalf of the Company, and has the right to unilaterally conclude transactions. The Company's board elects, recalls, and dismisses the Company's manager, determines his / her salary, approves position regulations, and encourages and imposes penalties. The competence, rights, duties, responsibilities, and the procedure for his / her election and dismissal of the Company's manager do not differ from those specified in the Law on Companies, the Description, and other legal acts. The Company's manager shall be guided in his / her activity by laws, other legal acts, articles of association of the Company, decisions of the general meeting of shareholders, decisions of the board, and official regulations.

### Company's manager

Position	Name and surname	Qualification	Has been working in this position since
Director	<b>Laima Urbšienė</b>	Milk and Dairy Product Technology, Engineer-Technologist, PhD in Technical Sciences	25-07-2017

Laima Urbšienė, the director, does not hold any other managerial or other positions in other legal entities.

**Company’s management.**

The Company’s management consists of the Company’s economic and technical management staff.

Position	Name and surname	Qualification	Dirba šiose pareigose nuo
Quality System Manager	<b>Dalia Riaukienė</b>	Milk and Dairy Product Technology, Engineer-Technologist, PhD in Technical Sciences	31-03-2003
Laboratory Manager	<b>Vygantas Petrauskas</b>	Agricultural Electrification and Automation, Engineer-Electricist, PhD in Technologies	28-03-2003
Chief Financial Officer	<b>Asta Urbonienė</b>	Economics and Management, Economist-Organizer	20-02-2003
Animal Productivity Test Activity Manager	<b>Guoda Kirvelaitė</b>	Livestock Technology, Master of Agricultural Sciences	24-07-2023
Manager of General Affairs Department	<b>Dainius Mocevičius</b>	Administrative Law, Master in Law	14-02-2022

The company’s organizational structure is structured according to the functions performed by employees.

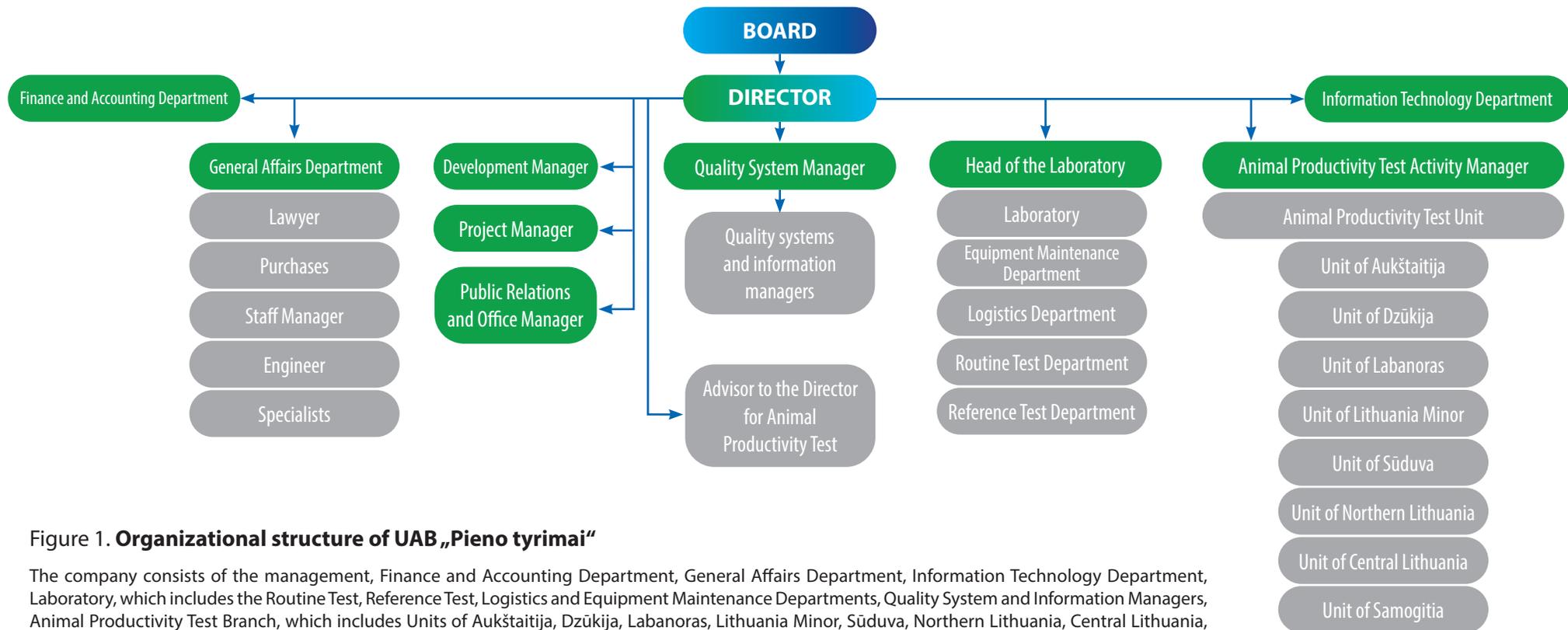


Figure 1. **Organizational structure of UAB „Pieno tyrimai“**

The company consists of the management, Finance and Accounting Department, General Affairs Department, Information Technology Department, Laboratory, which includes the Routine Test, Reference Test, Logistics and Equipment Maintenance Departments, Quality System and Information Managers, Animal Productivity Test Branch, which includes Units of Aukštaitija, Dzūkija, Labanoras, Lithuania Minor, Sūduva, Northern Lithuania, Central Lithuania, and Samogitia.



## Employees

Variation in the average number of employees of the Company:

Table 3.

	Employees, in units	Change	
		(+/-) point	%
In 2021	242	-	-
In 2023	232	-10	-4,1
In 2024	210	-22	-9,5

In the reporting year, the average number of employees was 210, which is 22 employees fewer (-9.5%) than in 2023. This decrease was due to decreasing work volumes related to the decrease in the number of medium-sized dairy farms and the number of cows kept on them, as well as the optimization of work processes.

In the Animal Productivity Test (GPT) Unit, workloads are not uniform due to the uneven

distribution of cows across the country. For this reason, part of the animal productivity test assistants work with an incomplete workload. As every year, the goal is to reorganize work processes, optimizing the distribution of tasks and ensuring the full workload of employees. At the same time, positions for which it is not possible to provide additional test herds are being eliminated, thus making the organization's activity more efficient.

## Development of staff competence and selection of employees

In order to ensure employee competence and smooth activity of the Company, staff training is consistently carried out. In 2024, internal and external employee training plans were drawn up and implemented, taking into account the needs of the Company and the wishes of employees.

### Training results in 2024:

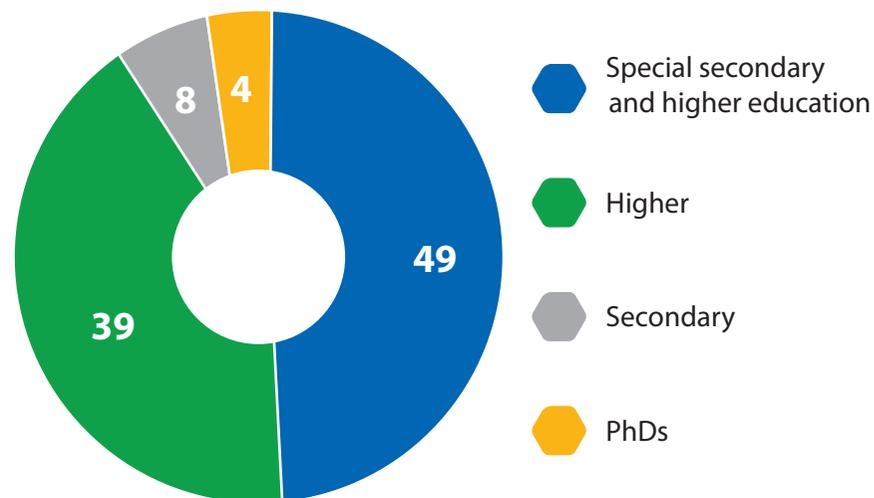
- 8 internal training according to the approved plan;
- 45 external training, of which: 25 training according to the official external training plans and 20 additional training organized according to the needs of em-

ployees. 28 employees in management positions and specialists from the Laboratory and administration departments participated in external training.

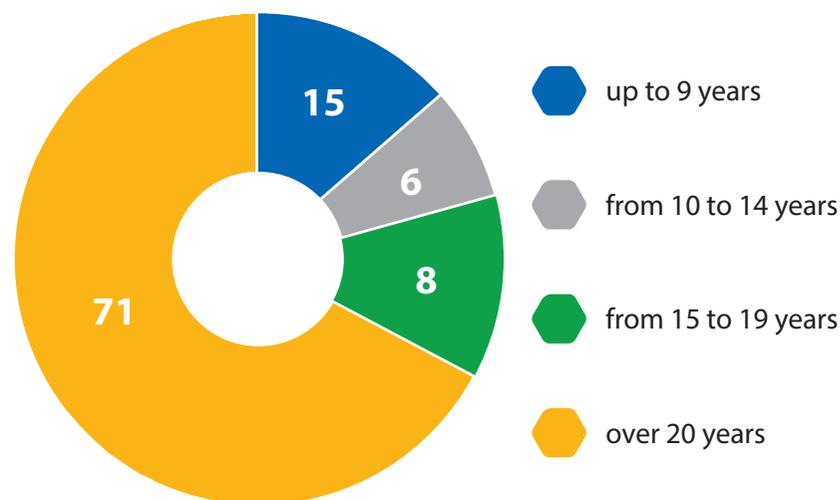
Online job listing portals are used for recruiting new employees, where job offers are posted. Internal selections are carried out when there is a need to fill new positions or take over new functions in the Laboratory. The selections are organized in accordance with the procedure description approved by order of the director. In 2024, one selection took place for the position of logistics manager-coordinator.

Figure 2. Distribution of the company's employees by education and work experience

### By education, %



### By length of service, %



## 2.4. Remuneration policy of company managers and employees

### Remuneration for activity on the board

A fixed monthly gross remuneration is paid to the board's member of the Company for his / her activity. The remuneration is calculated and paid to the member of the Company's collegial body on a monthly basis. An independent member of the Company's board is paid a remuneration of 25% (1/4) of the average monthly salary set for the Company's manager and if the board's member serves as the board's chairman, a remuneration of 35% of the average monthly salary set for the company's manager. A civil servant serving as a board's member is paid 12.5% (1/8) of the average monthly salary established for the Company's manager. The remuneration may be reduced and / or not paid if a board's member of the Compa-

ny does not participate in the meetings of the Company's collegial body, does not express an opinion on the issues on the agenda and does not vote on them, and does not perform and / or cannot perform his / her functions.

The Company may reimburse a board's member for reasonable expenses (e.g., travel expenses) incurred in the performance of the board member's activity. A board's member seeking compensation for reasonable expenses must provide documents explaining and substantiating such expenses. No such compensation was paid during the reporting period.

Table 4.  
Remuneration allocated and paid to the board's members

	Board's chairman		Independent board's members		Board's members, who are civil servants	
	In 2023	In 2024	In 2023	In 2024	In 2023	In 2024
<b>Number of members, in units</b>	1	1	2	2	2	2
<b>Allocated remuneration, in euros</b>	18,104	30,985	24,884	45,070	12,932	22,535
<b>Remuneration paid, in euros</b>	11,098	18,994	16,001	28,979	8,121	14,152
<b>Average monthly allocated remuneration, in euros</b>	1,509	2,582	1,082	1,878	539	939

Since there were changes in the board in 2024, we paid remuneration to more than 5 board's members, but in proportion to their period of activity. On the 25th of October, 2024, after the four-year term of office of the board's members expired, a public competition was organized to select new board's members of UAB „Pieno tyrimai“. The selection was carried out by the institution representing the Company's shareholder – the Ministry of Agriculture of the Republic of Lithuania. In order to

ensure transparency and professionalism, the selection process of independent members was administered and consulting services were provided by an independent company.

During 2024, the board's members were allocated 98.6k euros. The actual remuneration paid depended on the positions held on the board and no member's remuneration was reduced.

Table 5.  
Remuneration actually granted and paid to the board's members in 2024

Name and surname	Positions on the board	Term	Allocated remuneration	Paid (amount after tax)
Anatolijus Jadovas	Board's Chairman	From 25-10-2024 to 24-10-2028	3,733	2,288
Rolandas Stankevičius	Independent Board's Member	From 27-10-2020 to 25-10-2024 From 25-10-2024 to 24-10-2028	22,535	14,489
Vilma Skrypnikovaitė	Independent Board's Member	From 25-10-2024 to 24-10-2028	3,068	1,973
Andrius Burlėga	Board's Member, who is civil servant	From 27-10-2020 to 24-10-2024 From 25-10-2024 to 24-10-2028	11,267	6,907
Neringa Gujytė	Board's Member, who is civil servant	From 07-11-2022 to 24-10-2024 From 25-10-2024 to 24-10-2028	11,267	7,245
Artūras Palekas	Board's Chairman	From 27-10-2020 to 24-10-2024	27,253	16,706
Vygantas Sliesoraitis	Independent Board's Member	From 03-02-2023 to 24-10-2024	19,467	12,517
<b>In total</b>			<b>98,590</b>	<b>62,125</b>



### The remuneration policy of the Company's manager and the salary paid

The remuneration policy for the Company's director is determined by the board. The salary of the Company's director consists of:

- official salary;
- variable part;
- bonus.

The official salary is determined by coefficients, multiplying it by the basic amount of the official salary (remuneration) for the relevant year, established in the Law on Determining the Basic Amount of the Official Salary (Remuneration) and Recalculating Appropriations for Wages of the Republic of Lithuania, taking into account the Company's classification as an enterprise of category II. From 01-01-2025, following changes to the sizes established by law, according to which companies are divided into categories, the Company will be classified as category III.

The variable part depends on the activity indicators set for the Company's manager related to the implementation of the Company's goals and the fulfillment of the tasks assigned to the manager related to the Company's internal administration and is determined once a year after the end of the financial year and the approval of the sets of finan-

cial statements, taking into account the specific activity results of the Company (evaluated indicators) achieved in the previous year. The size of the variable part and specific activity results (evaluated indicators) are determined by the board of UAB „Pieno tyrimai“. The variable part for 2024 cannot exceed 20% of the official salary paid to the director in the previous financial year, and from the 1st of January, 2025, respectively, 30%.

The economic and financial activity indicators, their planned values and the values of the variable part of the monthly salary of managers are adjusted annually, specified in the strategy of the private joint-stock company, and approved by the board of the Company. If the Company fails to achieve any of the set indicators, the variable part of the managers' monthly salary is not determined or is reduced proportionally.

The Company's board has established indicators for measuring activity results for 2024, which will determine the variable part of the salary of the director of UAB „Pieno tyrimai“, which the board will allocate in 2025 after the approval of the financial statements of 2024.

Table 6.

### Execution of economic-financial activity indicators of UAB „Pieno tyrimai“ for 2024 to determine the variable part of the director's salary

Serial No.	Indicator	Plan and execution for 2024		
		Determined	Reached	Execution
1.	Return on equity, % (ROE)	6.9	<b>8.8</b>	Executed
2.	Sales income per employee (average conditional), thousands euros	33.5	<b>37.9</b>	Executed
3.	Index of good governance of state-owned enterprises	A+	<b>A+</b>	Executed
4.	Sales income from additional activity*, thousands euros	1,500	<b>1,644</b>	Executed
5.	Employee engagement index	42	<b>49</b>	Executed

\* sales of additional activity - all goods and services sold that are not classified as mandatory milk test according to the Milk Purchase Rules and animal productivity test according to the Rules for the Organization of Dairy Animal Productivity Test.

Table 7.

### Variation in the salary of company managers in 2022-2024

Serial No.	Name	Unit of measure	In 2022	In 2023	In 2024
<b>Managers</b>		<b>units</b>	<b>2</b>	<b>1</b>	<b>1</b>
1.	Salary amount, thousands of	euros	85,866	67,444	94,686
1.1	variable part	euros	23,339	17,387	25,863
		%.	27	26	27
1.2	bonuses	euros	8,505	9,195	-

## Remuneration system for other management employees and employees of the company

The remuneration of other managers, department heads and heads, specialists, and employees of the Company consists of:

- official (basic) salary;
- variable part;
- extras and premiums;
- bonus.

The official salary is determined according to the approved list of positions, in which positions are divided into groups according to the func-

tions performed, the nature of the work, and the minimum and maximum amounts of the basic salary established for those positions.

The Company's other management employees are encouraged to achieve the strategic goals and objectives set for the Company by a variable part of their salary for quarterly and annual results of achieving the set targets, and by bonuses for the Company's work results achieved.

The Company's payroll system is constantly reviewed and updated, taking into account changes in the labor market and the organization's activity goals. All changes are coordinated with the Labor Council elected by the employees to ensure transparency and clarity.

The system ensures transparent remuneration based on objective criteria for assessing the complexity of positions. Based on these criteria, the minimum and maximum basic salary amounts are determined. The company applies equal pay for the same or equivalent work, regardless of the employee's gender, race, views or other provisions of the Law on Equal Opportunities of the Republic of Lithuania prohibiting discrimination.

Under the system, equally paid work is determined according to clear and objective criteria, assessing whether employees can be swapped jobs without significant additional costs to the employer. The remuneration system complies with the provisions of the Labor Code of the Republic of Lithuania and other legal acts.

The Company compiles a list of employee positions, in which positions are grouped according to:

- nature of work,
- level of responsibility,
- required qualifications.

According to this list, for each group of positions, the minimum and maximum level of basic salary is determined. The variable part of the salary is allocated taking into account:

- quantity and complexity of work duties,
- achieved activity results,
- target indicators.

Employees may also be paid incentive extras for acquired qualifications or specific types of work, for additional tasks, and new responsibilities or temporary takeover of functions.

Employees are encouraged by paying one-time bonuses for achieved indicators, for good annual activity results of the Company, very good performance of duties, for many years of impeccable work, for implemented rational proposals, loyalty, for very good communication and cooperation skills in performing their duties,

Table 8.

### Variation in the salary of the Company's other management employees in 2022-2024

Serial No.	Name	Unit of measure	In 2022	In 2023	In 2024
<b>Lower-level managers</b>		<b>units</b>	<b>18</b>	<b>19</b>	<b>18</b>
2.	Salary amount, thousands of	euros	504,861	506,000	598,316
2.1	bonuses	euros	9,738	15,850	27,830
2.2	variable part	euros	11,661	2,126	24,450
2.3	other incentive benefits	euros	61,306	63,419	66,253
2.4	severance benefits	euros	13,326	-	4,184



and for successful development of professional competence. Employees are also provided with material allowances in difficult life circumstances, such as the death of a close family member or the birth of a child.

The average monthly gross salary (before tax) of employees working under employment contracts changed as follows:

Table 9.

Name	In 2022	In 2023	In 2024
<b>Director</b>	3,903	4,209	7,366
<b>Top-level managers</b>	3,086	3,235	3,551
<b>Lower-level managers</b>	2,069	2,041	2,389
<b>Specialists</b>	1,923	1,939	2,135
<b>Drivers-forwarders</b>	1,372	1,480	1,517
<b>Laboratory employees</b>	1,305	1,330	1,477
<b>Animal productivity test assistants</b>	1,169	1,180	1,349
<b>Farm part employees</b>	1,128	1,135	1,239
<b>In total average</b>	<b>1,471</b>	<b>1,509</b>	<b>1,674</b>

The Company's salary fund (including social security contributions) amounted to:

- In 2024 – 3,850.9k euros
- In 2023 – 3,820.5k euros
- In 2022 – 3,803.7k euros

## 2.5. Dividend policy

The company pays dividends to the state budget. The shareholder set a target for the company to achieve an average annual return on equity (ROE) of at least 5% during the reporting period and to pay dividends of at least 75% of the distributable profit to the state budget. Payment of company's dividends:

10 lentelė

Reporting period	Distributable profit, in euros	Allocated for dividends,	Dividend amount, in euros	Dividends per share, in euros
<b>In 2022</b>	371,013	75%	278,260	0.07
<b>In 2023</b>	357,960	85%	305,960	0.08
<b>In 2024</b>	412,147	85%	350,325	0.09





### 3. OVERVIEW OF ACTIVITY AND DEVELOPMENT AND RISK MANAGEMENT

#### 3.1. Main historical facts of activity

Year	Event
In 1993	The State Experimental Milk Quality Test Laboratory was established. Centralized test on milk composition and quality (fat, protein, and somatic cells) were launched.
In 1995	The laboratory became state enterprise "Pieno tyrimai" and launched monitoring of milk composition and quality throughout Lithuania.
In 1998-1999	Introduced mandatory payment system for milk according to the results of laboratory tests. A website <i>www.pieno-tyrimai.lt</i> has been created, allowing milk producers and purchasers to monitor test data, ensuring the confidentiality of information.
In 2001	The company received an international accreditation (German DAP) and later was accredited by the National Accreditation Bureau
In 2006	Moved to a newly equipped modern laboratory in Kaunas, meeting EU standards.
In 2011	Control of milk composition and quality has been strengthened: reliability checks of milk samples have been launched to prevent falsification.
In 2013-2019	New tests: determination of cow fertility from milk at an early stage, identification of mastitis pathogens using the PCR method, feed quality tests using the NIRS method, identification of antibiotic residues in milk samples using the InfiniPlex test.
In 2018	Converted to UAB "Pieno tyrimai", for more efficient management and competitiveness.
In 2019	UAB "Gyvulių produktyvumo kontrolė" was connected, combining the assessment of milk quality, productivity, and breeding into a single system.
In 2021	Implementing sustainability principles, the test process was optimized (the number of tests performed per milk sample was increased), aiming to reduce the use of plastic.
In 2023-2024	New tests and services: fatty acids, lactoferrin, mycotoxin test, and calibration and verification of laboratory instruments

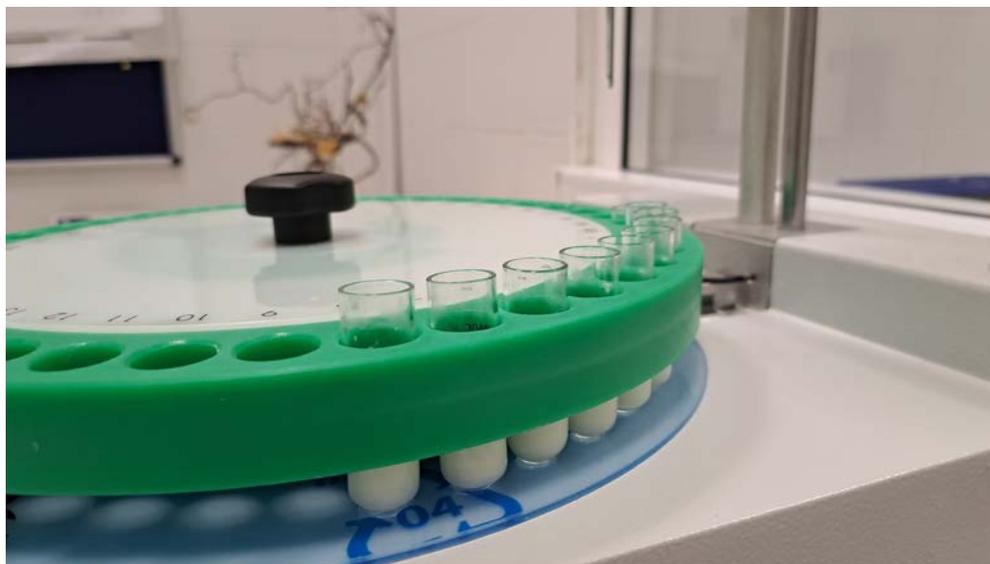
#### 3.2. Description of activity

UAB „Pieno tyrimai“ is a specialized central national milk test laboratory that conducts test on the composition and quality of all milk purchased in Lithuania. The company also conducts tests on the productivity of dairy animals and provides other services related to the dairy sector. The company, in the course of its activity, ensures:

- Reliable assessment of milk quality and safety;
- An advanced and objective breeding assessment system;
- Technical services and innovative test methods for dairy farms;
- Services that meet international quality standards for dairy sector participants.

**Accreditation, quality standards, and licenses.** Laboratory competence was confirmed by National Accreditation Bureau, granting accreditation under:

- LST EN ISO/IEC 17025:2018 – for activity of physicochemical and microbiological tests of raw milk and of calibration of measuring instruments;
- LST EN ISO/IEC 17020:2012 – for the activity of inspection (metrological verification) of measuring instruments.



The productivity test service provided by the company is **licensed** and executed according to:

- Law on Animal Breeding of the Republic of Lithuania;
- Regulation (EU) No. 2016/1012 of the European Parliament and of the Council;
- The principles of test conduct, accounting, and data management comply with the requirements of the International Committee for Animal Recording (ICAR), ensuring data reliability and international standards.

**Dairy animal productivity tests** include:

- Primary breeding accounting: recording, sampling, and tests of milk yields;
- Data transfer to the Register of Farm Animals (ÜGR) and the Breeding Information System of Farm Animal (ÜGVIS);
- Animal productivity analysis and consultations on milk production efficiency, reproduction, and feeding optimization.
- Farmers' training on productivity test execution and data transfer;
- Consultation on improving milk quality, preventing mastitis, and increasing productivity.

UAB „Pieno tyrimai“ provides **the following Laboratory's activity** services:

- Analysis of the composition and quality of raw milk (fat, protein, lactose, somatic cells, total bacterial count, inhibitory materials, freezing point, etc.);
- The tests are aimed at monitoring safety and quality and settlement for purchased milk;
- Determination of antibiotic residues (chloramphenicol);
- Identification of mastitis pathogens by microbiological and PCR methods.
- Determination of cow fertility from milk samples;

- Tests for farmers directly selling milk and dairy products;
- Feed tests – assessment of their composition and quality;
- Calibration and control milk samples for laboratories and organization of test quality control;
- Maintenance and metrological services:
  - calibration and maintenance of milk measuring instruments;
  - metrological inspection of milk refrigerators;
  - calibration and verification of laboratory instruments.



### Strategic importance for the dairy sector

The unified raw milk quality and safety assessment system operating in Lithuania complies with EU and international standards, ensuring:

- Fair settlement for milk between producers and purchasers;
- Health protection of dairy product consumers;
- Meeting the requirements of export markets and producing quality products;
- Development of sustainable dairy farming by improving breeding and productivity indicators.

### The importance of tests on the dairy animal productivity

This activity is essential for the advancement of breeding and the efficiency of milk production, and enable dairy cow farms to make data-driven decisions, ensuring maximum productivity, best health, and maximum profitability. This is an investment that helps reduce expenditures, increase income, and ensure sustainable and successful dairy farming activity:

- Accurate herd management information. Accurate monitoring of each cow's milk yield is ensured. Allows to identify the most productive and

least productive cows. Helps make informed decisions about selection, feeding, mating, and breeding;

- Improving productivity and milk quality. Data analysis allows to improve the amount and composition of milk (fats, proteins, lactose, etc.). Early detection of health problems, preventing a decline in milk quality;
- Optimization of feeding and reduction of costs. Tests show how feed affects milk yield and milk composition. Allows to make effective feeding plans, reducing unnecessary feed expenses. Overfeeding or insufficient amounts of nutrients are avoided, which leads to diseases and lower productivity;
- Improving the health of cows. Early detection of metabolic diseases (ketosis, acidosis, etc.). Helps identify and control mastitis, reducing the need for antibiotic use. More accurate cow fertility monitoring, helping to plan herd renewal more effectively;
- Breeding improvement. The data collected are used to accurately select the best cows for breeding. Facilitates mating planning, improving the genetic quality of the herd. Contributes to the breeding of high genetic value offspring;
- Increase income and competitiveness. Higher milk yield and better milk quality mean higher income

from milk sales. Farms that regularly conduct productivity tests can receive additional support and subsidies. The long-term sustainability and competitiveness of the farm in the market are ensured.

### International cooperation

UAB "Pieno tyrimai" actively cooperates with international organizations, aiming to ensure the highest standards of milk quality assessment and promote innovations in the dairy sector. The company participates in the activity of the International Dairy Federation (IDF) and the International Organization for Standardization (ISO), developing standards for test methods and sampling. It also collaborates with the International Committee for Animal Recording (ICAR), which aims to increase the sustainability and efficiency of the livestock sector worldwide.

On the 15-18th of October, 2024, the World Dairy Summit, organized by the IDF, was held in Paris, France, and was attended by more than 1,600 experts from 62 countries (scientists, industry leaders, technical specialists, and farmers). The main theme of the congress was the sustainability of the dairy sector, which requires an innovative approach to farming, the use of high quality feed, and the



constant modernization of farms. The challenges of climate change, biosafety, genetics, productivity, and animal welfare have been discussed, as well as solutions to increase the efficiency of milk production, reduce CO<sub>2</sub> emissions, and improve the quality of dairy products. One of the important areas of discussion was the importance of breeding for the sustainability and productivity of the dairy sector.

On the 23rd-24th of May, 2024, company representatives participated

in the conference “Sustainable Livestock Systems in a New Era” organized by ICAR, held in Slovenia. Technical sessions and visits to dairy farms explored new opportunities in the areas of milk analysis, animal productivity tests, and farm management. The latest applications of mid-IR spectrometry were presented, the links between farm sustainability and milk analysis were discussed, and the integration of new analytical parameters into herd management was discussed.

An important aspect of the ICAR conference is the exchange of practical knowledge and experience. There was established a collaboration with the technical manager of the Austrian Association for Animal Productivity Tests, who presented successful experiences in the digitization of animal productivity tests. Innovative technologies make it possible to optimize work processes, so our Company plans to introduce new digital solutions in the field of animal productivity tests.

The Company is a member of the ICAR Reference Laboratory Network and is actively involved in the ICAR Milk Analysis Subcommittee. In 2024, there were two subcommittee meetings and three webinars of the “Extra MIR” group to discuss the latest applications of mid-IR spectrometry for farm management and production optimization. Quality assessments of milk test laboratories were analyzed, and possibilities for predicting new parameters (lactoferrin, acetone, BHB, citrates, methane, phosphorus, etc.) in milk were considered. Such tests can be significant not only for monitoring animal health, but also

for implementing sustainable farming solutions.

ICAR also introduced a new validation procedure for laboratory instruments and on-farm measurement systems, under which a panel of experts will evaluate and certify new technologies. In addition, the topics of the ICAR conference to be held in India in 2025 were discussed, which will include the importance of milk tests for the development of livestock, the introduction of new technologies, and the prospects for more sustainable dairy production.

Constant participation in international initiatives and cooperation with dairy sector leaders and scientists allows our company to plan activity improvement, implement innovative test technologies, improve the quality of services, and ensure the reliability of results. This knowledge also contributes to encouraging dairy farms to participate in animal productivity tests and to offering new services to the market, sharing information with all dairy sector participants and stakeholders.

### 3.3. Development overview

**Last year, the company continued its active development and strengthened its position in both the local and international market. Strategic decisions have led to the introduction of new services, the implementation of projects, and closer cooperation with partners and customers.**

This service will continue to be expanded. In 2025, the Company plans to further strengthen the feed test segment by adding the detection of **the five most important mycotoxins in feed**. This will ensure even greater safety and quality of feed, contributing to improving the health of animals and the efficiency of farmers' activities.

The year was also significant in the field of tests and experimental development. In cooperation with the Lithuanian University of Health Sciences, a test of **fatty acids in milk** such as saturated fatty acids, unsaturated fatty acids, monounsaturated fatty acids, polyunsaturated fatty acids, De novo, which is the sum of C4:0, C6:0, C8:0, C10:0, C12:0, C14:0, and C15:0 acids, mixed origin, which is the sum of C16:0, C16:1, and C17:0 acids, pre-formed, which is the sum of C18:0, C18:1, C18:2, and C18:3 acids, C16:0,

which is palmitic fatty acid, and C18:0, which is stearic fatty acid, providing valuable information about animal feeding efficiency, health, and milk quality, was introduced to the market. A program created for farmers with the ability to view and download test data on the website platform in excel format. Farmers receive a detailed percentage analysis of fatty acid groups, including the sum of all acids, as well as the ratio of protein to fat, which is important for assessment.

In addition, the Company began providing a **new service for lactoferrin test** in milk, **metrological verification of liquid dispensers**, and the product range was supplemented with a new preservative for milk samples „**NEBA-PT**“. Several significant projects have been implemented in the area of sustainability and innovation. Together with the Latvian Farm-

ers' Union „Zemnieku saeima“, we participate in the EU Baltic Program „Sustainable Silage“. Also, in cooperation with the Agriculture Chamber of the Republic of Lithuania and the European Union, a project is underway to reduce mastitis and somatic cells in milk in order to reduce the use of antibiotics in treatment processes. In addition, monitoring of mastitis pathogens in dairy cows and their susceptibility to antimicrobial agents continues, ensuring targeted treatment, rational use of antibiotics, and improved milk quality.

Latvian feed tests accounts for 56% of services, collaborating with five dairy companies and over 600 farmers, performing over 1,000 milk tests per month. Estonian feed tests accounts for 44% of the foreign service structure. In the international context, the company further expanded its range of services – 3 new services were presented and introduced: calibration samples, Infiniplex, and PCR tests. This opened up new opportunities in foreign markets and allowed us to offer even more competitive services.





Important attention was also paid to the analysis of customer needs. Three surveys were conducted to assess the practices of rationing feed, customer loyalty, and their satisfaction with the services provided. Meetings with clients were actively conducted – 86 meetings were held regarding commercial tests, and more than 1,900 commercial proposals were submitted.

The company has also strength-

ened its visibility and communication. A comprehensive advertising campaign was implemented – operated through four main advertising channels, 65 visual advertising solutions were created, 67 texts were prepared, leaflets were released, and advertising video materials were created. Information about the Company's activity also reached the press – eight articles were published in four different publications.

**The year of 2024 was intense and productive – investments in scientific tests, service development, and marketing activities ensured stable growth and strengthened the Company's positions. We continue to strive for innovation, quality improvement, and even closer cooperation with our customers and partners, ensuring the long-term continuity of the Company's success.**



### 3.4. Service customers and market overview

#### Service customers and activity model

The Company's tests and other services are commissioned by a wide range of participants in the dairy sector, including:

- Milk producers – farmers and enterprises engaged in agricultural activity (agricultural companies, cooperatives, public bodies, etc.);
- Milk purchasers – legal entities registered in the State Enterprise Agricultural Data Centre in accordance with the procedure established by the legal acts of the Republic of Lithuania, purchasing milk from milk producers for their economic activity. At the reporting date, 61 milk purchasers were registered but 54 purchased the milk;
- Milk processors – companies that process raw milk into final products, and they often also carry out milk buying activity;
- Institutions administering and controlling the dairy sector – state and supervisory institutions
- Scientific and other enterprises – test centers, academic institutions, and other economic entities.

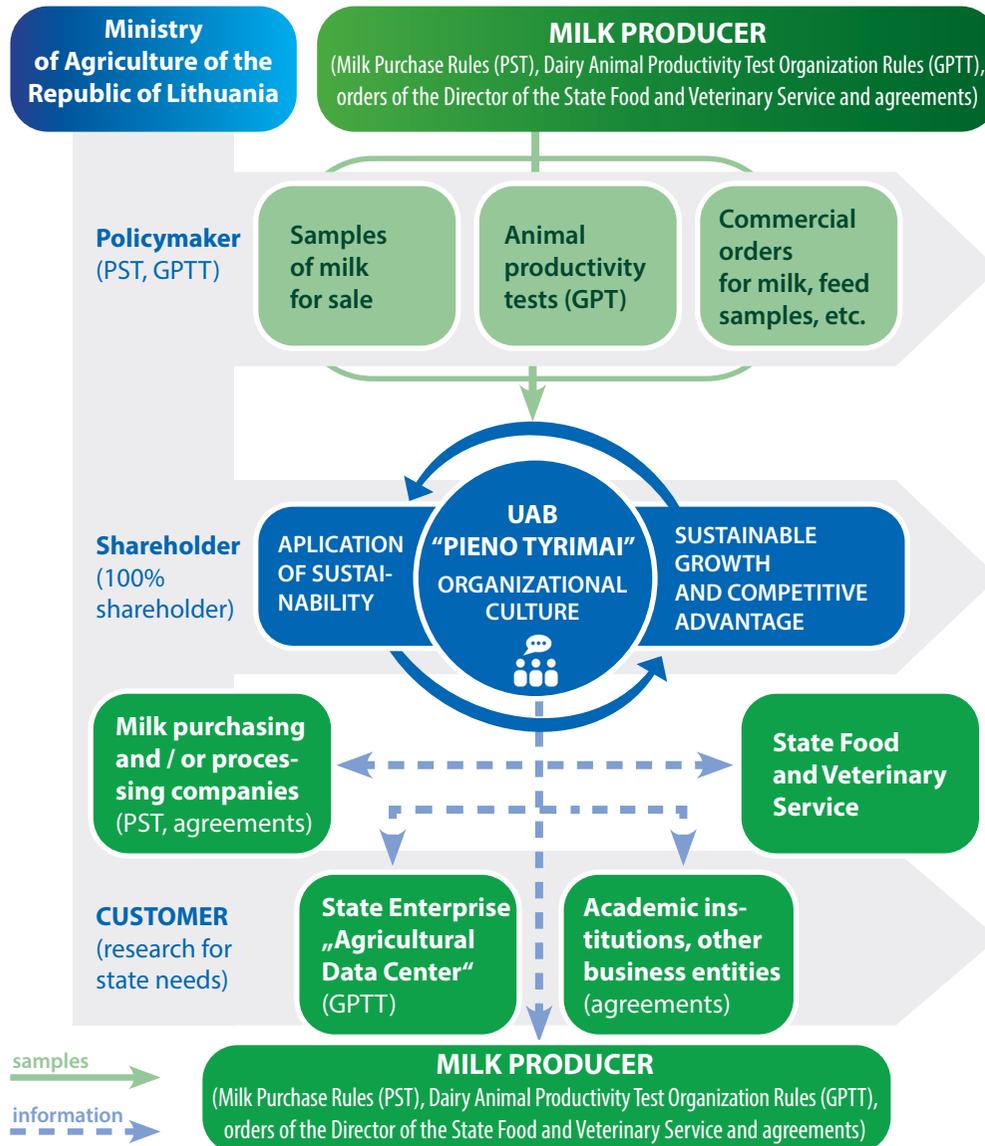
Mandatory tests of purchased milk and dairy animal productivity conducted by UAB "Pieno tyrimai" meet the needs of all participants in the dairy sector – administrative and controlling institutions, milk purchasers, processors, producers, and other economic entities. The company actively contributes to the creation of a sustainable dairy sector in the country.

The Ministry of Agriculture of the Republic of Lithuania is the main axis of the activity of UAB "Pieno tyrimai": it is the founder of the company, the manager of shares, forms the state policy in the field of the dairy sector, and performs the functions of its organization, coordination, and control. Many of the activities carried out by the company are directly related to the functions performed by the ministry.

In order to increase the return on equity for the shareholder, UAB "Pieno tyrimai" also carries out additional (commercial) activity. However, both locally and internationally, the company's activity is largely based on the business environment of the dairy sector.

**COMPANY ACTIVITY MODEL:**

Figure 3. UAB „Pieno tyrimai“ activity scheme



The table below contains summarized information about the company's service customers and their activity in the market.

Table 11. Customers of services provided by UAB „Pieno tyrimai“

Customers and / or payers of services		Market part	Income part
<b>Administrative and controlling bodies in the dairy sector</b>	Ministry of Agriculture of the Republic of Lithuania	100%	50,2%
	State Food and Veterinary Service		
	National Paying Agency		
	SE Agricultural Data Centre		
<b>Dairy sector participants</b>	Milk producers	100%	44,8%
	Milk purchasers		
	Milk processors		
<b>Other</b>	Consultants, feed manufacturers	Competitive advantage in the quality of services provided and centralized system	3,2%
	Scientific and educational institutions		
	Other		
<b>Buyers from EU countries</b>	Milk purchasers, feed producers, farms, etc.		1,8%

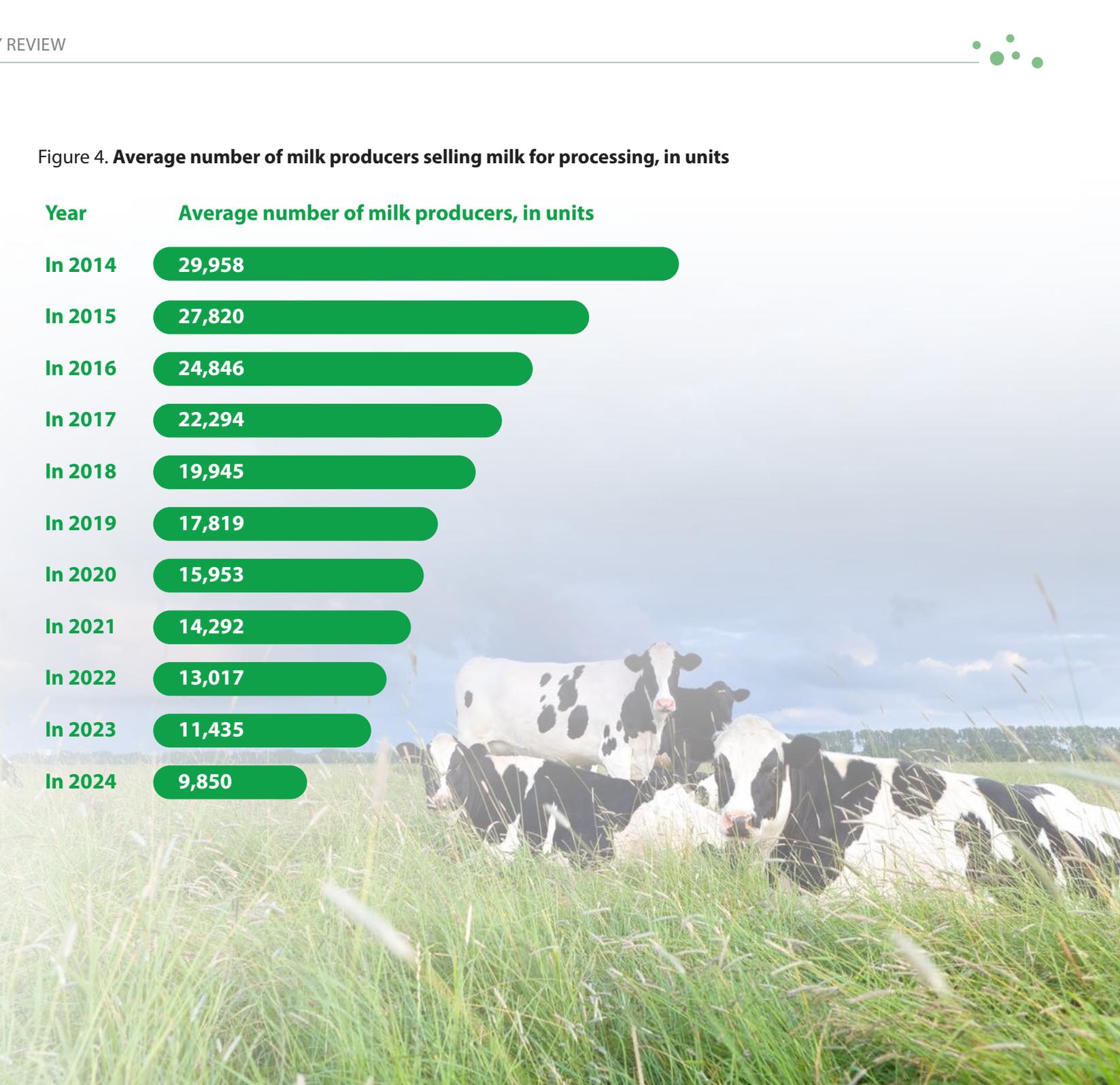
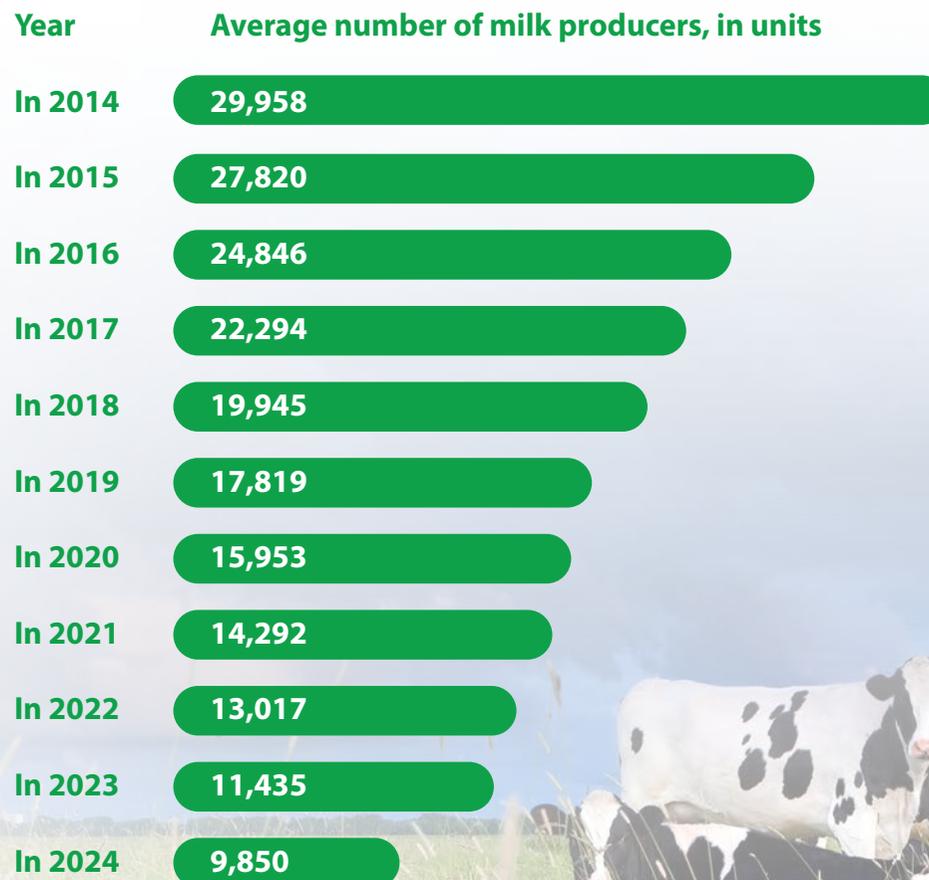


**MARKET OVERVIEW:** the Lithuanian dairy sector has been undergoing structural changes in recent years due to both local and global economic and geopolitical factors. The decreasing number of farms, the increasing concentration of milk production in larger farms, and fluctuating milk purchase prices are the main trends affecting the development of the sector.

**Decrease in the number of dairy producers and farms.** Over the past decade, the number of milk producers in Lithuania has steadily decreased. This was due to the following factors:

- Small and medium-sized farms are not able to compete with larger farms, which can manage costs more efficiently, invest in modern equipment and increase production productivity, and these are unattractive to the heirs, which leads to the cessation of farm activity;
- Insufficient EU support for small farms and increasing environmental protection and animal welfare requirements;
- Volatile milk purchase prices, which have a particularly strong impact on smaller farms with limited ability to amortize price fluctuations.

Figure 4. **Average number of milk producers selling milk for processing, in units**



The scope of tests and services performed by UAB „Pieno tyrimai“ directly depends on the number of dairy herds and the number of cows kept. The continuous decline in the number of small herds is affecting the number of dairy producers sell-

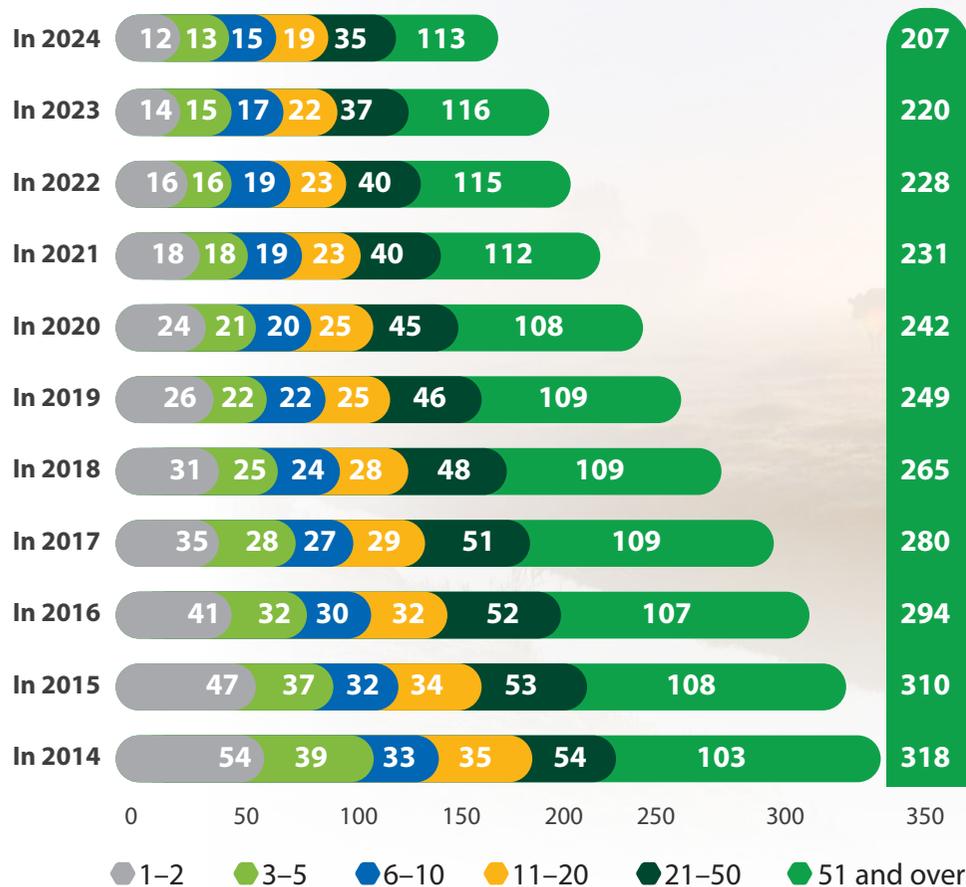
ing milk for processing. According to data of 2024:

- The number of milk producers (farms) whose sold milk was tested decreased to **9,850**, compared to three times more (**29,958**) in 2014.

- Small farms with 1-10 cows still account for the majority of all dairy farms – **82.7%** (14,224 units), but they keep only **19.2%** (39.5k units) of all dairy cows;
- Larger farms (keeping **51 or more** cows) account for only **3.5%** (637 units) of all dairy farms, but they raise more than **54.6%** (113k units) of the country's cows;

- The number of cows decreased to **207k units**, while in 2014 there were 35% more of them (**318k units**);
- Despite the general decline in the number of cows, the number of cows on larger farms grew slightly due to the modernization of the farm and the breeding of more productive animals.

Figure 5. **Distribution of cows by herd size from 2014 to the 1<sup>st</sup> of October, 2024**





Farmers' public organizations are constantly working to increase the price of milk purchase and bring it closer to the average for the countries of the European Union. In the second half of 2021, with rising prices for energy resources, prices

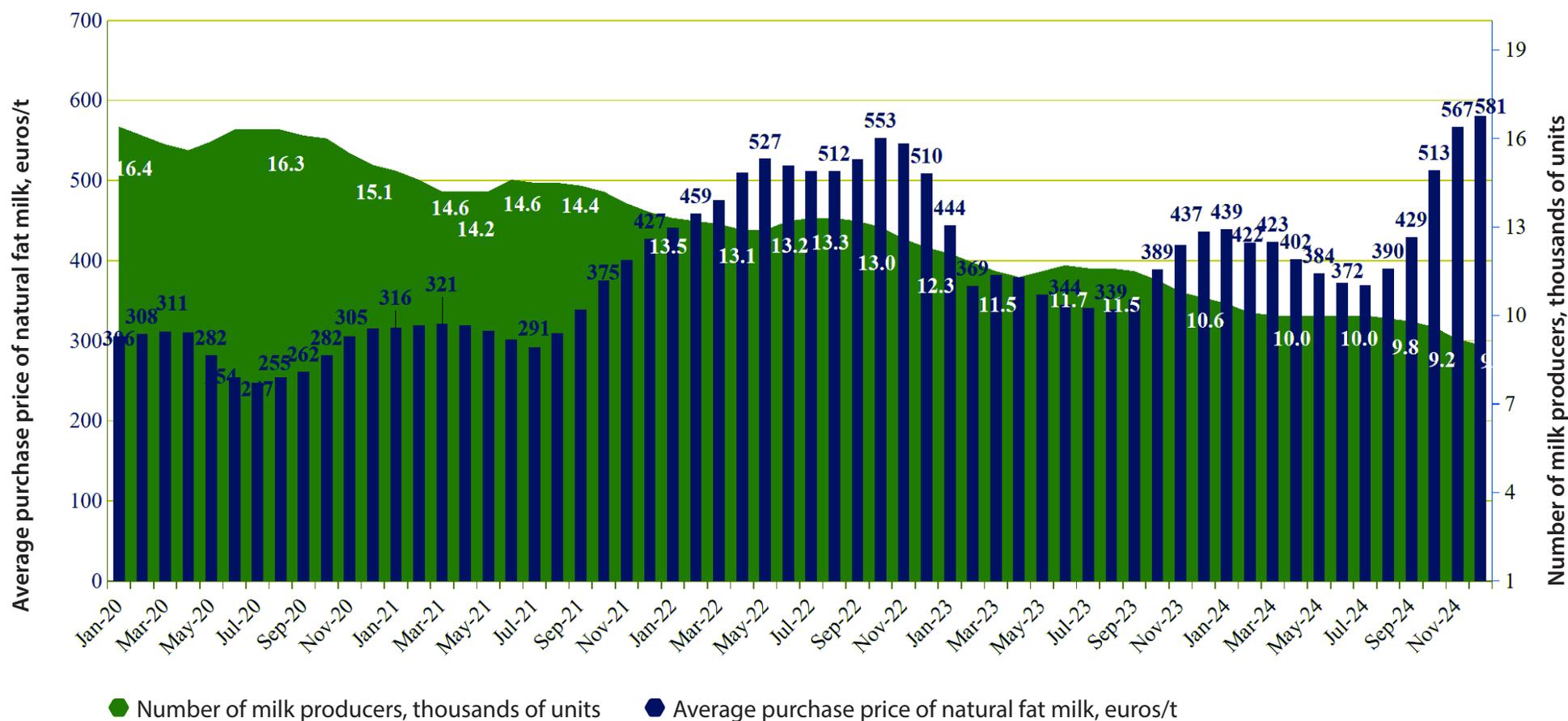
for purchasing natural milk began to grow rapidly. In November 2022, they reached their highest level – **546.4 euros/t**, but from February, 2023, prices began to fall again. Only at the end of 2024 they returned to the level of 2022 and even exceed it.

**In December, 2024, a ton of natural milk cost an average of 580.5 euros/t.**

Despite this price recovery, the downward trend in the number of milk producers remains pronounced. Stable and long-term growth in milk

purchase prices could slow the decline of dairy farms and strengthen the competitiveness of the sector.

Figure 6. Variation in the average purchase price of natural milk and the number of milk producers in 2020-2024.



**Variation in the number of dairy cows under test.** Due to the withdrawal of small dairy farms from the market in Lithuania, the total number of cows is steadily decreasing. However, despite this trend, the proportion of cows under test in relation to all cows kept is increasing every year. **In 2014, it was 45.5%, in 2022 – 55.8%, in 2023 – 57.9%, and in 2024 it reached 59.1%.**

More and more farms, especially larger and modernized ones, are choosing to conduct animal productivity tests to improve herd productivity, genetic quality, and milk production efficiency. However, the total number of cows under test is also gradually decreasing, reflecting the overall change in the structure of milk production in the country.

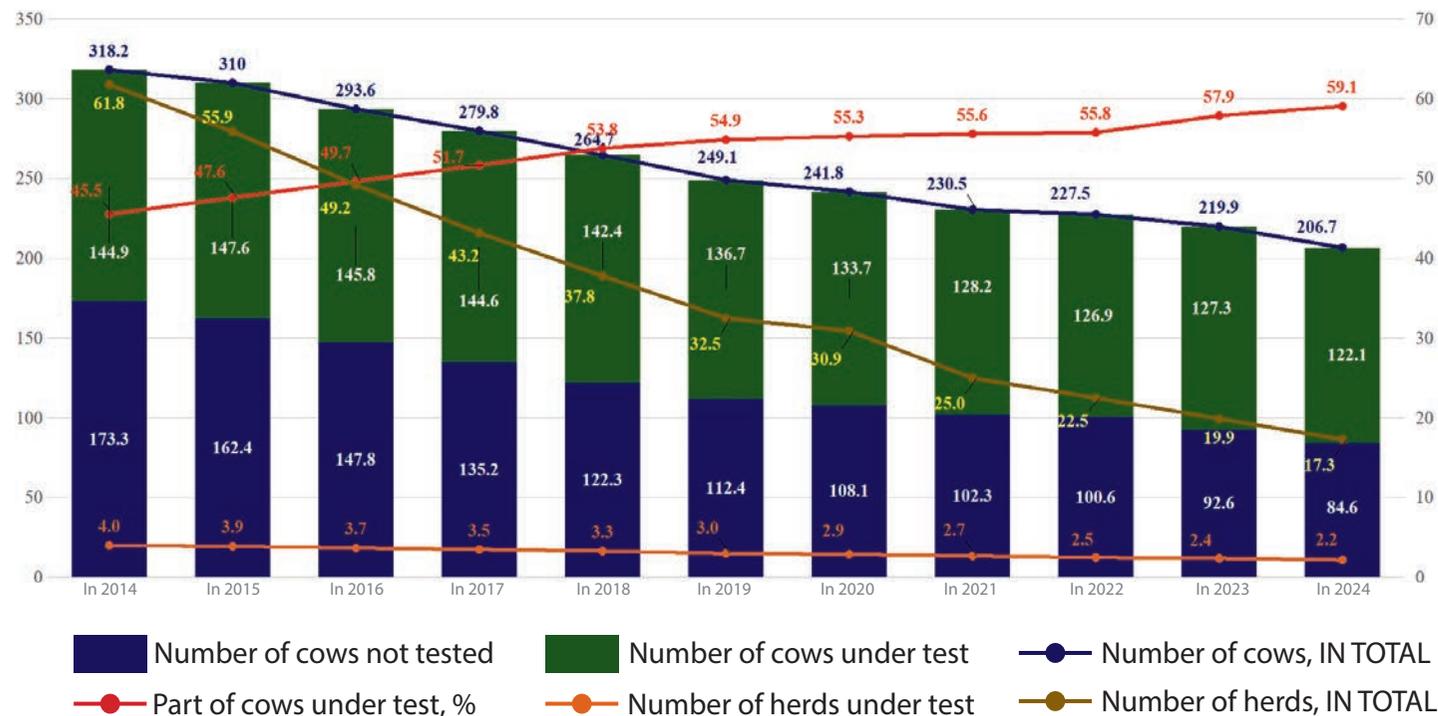
The decrease in the number of cows under test is more stable and less pronounced than the general decrease in the number of cows. Animal productivity tests are becoming more relevant for larger farms – more than 75% of all farms keeping over 50 cows participate in productivity tests. This makes it possible to introduce more advanced technolo-

gies, improve animal health, and increase the productivity of the dairy farm.

The number of farms conducting animal productivity tests in Lithuania has decreased over the past year:

- In 2020 – 2.9k of farms,
- In 2023 – 2.4k of farms,
- In 2024 – 2.2k of farms.

Figure 7. **Variation in the number of dairy cows in 2014-2024**

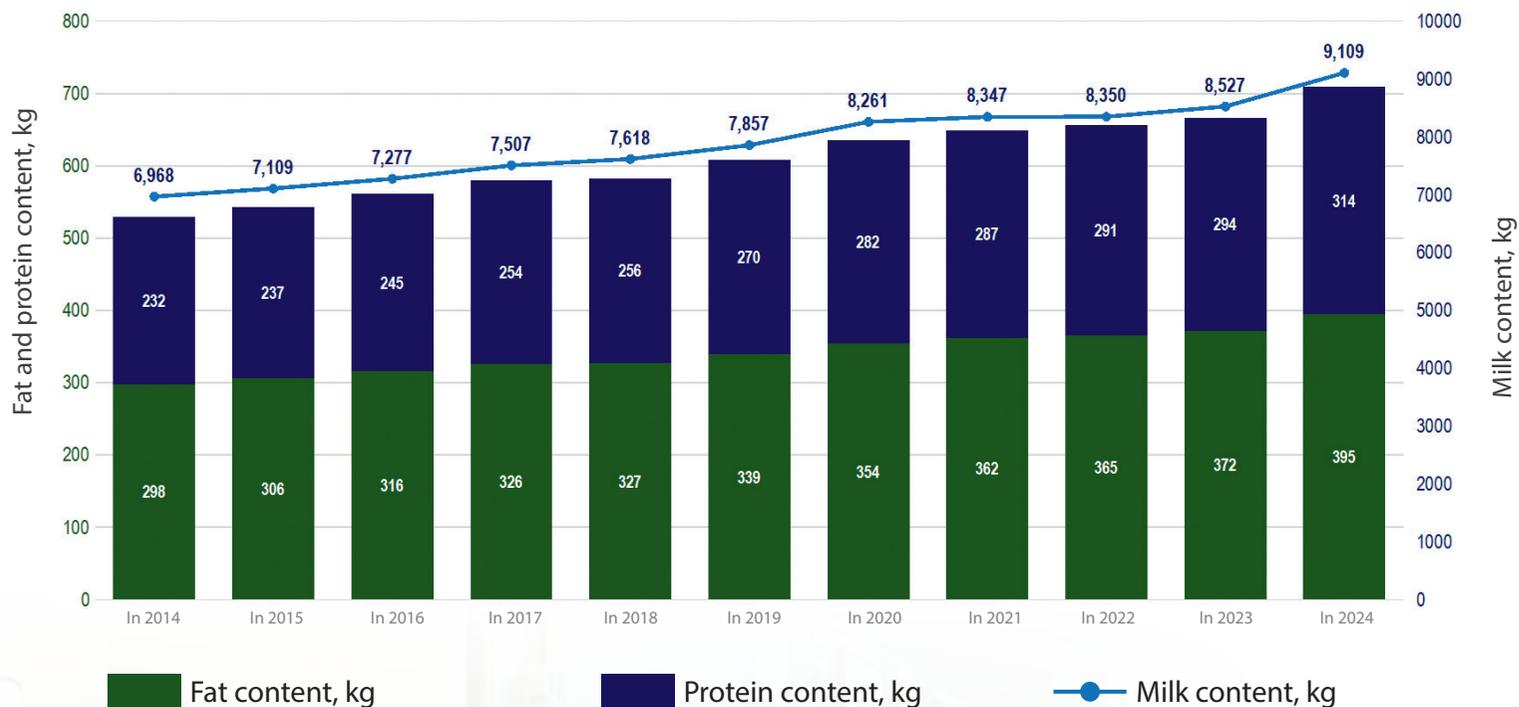


Nevertheless, productivity growth on these farms is obvious. Since 2014, the average annual milk yield of the animals under test has increased by 2,141 kg (30.7%), fat content by 97 kg (32.6%), and protein content by 82 kg (35.3%).

Although the growth in productivity indicators in recent years has been small, fluctuating within 1-2%, a breakthrough was recorded in 2024 – the average productivity of the cows under test increased by 582 kg of milk, 23 kg of fat, and 20 kg of protein. It is likely that this result was due to the inclusion of all animals under test in breeding programs, promoting a targeted and effective herd selection process.



Figure 8. Variation in annual productivity (kg) of cows under test in 2014-2024



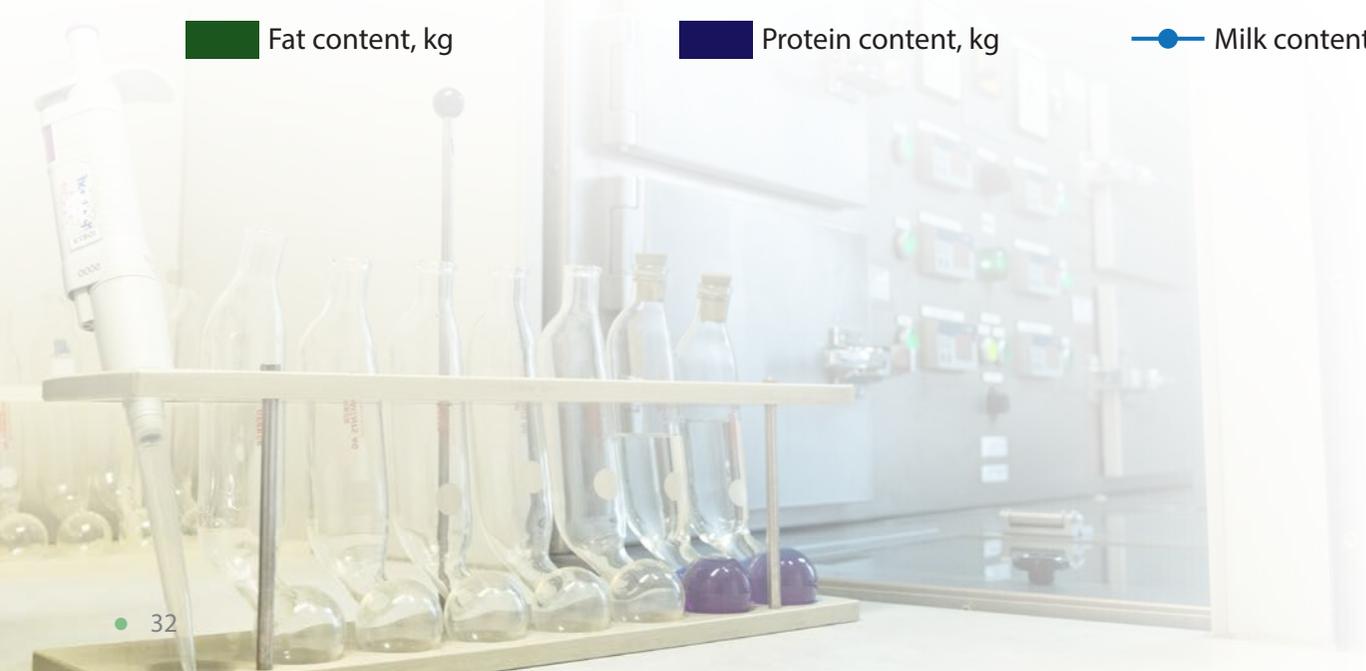
**Sale of milk for processing.**

Despite the constant decline in the number of dairy cows and their herds, the total amount of milk sold for processing remains stable. This is due to the efforts of milk producers to increase herd productivity and optimize milk production processes. As farms grow in size and productivity increases, the need for animal productivity tests, feed analysis, and other services provided by UAB „Pieno tyrimai“ increases.

Table 12. Volume of natural fat milk sold by milk producers for processing

Year	Quantity, thousands of tons	Variation	
		(+/-) thousands of tons	%
In 2015	1,436.5	-	-
In 2016	1,410.4	-26.0	-1.8
In 2017	1,396.9	-13.5	-1.0
In 2018	1,363.0	-33.9	-2.4
In 2019	1,346.9	-16.1	-1.2
In 2020	1,354.2	7.3	0.5
In 2021	1,339.6	-14.6	-1.1
In 2022	1,345.6	6.0	0.4
In 2023	1,347.5	1.9	0.1
In 2024	1,389.9	42.4	3.1

\* Source: Milk market © State Enterprise Agricultural Data Centre



The Lithuanian milk industry is export-oriented – more than 50% of domestic milk is exported to the EU and third countries in the form of various products. In order to remain competitive in the international market, it is necessary to ensure high quality and high nutritional value of milk. UAB „Pieno tyrimai“ strives to be not only a reliable partner for dairy sector participants, but also an active market participant. The company constantly introduces advanced test methods, participates in the administration of milk production and breeding systems, and contributes to the strengthening of milk purchase regulation and quality control.

#### The main challenges facing the dairy sector:

- Increasing environmental protection requirements;
- Increasing competition for plant-based milk alternatives;
- Decline in dairy product consumption due to changes in consumer habits and anti-advertising;

- Growth of international trade competition.

Taking these challenges into account, UAB „Pieno tyrimai“ actively participates in international dairy sector organizations, constantly improves the qualifications of specialists and invests in modern test technologies and equipment, aiming to maintain the highest quality standards in both milk test and breeding.

### 3.5. Description of the main risks and uncertainties faced by the Company, disclosing the risk management policy and measures to manage the main risk factors

The Risk Management Policy applied in the Company (the current version was approved by the board on the 15<sup>th</sup> of March, 2022 and the implementation and relevance of the provisions were last reviewed in February 2024) establishes unified risk management based on common principles, in order to ensure the implementation of the Company's strategic goals, ensure a safe environment for employees, and improve the quality of services provided. It establishes the principles of risk management organization, the risk management process and appoints people responsible for the implementation and control of the Company's risk management policy.

#### The policy sets out three basic principles of risk management applied to the company:

- the principle of integrity (risk management is not a separate inde-

pendent activity, but a structured process, an integral part of all the Company's activity processes and decisions;

- the principle of relevance and reliability of information (risk management is based only on reliable and relevant data, including statistical, historical, as well as data obtained through observation and / or expert assessment);
- the principle of efficiency and proportionality (funds allocated for risk management are distributed rationally and economically justified, and the price of managing a specific risk does not exceed the opportunity costs that the Company would incur if it did not manage that risk).

In order to detail the provisions of the risk management policy, the company has approved the risk management procedure description of UAB „Pieno tyrimai“ (the cur-



rent version was approved by the director's order on the 12<sup>th</sup> of January, 2023), which establishes risk management principles and implementation guidelines in accordance with the guidelines of the LST ISO 31000 standard group.

**In accordance with this description, all risks faced by the company are divided into four types:**

- strategic risk (this is a risk that directly affects the implementation of strategic goals and objectives, most often related to political factors, public opinion, key management decisions of the company, especially the choice of strategic directions and the setting of goals and objectives, activity planning, response to changes in the external environment, etc.);
- financial risk (market, credit (counterparty) and liquidity (investment) risk that occurs when the company manages its cash resources and performs other financial operations necessary to ensure its activity);
- activity risk (the likelihood of incurring losses due to inappropriate or inefficient internal processes of the Company or due to the impact of external events and factors on the Company's activity processes, in-

cluding employee safety and health management processes, and efficient use of resources);

- reputational risk (this is a risk that may have a negative impact on public opinion about the Company. Reputational risks may arise from failure to ensure the principle of impartiality, inappropriate actions of employees, systematic or repetitive errors, insufficient data security and confidentiality, lack of sustainability, lack of innovation, corruption that harms reputation and relationships, or undermines trust in the Company's activity).

**In implementing the Risk Management Policy and the risk management procedure description, the following documents are drawn up and managed in the Company:**

- risk register (a constantly updated document that presents identified risks, including a risk description, the department, activity, or process in which the risk is identified, its cause and potential impact, existing actions to manage the risk, probability, potential consequence, risk significance, and planned actions to address the risk);
- risk map (a document that lists all identified and assessed risks and

presents their distribution according to risk significance);

- risk management measure plan (a document that plans actions to manage critical and major risks, appoints people responsible for their implementation, and sets deadlines for execution).

In implementing the integrated management system, the 12<sup>th</sup> edition of the Laboratory Management System Manual of UAB „Pieno tyrimai“ was approved on the 25<sup>th</sup> of March, 2024. It describes the implemented quality management system that meets the requirements of the standards LST EN ISO/IEC 17025 and LST EN ISO/IEC 17020. The procedures applied to manage processes are documented. A total of 40 applicable procedures are described, regulating planning and logistics, laboratory work organization, monitoring and measurements, equipment maintenance and management, internal audits, staff management, procurement organization, document and record management, etc. The procedures describe the functions assigned to them, including those related to risk assessment and management.

The company identifies all possible insurable risks and insures them. In

the company, many risks are covered by various insurances: contracts for real and movable property, vehicles, cargo, general professional liability insurance, and employee accident insurance have been concluded. The Company does not use hedging instruments that are subject to hedge accounting.

The organization of financial risk management and the duties and responsibilities of employees performing financial risk management are governed by the financial risk management procedure approved by the director. The financial risks faced by the Company and its management results are presented in the Part 3 of the explanatory note to the financial statements for 2024.

At the beginning of the year, department / activity managers identify, analyze and assess department / activity risks (inclusion of new risks, review of previous year's risks, assessment of significance, inclusion of additional control measures for already identified risks). The importance of risk identification and management is emphasized to employees and they are encouraged to identify and record potential risks. The risk management coordinator, quality system manager, and department / activity managers

Figure 9. Risk map in 2024

prioritize identified risks during the meeting, determine final materiality assessments, type of risk, and define a risk management strategy. The risk register is constantly updated. The risk map and risk management plan were approved by order of the director on the 28<sup>th</sup> of February, 2024. 38 risks have been identified, of which 5 are in critical and high-risk areas. For all identified risks, a plan of actions and measures has been established in order to manage or avoid them. Monitoring of the implementation of the planned actions was carried out every month. The board submitted comments on the risk map being prepared on the 23<sup>rd</sup> of February, 2024, and at its meeting on the 18<sup>th</sup> of June, 2024, it considered the progress of the implementation of risk management measures.

**Risk management results for 2024:** out of 38 identified risks, 17 risks were assessed as low and no additional management actions were required. 8 risks were controlled, 11 risks are of a permanent nature, they are managed continuously, and the level was reduced to tolerable. 2 more risks are being reduced, but not yet managed, so their management has been moved to 2025.

RISK		Probability	Impact / consequence	Risk score	Risk materiality
<b>FINANCIAL</b>					
1	Assessing the solvency of a company and managing cash flows	2	4	8	MEDIUM
2	Risks related to the continuity of agreements paid from the budget	2	4	8	MEDIUM
3	Risks related to compliance with accounting standards and legal requirements for financial reporting	2	4	8	MEDIUM
4	Credit risk arising from holding funds in bank accounts	1	4	4	LOW
5	Application of internal control	1	4	4	LOW
6	Investment decision-making	1	3	3	LOW
7	Credit terms and interest margins	1	1	1	LOW
<b>REPUTATIONAL</b>					
8	Risk due to potential conflict of public and private interest	3	3	9	MEDIUM
9	Employees authorized by the control body perform inspections of small containers (cold storage tanks) and additional inspection services on farms	2	3	6	MEDIUM
10	Risks related to public procurement conducted by the company	2	3	6	MEDIUM
11	Risks to the transparency of the company's professional activity	2	2	4	LOW
12	Inappropriate control activity may occur due to close relationships established by employees with organizations or individuals whose products or services are related to the services provided by the company's laboratory	1	3	3	LOW
13	Conflict of interest with the service customer when performing verification or calibration activity at the customer's premises	1	3	3	LOW
14	Impartiality with the outside	1	3	3	LOW
15	Risk of impartiality, conflict of interest	1	3	3	LOW
<b>STRATEGIC</b>					
16	Competition with other laboratories for the development of commercial services and risk of project volatility	3	4	12	HIGH
17	Risk of decrease in animal productivity test services as new technologies develop	3	4	12	HIGH
18	Risk of a significant decrease in the volume of animal productivity tests due to changes in the state funding procedure (supporting only for animals under test included in breeding programs)	3	4	12	HIGH
19	Reagents, instruments, tests, or other materials required for the test not delivered on time	3	3	9	MEDIUM
20	Suspension of laboratory work due to accidents and failures in building networks	2	4	8	MEDIUM
21	Risks related to the company's compliance with increasingly stringent environmental requirements	2	4	8	MEDIUM



RISK		Probability	Impact / consequence	Risk score	Risk materiality
<b>ACTIVITY</b>					
22	<b>Risk of insolvency of customers of animal productivity tests</b>	4	4	16	CRITICAL
23	<b>Cyber-hacking risk</b>	2	5	10	HIGH
24	Risks due to staff turnover in animal productivity tests	3	3	9	MEDIUM
25	Risk due to unassured quality management measures in control and calibration activity, without participation in external comparisons with other laboratories	3	3	9	MEDIUM
26	Unsatisfactory results of test quality verification obtained	4	2	8	MEDIUM
27	If information leaks from servers stored within the company, it is possible to find sensitive customer information from databases: personal number, name, and surname	2	4	8	MEDIUM
28	Risk due to verification within agreed deadlines	2	3	6	MEDIUM
29	Unit test laboratory equipment failures	2	3	6	MEDIUM
30	Human resource management for the smooth running of the company	3	2	6	MEDIUM
31	Risk due to suspension of Laboratory accreditation	1	4	4	LOW
32	Risks related to maintaining employee skills and competencies for infrequently performed activity (metrological verification, calibration, and tests)	1	4	4	LOW
33	Ensuring the temperature regime of refrigerators storing reagents, materials, tests, and samples	2	2	4	LOW
34	If a non-conformity is identified but the problem that caused the non-conformity is not resolved, recurring errors are likely	1	3	3	LOW
35	Risk of making an incorrect decision when analyzing complaints / appeals received related to tests, calibration, and metrological verification	1	3	3	LOW
36	Internal impartiality	1	3	3	LOW
37	Risk due to disclosure of confidential information	1	2	2	LOW
38	Risk due to late receipt of information about new regulatory documents in accredited research activity and the effectiveness and integrity of the management system	1	2	2	LOW



## 4. FINANCIAL AND ACTIVITY RESULTS OF 2024 AND THEIR COMPLIANCE WITH THE COMPANY'S ACTIVITY GOALS

### 4.1. Financial condition

**Equity.** On the 31<sup>st</sup> of December, 2024 The company's equity increased to 4,319k of euros and its growth was determined by the increase in retained profit and reserves. Retained profit grew due to the company's profitable activity, and the statutory

reserve, as provided for by law, was increased at the expense of distributable profit. The majority (88%) of equity consists of authorized capital, which has remained unchanged since 2019 and is divided into 3,785k registered shares.

**Asset structure.** The company's asset structure is dominated by fixed assets. At the end of 2023, the book value of fixed assets increased due to new acquisitions, but during 2024 it decreased due to depreciation expenses. During 2024, 247k euros were allocated for the renovation of fixed assets, of which 99.9k of euros were invested in new

projects. In the first quarter of 2024, the Company sold unused administrative premises in Vilnius, therefore the value of fixed assets held for sale decreased. The value of the company's assets at the end of 2024 amounted to 5,644k euros and its growth was determined by the increase in accumulated cash funds in term deposits.

Figure 10. Equity structure and variation

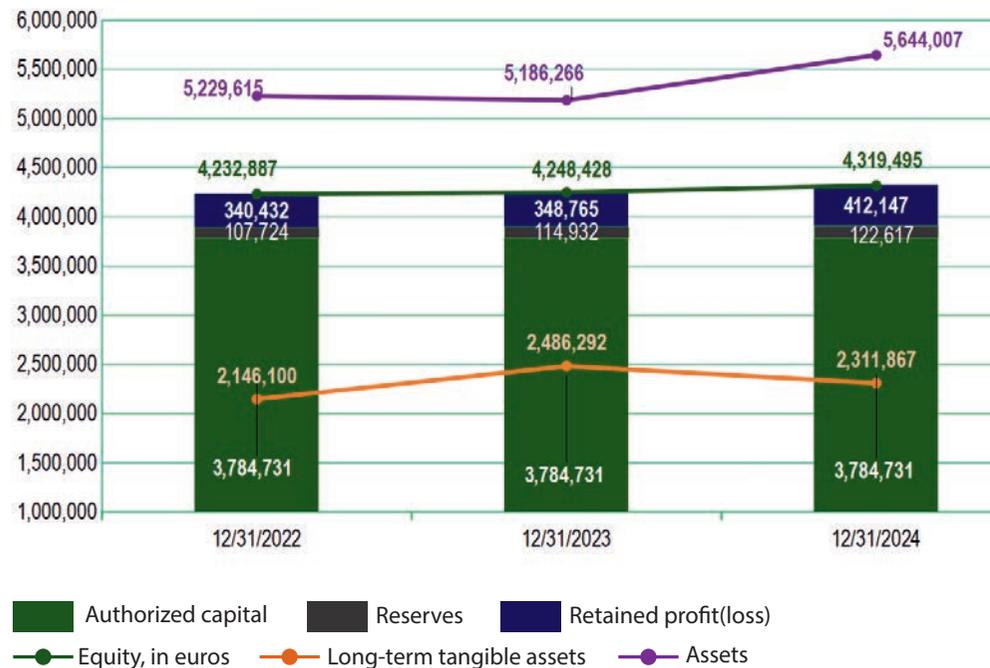
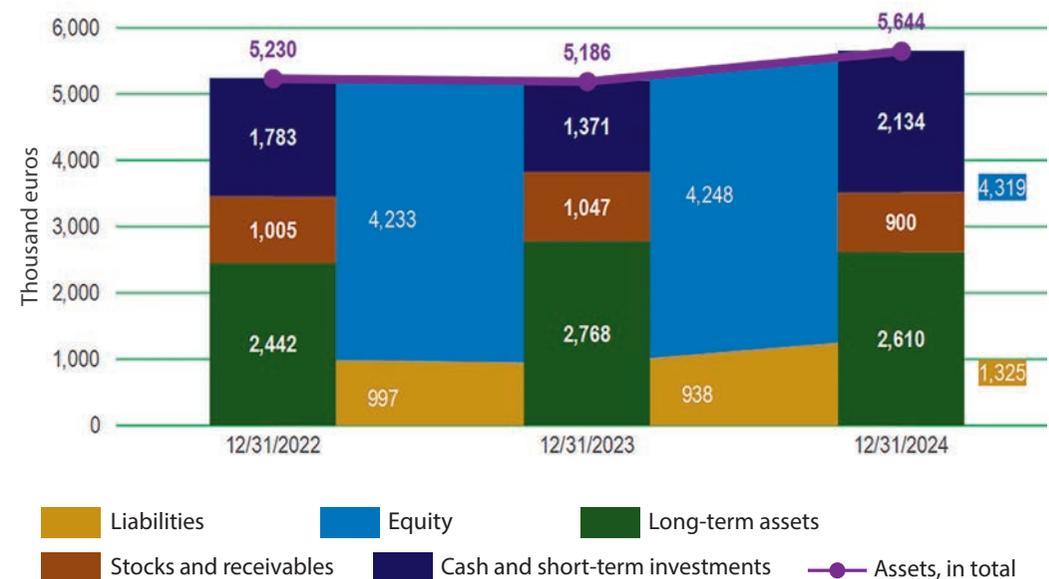


Figure 11. Asset structure and sources of financing

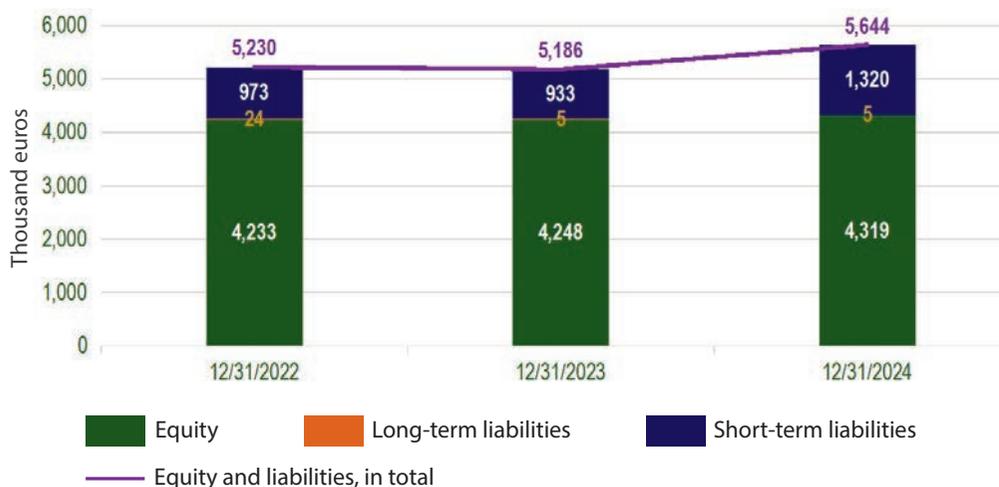




**Dynamics of equity and liabilities.** In 2024, equity accounted for 77% of all financing sources, compared to over 80% in previous years. There were no significant changes in the financing structure, however, at the end of 2024, the Company had no financial debts to financing institutions, and

the increase in liabilities was mainly due to liabilities to employees. At the end of 2024, provisions were made for employee incentives for the results of the year, taking into account the Company's activity results and in order to maintain a competitive motivational system.

Figure 12. **Equity and liabilities**



## 4.2. Investments during the reporting period and planned investment projects

The company's investments increased significantly during the 2023 reporting period, with a focus on upgrading laboratory equipment. The largest part of the investment consisted of the acquisition of a bacteria counter, liquid chromatograph, and other modern laboratory equipment, in order to increase the accuracy and efficiency of tests.

During 2022, the Company made minimal investments – it purchased one company car, as well as laboratory, computer, and office equipment. This was the lowest investment period in recent years.

### The most significant investments in 2024:

- A more modern feed mill – grinds feed samples to a finer fraction and has a self-cleaning function and a modern dust collection system. This update not only increased work productivity in feed tests, but also created the conditions for the introduction of a new service – mycotoxin test in feed. In addition, optimized work processes have reduced

dustiness and improved working conditions for employees.

- 80.08 kWp solar power plant – in order to implement sustainability goals, the Company invested 34k euros in electricity production, thus reducing the environmental impact of its activity and electricity expenses.
- Renewal of sample collection vehicles – the Company's trucks travel an average of more than 65k km per year, therefore their regular renovation is necessary. In 2024, one sample collection truck with temperature control equipment was purchased for 39k euros.
- Modernization of the technological sewage system – an assessment of the existing system was carried out for 14.5k of euros, in order to prepare the technical conditions for its renewal, which is expected in 2025.
- Ventilation system renovation – the ventilation system in the Reference Test Department was improved for 6.8k euros, ensuring better working conditions.

- Laboratory and IT equipment upgrades – various minor upgrades to laboratory, computer, and other equipment were made to increase activity efficiency.

**Over the next three years**, the Company plans to make significant investments in modernization and efficiency improvements:

- Laboratory equipment – modern equipment for tests of milk com-

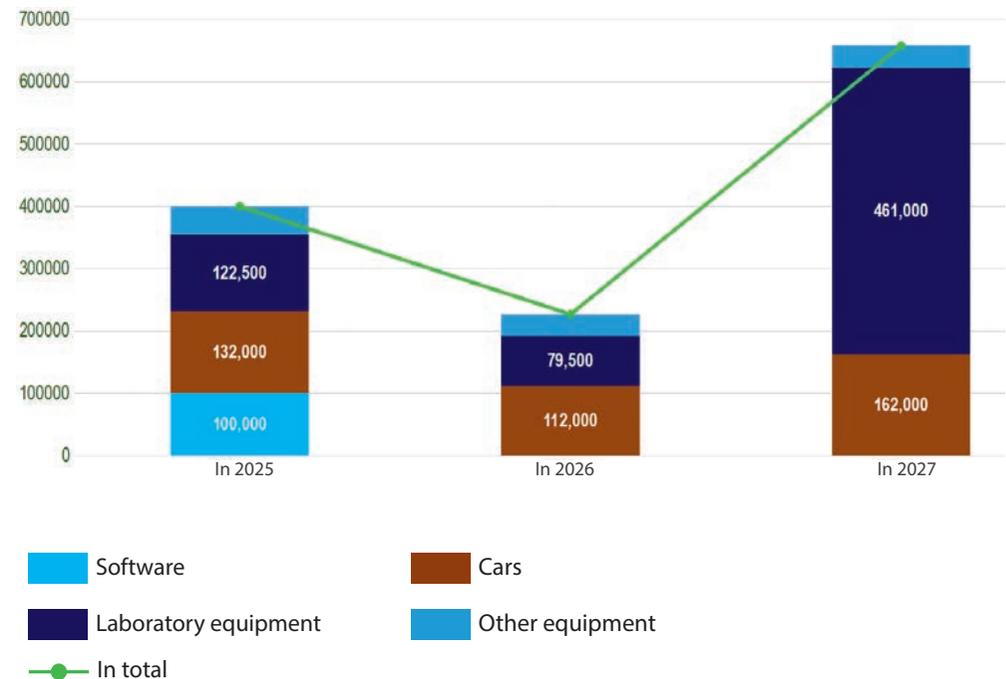
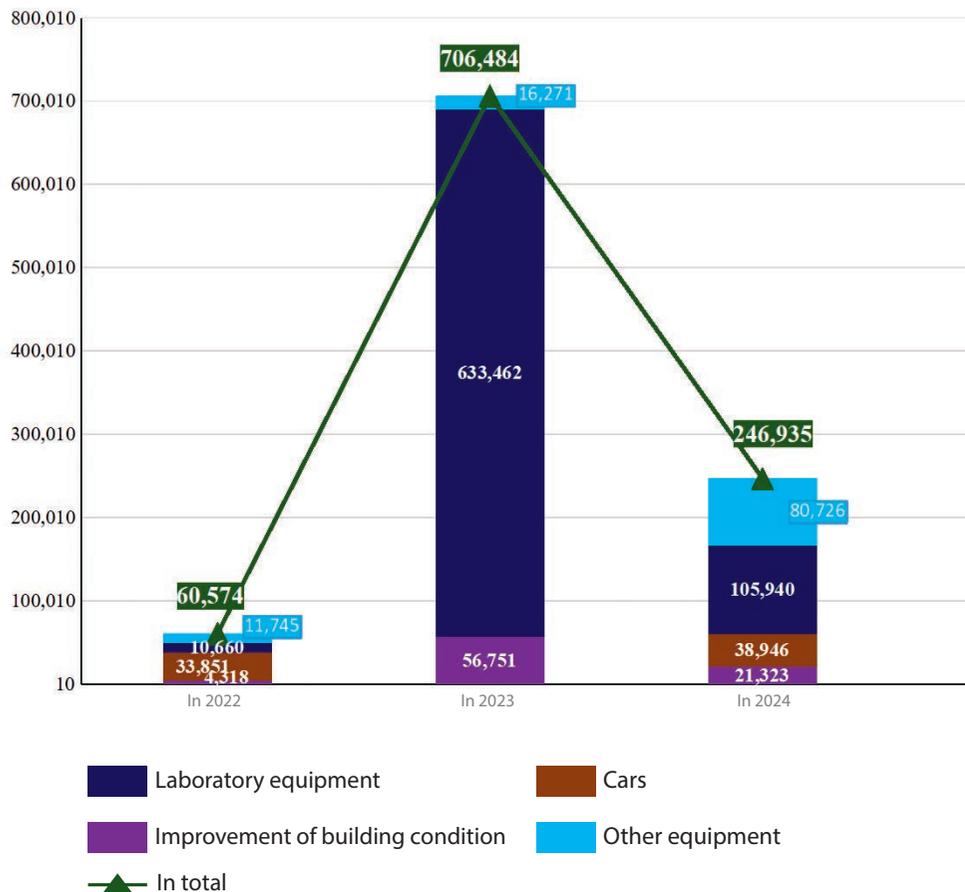
position, somatic cells, and freezing temperature.

- Upgrading sample collection vehicles with integrated temperature maintenance systems, ensuring sample quality during transportation.
- Renovation of the Animal Productivity Test Unit’s vehicles – to optimize employee mobility and efficiency.

- Changing the business accounting system – introducing a modern, more functional system that meets the latest technological and business needs.

The total value of investments in the period of 2025-2027 is 1,285k euros, of which 400k euros are planned to be implemented in 2025.

Figure 13. **The company’s investments in 2022-2024**





## 4.3. Main financial indicators

Table 13.  
The company's main financial indicators for 2022-2024

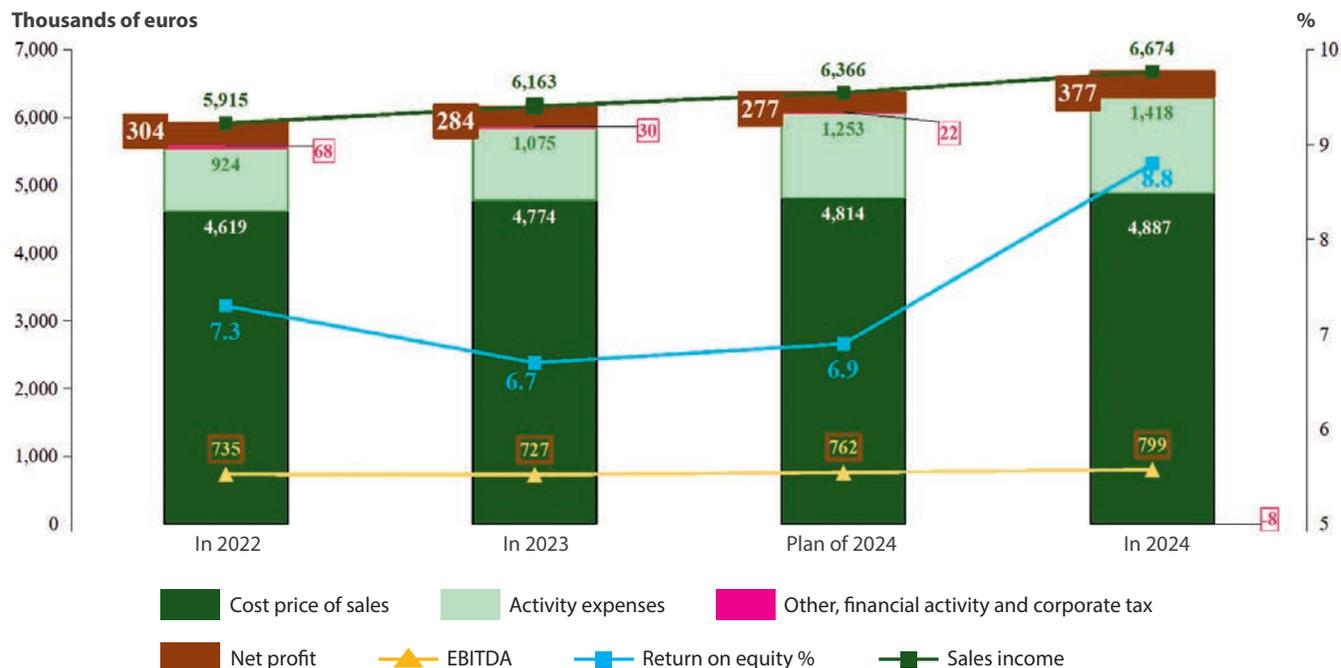
Serial No.	Name	Thousands of euros or as specified in the rows				Comparison					
		In 2022	In 2023	In 2024		In 2023 / In 2022		In 2024 / In 2023		Fact of 2024 / Plan of 2024	
				Plan	Report	(+/-) point	%	(+/-) point	%	(+/-) point	%
<b>1.</b>	<b>Key profit and loss statement indicators</b>										
1.1	Sales income	5,915.1	6,163.2	6,366	6,673.6	248.1	4.2	510.4	8.3	307.6	4.8
1.2	Cost price of sales	4,619.1	4,773.9	4,814	4,886.6	154.8	3.4	112.7	2.4	72.6	1.5
1.3	Activity expenses	923.6	1,074.5	1,253	1,418.0	150.9	16.3	343.5	32.0	165.0	13.2
1.4	EBITDA	734.5	727.2	761.7	798.9	-7.3	-1.0	71.7	9.9	37.2	4.9
1.5	Profit before tax	366.5	323.4	325	417.0	-43.1	-11.8	93.6	28.9	92.0	28.3
1.6	Net profit	304.1	284.0	277	377.1	-20.1	-6.6	93.1	32.8	100.1	36.1
<b>2.</b>	<b>Key Balance Sheet Indicators</b>										
2.1	Total assets	5,229.6	5,186.3	4,691	5,644.0	-43.3	-0.8	457.7	8.8	953.0	20.3
2.2	Equity	4,232.9	4,248.4	3,747	4,319.5	15.5	0.4	71.1	1.7	572.5	15.3
2.3	Total liabilities	996.7	937.8	944	1,324.5	-58.9	-5.9	386.7	41.2	380.5	40.3
2.4	Including financial debts	101.0	18.8	0	0.0	-82.2	-81.4	-18.8	-100.0	0.0	0.0
<b>3.</b>	<b>Key profitability indicators</b>										
3.1	EBITDA margin, %	12.4%	11.8%	12.0%	12.0%	-0.6%	-4.8	0.2%	1.7	0.0%	0.0
3.2	Net profit margin, %	5.1%	4.6%	4.4%	5.7%	-0.5%	-9.8	1.1%	23.9	1.3%	29.5
3.3	Return on assets (ROA), %	6.0%	5.5%	5.6%	7.0%	-0.5%	-8.3	1.5%	27.3	1.4%	25.0
3.4	Return on equity (ROE), %	7.3%	6.7%	6.9%	8.8%	-0.6%	-8.2	2.1%	31.3	1.9%	27.5
3.5	Ratio of comprehensive and administrative expenses to sales income, %	15.6%	17.4%	19.7%	21.2%	1.8%	11.5	3.8%	21.8	1.5%	7.6
3.6	Activity profitability, %	5.5%	4.9%	4.6%	6.0%	-0.6%	-10.9	1.1%	22.4	1.4%	30.4



Serial No.	Name	Thousands of euros or as specified in the rows				Comparison					
		In 2022	In 2023	In 2024		In 2023 / In 2022		In 2024 / In 2023		Fact of 2024 / Plan of 2024	
				Plan	Report	(+/-) point	%	(+/-) point	%	(+/-) point	%
<b>4.</b>	<b>Key liquidity and solvency indicators</b>										
4.1	Critical liquidity ratio	2.4	2.1	1.5	2.1	-0.3	-12.5	0.0	0.0	0.6	40.0
4.2	Part of cash in total assets (Cash to total assets)	0.34	0.09	0.13	0.07	-0.3	-73.5	0.0	-22.2	-0.1	-46.2
4.3	Working capital to total assets	0.35	0.29	0.15	0.30	-0.06	-17.1	0.01	3.4	0.15	100.0
4.4	Equity to assets ratio, %	80.9%	81.9%	79.9%	76.5%	1.0%	1.2	-5.4%	-6.6	-3.4%	-4.3
4.5	Liabilities to assets ratio, %	19.1%	18.1%	20.1%	23.5%	-1.0%	-5.1	5.4%	29.8	3.3%	16.6
4.6	Debt to equity ratio	0.2	0.2	0.3	0.3	0.0	0.0	0.1	50.0	0.0	0.0
<b>5.</b>	<b>Key turnover indicators</b>										
5.1	Fixed asset turnover	2.4	2.2	2.1	2.6	-0.2	-8.3	0.4	18.2	0.5	23.8
5.2	Equity turnover	1.4	1.5	1.7	1.5	0.1	7.1	0.0	0.0	-0.2	-11.8
5.3	Accounts receivable turnover, in days	23.1	25.3	34.2	25.1	2.2	9.5	-0.2	-0.8	-9.1	-26.6
5.4	Sales income per 1 employee (average conditional)	29.9	32.1	33.5	37.9	2.2	7.4	5.8	18.1	4.4	13.1
<b>6.</b>	<b>Reduction in kWh of purchased electricity, %</b>	26.2%	21.1%	5%	10.5%	-5.1%	-19.5	-10.6%	-50.2	5.5%	110



Figure 15. **Variation of main financial indicators in 2022-2024**



In 2024 the company earned 377.1k euros in net profit, which is 93.1k euros (+32.8%) more than in 2023 and 73.0k euros (+24.0%) more than in 2022. This growth was driven by a significant increase in sales income – it increased by 510.4k euros (+8.3%) over the year.

**Key factors that determined profit growth:**

- Sales income exceeded the plan by 307.6k euros (+4.8%);
- The growth in income from animal productivity tests were driven by timely decisions related to the inclusion of animals under test in breeding pro-

grams. Although it was planned that from the 1st of May, 2024, the number of dairy animals subject to animal productivity tests would decrease by 10,6k units (-8.3%), the actual average decrease per year was only 4.8k units (-3.8%), compared to the previous period (see Table 16-17).

- Increased prices for services, which partially compensated for the decrease in the number of milk producers and cows under test.
- Introduction of new services and search for markets, which allowed the company to expand the range of its activity and strengthen its competitive position;

- Taking into account the decrease in the number of milk producers and the number of cows under test, the company purposefully optimized its activity and reduced expenses. The work processes and the functions of the employees were reviewed and their merger or reduction was carried out. However, the common activity expenses grew due to increased remuneration, rising prices for materials, and ongoing repair work on the premises.

**Profitability and other financial indicators:**

- EBITDA growth was directly related to rising activity profit;
- Return on equity (ROE) in 2024 reached 8.85%, exceeding the planned level of 5.0% and growing from 7.3% (in 2022) and 6.7% (in 2023);
- Return on assets (ROA) increased by 1.5% points in 2024 to 7.0% (in 2023 it was 5.5%);
- The company’s solvency and turnover indicators remain strong and its ability to meet financial obligations is excellent;
- The growth in asset value was driven by increasing short-term term deposit funds;
- The increase in liabilities was mainly influenced by provisions for employee incentives for work results in 2024.

In 2024, the company achieved better than planned profitability indicators and consistent activity improvement and expenditure optimization ensured sustainable financial growth.

## 4.4. Main sales indicators

Table 14.

Name of indicator	In 2022	In 2023	In 2024		Comparison					
					2023/2022		2024/2023		Fact / plan of 2024	
			plan	fact	(+/-) point	%	(+/-) point	(+/-) point	%	(+/-) point
<b>1. Number of routine milk test per 1 milk producer, thousands of units</b>	226.2	240.8	247.2	255.0	14.6	6.5	14.2	5.9	7.8	3.2
<i>Number of routine milk tests, thousands of units</i>	2,940.2	2,744.8	2,521.7	2,524.4	-195.4	-6.6	-220.4	-8	2.7	0.1
<i>Number of milk producers, thousands of units</i>	13.0	11.4	10.2	9.9	-1.6	-12.3	-1.5	-13.2	-0.3	-2.9
<b>2. Average turnover per 1 milk producer, in euros</b>	455.0	540.6	624.1	674.1	85.6	18.8	133.5	24.7	50	8
<i>Sales income, thousands of euros</i>	5,915.1	6163.2	6366	6673.6	248.1	4.2	510.4	8.3	307.6	4.8
<i>Additional activity income, thousands of euros</i>	1347.4	1601.4	1507.5	1644.1	254	18.9	42.7	2.7	136.6	9.1
<b>3. Number of dairy animals under test, thousand of units</b>	126.7	127.3	116.7	122.5	0.6	0.5	-4.8	-3.8	5.8	5
<b>4. Income from additional tests and services from total sales, %</b>	23%	26%	24%	25%	3%	13	-1%	-3.8	1%	4.2
<b>5. Number of tests completed, in units</b>	37	42	46	46	5	13.5	4	9.5	0	0

The number of routine milk tests per milk producer carried out each year is consistently increasing, while the average income per farm is also growing. As farms grow larger, they are given a wider package of milk tests and related services to meet their growing needs.

Additional income from commercial activity in 2024 increased by 42.7k euros (+2.7%) and was as much as 136.8k euros (+9.1%) higher than planned. This was influenced by increased sales of conventional milk tests to commer-

cial customers, increased demand for feed tests and calibration kits, and newly introduced services such as heifer registration and fatty acid tests.



## 4.5. Scope of tests and other services carried out

### Laboratory routine milk test activity

In 2024, the company conducted 2,524.4k routine tests of milk composition and quality, which is less than in 2023 (2,744.8k units) and 2022 (2,940.2k units). Over the past three years, the number of routine milk tests have decreased by 415.8k units (-14.1%), which is directly related to the decrease in the number

of milk producers – the number of farms selling milk for processing decreased by 3.1k (-23.8%).

Despite these changes, the company consistently optimizes laboratory activity and expands the range of tests in order to adapt to the changing market and customer needs.

Figure 16. Variation in the number of routine milk tests in 2022-2024



Table 15.

Variation of routine milk tests performed by UAB „Pieno tyrimai“ in 2022-2024

Name	Milk tests carried out, thousands of units				Comparison					
	In 2022	In 2023	In 2024		2023/2022		2024/2023		Fact / plan of 2024	
			Plan	Report	(+/-) point	%	(+/-) point	%	(+/-) point	%
<b>Routine milk composition and quality tests (mandatory, additional, and others on request)</b>										
Fat, protein, and somatic cells	823.2	740.9	681.4	659.2	-82.3	-10.0	-81.7	-11.0	-22.2	-3.3
Total bacterial count	383.4	340.9	307.1	304.9	-42.5	-11.1	-36.0	-10.6	-2.2	-0.7
Inhibitory materials	491.4	429.9	382.5	373.5	-61.5	-12.5	-56.4	-13.1	-9.0	-2.4
Freezing temperatures	53.6	46.9	42.0	39.7	-6.7	-12.5	-7.2	-15.4	-2.3	-5.5
<b>In total</b>	<b>1,751.6</b>	<b>1,558.6</b>	<b>1,413.0</b>	<b>1,377.3</b>	<b>-193.0</b>	<b>-11.0</b>	<b>-181.3</b>	<b>-11.6</b>	<b>-35.7</b>	<b>-2.5</b>
<b>Routine milk composition and quality tests for dairy animal productivity tests</b>										
Fat, protein, somatic cells, and urea	1,188.6	1,186.2	1,108.7	1,147.1	-2.4	-0.2	-39.1	-3.3	38.4	3.5
<b>Routine milk tests, IN TOTAL</b>	<b>2,940.2</b>	<b>2,744.8</b>	<b>2,521.7</b>	<b>2,524.4</b>	<b>-195.4</b>	<b>-6.6</b>	<b>-220.4</b>	<b>-8.0</b>	<b>2.7</b>	<b>0.1</b>
<b>Number of milk producers, thousands of units</b>	<b>13.0</b>	<b>11.4</b>	<b>10.2</b>	<b>9.9</b>	<b>-1.6</b>	<b>-12.3</b>	<b>-1.5</b>	<b>-13.2</b>	<b>-0.3</b>	<b>-2.9</b>

The laboratory conducts tests on fats, proteins, somatic cells, lactose, and urea, which are fundamental for assessing animal productivity. In 2024, 1,147.1k of these tests were performed, i.e. 38.4k units (+3.5%) more than planned. This was due to a higher than expected number of animal productivity tests.

The number of animals under test is a main factor influencing the scope of these tests. Over the past three years, it has decreased by 4.2k units (-3.3%) and in 2024 amounted to 122.5k units.

Despite this decline, the laboratory continues to conduct extensive tests to ensure the accuracy of milk tests and an effective assessment of animal productivity.

### Animal productivity test (GPT) activity

Animal productivity tests (GPT) is one of the company's main areas of activity, accounting for more than half of all income. In 2024, income from animal productivity test services amounted to 3,395.8k euros and their volume depends

on how many farms choose to develop breeding herds and on the number of dairy breed animals under test. Since improving breeding is important to increase the efficiency of milk production and ensure higher quality of raw milk, animal productivity tests are becoming increasingly relevant for larger and modernized farms. The company actively encourages economic entities to participate in this activity by providing accurate and reliable data for breeding decisions.

Table 16.

### Number of animal productivity tests carried out

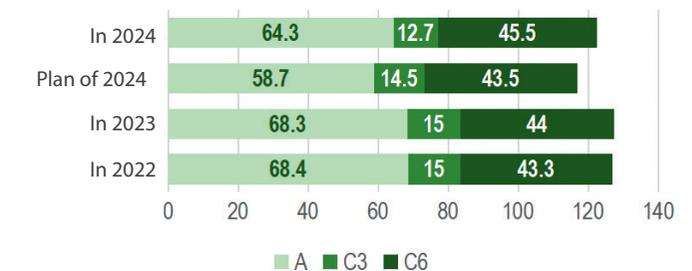
Method	Average number of animal productivity tests conducted per month / average number of animals under test, thousands of units				Comparison					
					In 2023 / In 2022		In 2024 / In 2023		Fact / plan of 2024	
	In 2022	In 2023	Plan of 2024	In 2024	(+/-) point	%	(+/-) point	%	(+/-) point	%
A	68.4	68.3	58.7	64.3	-0.1	-0.1	-4.0	-5.9	5.6	9.5
C3	15.0	15	14.5	12.7	0.0	0.0	-2.3	-15.3	-1.8	-12.4
C6	43.3	44	43.5	45.5	0.7	1.6	1.5	3.4	2.0	4.6
<b>In total</b>	<b>126.7</b>	<b>127.3</b>	<b>116.7</b>	<b>122.5</b>	<b>0.6</b>	<b>0.5</b>	<b>-4.8</b>	<b>-3.8</b>	<b>5.8</b>	<b>5.0</b>

Table 17.

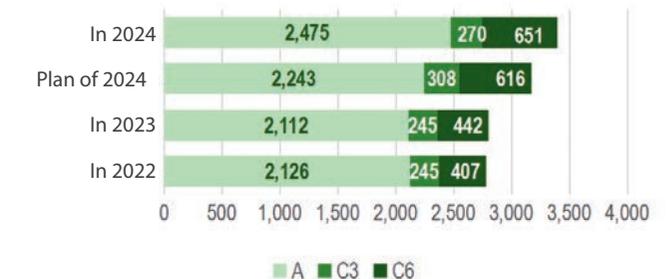
### Income received for animal productivity tests by methods

Method	Amount of income from animal productivity tests, thousands of euros				Comparison					
					In 2023 / In 2022		In 2024 / In 2023		Fact / plan of 2024	
	In 2022	In 2023	Plan of 2024	In 2024	(+/-) point	%	(+/-) point	%	(+/-) point	%
A	2,125.7	2,111.9	2,243.4	2,474.9	-13.8	-0.6	363.0	17.2	231.5	10.3
C3	245.3	244.9	308.2	269.6	-0.4	-0.2	24.7	10.1	-38.6	-12.5
C6	407.4	441.5	615.6	651.3	34.1	8.4	209.8	47.5	35.7	5.8
<b>In total</b>	<b>2,778.4</b>	<b>2,798.3</b>	<b>3,167.2</b>	<b>3,395.8</b>	<b>19.9</b>	<b>0.7</b>	<b>597.5</b>	<b>21.4</b>	<b>228.6</b>	<b>7.2</b>

### Average number of animals under test, thousands of units



### Income received for completed animal productivity tests, thousands of euros





In 2024, significant changes have occurred in animal productivity test activity. The Ministry of Agriculture of the Republic of Lithuania has changed the requirements of the Rules on Aid for Breeding, establishing that from the 1st of May, 2024, state aid for productivity tests will be granted only to those keepers of dairy breed animals, who participate in breeding programs approved by state institutions. Prior to this change, support was provided to all animals under test and animals under test were not necessarily required to be registered in the breeding programs approved by state institutions, and the desired result of improving productivity was not sufficiently effective. In response to these changes, the company carried out an analysis of the number of animals under test not participating in breeding programs and predicted that due to this limitation, the volume of animal productivity tests in 2024 will decrease by 10.6k units (-8.3%), aiming 116.7k units. However, the actual decrease in the number of tests was significantly less – only 4.8k units (-3.8%), so the company’s income from this activity exceeded the planned level and was 228.6k euros (+7.2%) higher than expected.

The company earned 597.5k euros (+21.4%) more in income from the animal productivity tests performed in 2024 than in the previous year, because the number of dairy breed animals under test in 2024 was higher than planned. Income growth is also influenced by the fact that the State encourages farms to conduct breeding by paying 70% expenditures on the animal productivity tests and additional benefits for the animal under test. Income increased partly due to increased prices for animal productivity test services in 2024.

The largest part of animal productivity tests were

made up of method A, according to which animal productivity tests are performed and primary breeding accounting is maintained by licensed employees of the Company. In 2024, 64.3k units of tests were performed using this method, accounting for 52.5% of all test performed. For animal productivity tests performed using this method, 2,474.9k euros in income – 72.9% of all animal productivity test income.

### Other tests and services

The company is constantly expanding its activity in order to adapt to market changes and create new demand. In 2024, new tests and products were successfully introduced, which contributed to increasing the diversity of services:

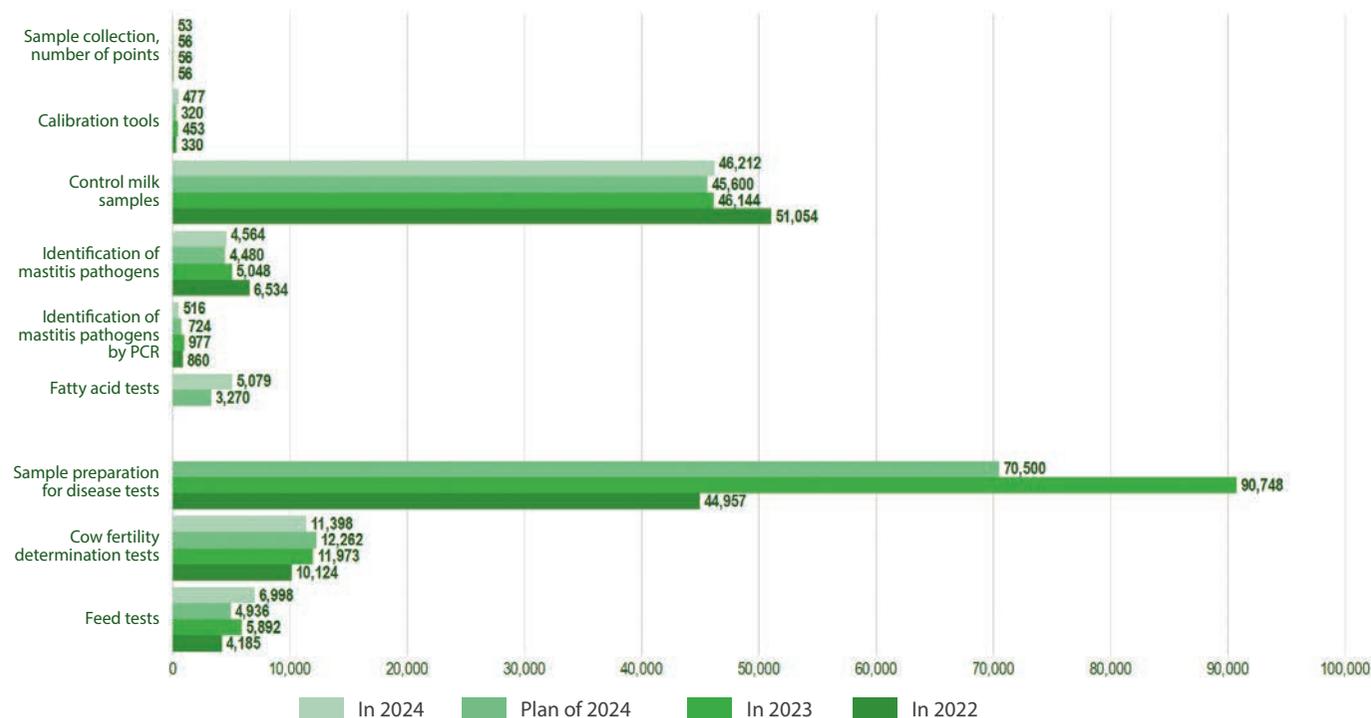
- Newly introduced fatty acid tests – more than 5k tests were performed per year;
- The preservative NEBA PT, adapted for stabilizing milk samples, has been launched and marketed;

### Increased sales:

- Feed tests – increased test volume due to growing interest among farms in feed quality analysis;
- Calibration kits and control milk samples – growing demand for milk quality control.

The company continues to invest in the development of new tests and services in order to increase activity efficiency and competitiveness of the dairy sector.

Figure 17. Sales of other tests and services in 2022-2024



## 4.6. Structure and variation of sales income

Table 18.

### Variation in income and its structure in 2022-2024

Name		Amount of income, thousands of euros				Comparison						Structure, %		
		In 2022	In 2023	In 2024		2023/2022		2024/2023		Fact of 2024 / Plan of 2024		In 2022	In 2023	In 2024
				Plan	Report	thousands of euros	%	thousands of euros	%	thousands of euros	%			
Legislative requirements	1.1. Tests on milk purchased for processing and / or sale	1,789.3	1,763.5	1,691.4	1,633.8	-25.8	-1.4	-129.7	-7.4	-57.6	-3.4	30.2	28.6	24.5
	of which:													
	For monitoring and control of milk safety and quality	888.5	876.0	834.9	808.3	-12.5	-1.4	-67.7	-7.7	-26.6	-3.2	15.0	14.2	12.1
	Milk purchasers	736.2	723.0	697.8	671.4	-13.2	-1.8	-51.6	-7.1	-26.4	-3.8	12.4	11.7	10.1
	Milk producers (sellers)	164.6	164.5	158.7	154.1	-0.1	-0.1	-10.4	-6.3	-4.6	-2.9	2.8	2.7	2.3
	1.2. Animal productivity tests	2,778.4	2,798.3	3,167.2	3,395.8	19.9	0.7	597.5	21.4	228.6	7.2	47.0	45.4	50.9
<b>1. Total income from services ordered in compliance with legislative requirements (1.1.+1.2.)</b>		<b>4,567.7</b>	<b>4,561.8</b>	<b>4,859.0</b>	<b>5,029.6</b>	<b>-5.9</b>	<b>-0.1</b>	<b>467.8</b>	<b>10.3</b>	<b>170.6</b>	<b>3.5</b>	<b>77.2</b>	<b>74.0</b>	<b>75.4</b>
Additional activity	<b>2.1. Routine milk tests upon customer request</b>	<b>661.6</b>	<b>740.9</b>	<b>693</b>	<b>779.5</b>	<b>79.3</b>	<b>12.0</b>	<b>38.6</b>	<b>5.2</b>	<b>86.5</b>	<b>12.5</b>	<b>11.2</b>	<b>12.0</b>	<b>11.7</b>
	of which:													
	Additional tests through the common system	280.8	305.7	313.7	326.6	24.9	8.9	20.9	6.8	12.9	4.1	4.8	5.0	4.9
	Tests and services for Latvian farms	49.2	50.9	51.8	54.7	1.7	3.5	3.8	7.5	2.9	5.6	0.8	0.8	0.8
	Additional tests (EKA and commercial agreements)	331.6	384.3	327.5	398.2	52.7	15.9	13.9	3.6	70.7	21.6	5.6	6.2	6.0
	<b>2.2. Other tests</b>	<b>296.1</b>	<b>400.2</b>	<b>364</b>	<b>419.1</b>	<b>104.1</b>	<b>35.2</b>	<b>18.9</b>	<b>4.7</b>	<b>55.1</b>	<b>15.1</b>	<b>5.0</b>	<b>6.5</b>	<b>6.3</b>
	Identification of mastitis pathogens by PCR	30.4	37.4	33.7	20.6	7.0	23.0	-16.8	-44.9	-13.1	-38.9	0.5	0.6	0.3
	Cow calving determination tests	40.5	51.8	60.5	52.1	11.3	27.9	0.3	0.6	-8.4	-13.9	0.7	0.8	0.8
	Feed tests	133.1	214.7	192.2	274.7	81.6	61.3	60.0	27.9	82.5	42.9	2.3	3.5	4.1
	Determination of chloramphenicol	5.4	5.0	3.0	3.3	-0.4	-7.4	-1.7	-34.0	0.3	10.0	0.1	0.1	0.1
	ROSA method for inhibitory materials	1.1	1.5	1.4	1.6	0.4	36.4	0.1	6.7	0.2	14.3	0.0	0.0	0.0
	Fatty acid tests	0.0	0.0	0.0	1.9	0.0	0.0	1.9	0.0	1.9	0.0	0.0	0.0	0.1
	Identification of mastitis pathogens	76.5	65.6	61.5	56.1	-10.9	-14.2	-9.5	-15	-5.4	-8.8	1.3	1.1	0.8
	Interlaboratory tests and tests using reference methods	9.1	24.2	11.5	8.8	15.1	165.9	-15.4	-63.6	-2.7	-23.5	0.1	0.4	0.1
	<b>2.3. Other services</b>	<b>389.7</b>	<b>460.3</b>	<b>450</b>	<b>445.4</b>	<b>70.6</b>	<b>18.1</b>	<b>-14.9</b>	<b>-3.2</b>	<b>-4.6</b>	<b>-1.0</b>	<b>6.6</b>	<b>7.5</b>	<b>6.6</b>
	Disposable containers	96.2	111.5	109.3	123.0	15.3	15.9	11.5	10.3	13.7	12.5	1.6	1.8	1.8
	Collection of samples from producers	82.5	88.9	91.0	88.6	6.4	7.8	-0.3	-0.3	-2.4	-2.6	1.4	1.4	1.3
	Calibration kits, control samples	152.5	167.6	169.2	181.2	15.1	9.9	13.6	8.1	12.0	7.1	2.6	2.7	2.7
	Preservative NEBA-PT	0.0	0.0	0.0	0.2	0.0	0.0	0.2	0.0	0.2	0.0	0.0	0.0	0.0
	Sample preparation for disease tests	19.3	39.4	0.0	0.0	20.1	104.1	-39.4	-100.0	0.0	0.0	0.3	0.6	0.0
Calibration laboratory services	9.2	9.9	6.8	7.8	0.7	7.6	-2.1	-21.2	1.0	14.7	0.2	0.2	0.1	
Marking and registration of farm animals	15.6	21.7	21.6	30.3	6.1	39.1	8.6	39.6	8.7	40.3	0.3	0.4	0.5	
Calibration and metrological verification of laboratory instruments	0.0	0.0	0.0	0.2	0.0	0.0	0.2	0.0	0.2	0.0	0.0	0.0	0.0	
Other sales (labels, barcodes, boxes, etc.)	14.4	21.3	52.8	14.1	6.9	47.9	-7.2	-33.8	-38.7	-73.3	0.2	0.4	0.2	
<b>2. Additional activity, in total (2.1.+2.2.+2.3.)</b>		<b>1,347.4</b>	<b>1,601.4</b>	<b>1,507</b>	<b>1,644.0</b>	<b>254.0</b>	<b>18.9</b>	<b>42.6</b>	<b>2.7</b>	<b>137.0</b>	<b>9.1</b>	<b>22.8</b>	<b>26.0</b>	<b>24.6</b>
<b>INCOME, IN TOTAL (1+2)</b>		<b>5,915.1</b>	<b>6,163.2</b>	<b>6,366</b>	<b>6,673.6</b>	<b>248.1</b>	<b>4.2</b>	<b>510.4</b>	<b>8.3</b>	<b>307.6</b>	<b>4.8</b>	<b>100</b>	<b>100</b>	<b>100</b>



### Company sales income growth during the reporting period:

- In 2024, actual income – 6,673.6k euros;
- In 2024, planned income – 6,366.0k euros;
- In 2023, income – 6,163.2k euros;
- In 2022, income – 5,915.1k euros.

### The company divides its activity into three main groups:

1) Tests on purchased-sold milk. These tests are conducted for the purpose of monitoring on milk safety and quality and control and settlement with milk producers. The frequency of mandatory milk tests are regulated by the Milk Purchase Rules. Since the number of milk producers in the country is decreasing every year, income from this activity has also decreased. In 2024, the fall in income amounted to 129.7k euros (-7.4% and this decrease was greater than planned, as the decrease in the number of milk producers accelerated from August, when they decreased by 14.5-14.7% each month, compared to the same period in 2023;

2) Animal productivity tests (GPT). Income from this activity in 2024 increased to 3,395.8k euros and the importance of animal productivity test activity is growing along with the modernization of farms and the optimization of selection processes (see Table 17).

3) The company provides additional services, including routine milk composition and quality tests (ordered additionally or under commercial contracts), milk tests performed using immunoenzymatic and reference methods, feed tests, sales of control and calibration samples, sample collection and transportation services, animal marking, heifer registration, and other services and sales.

### In 2024, additional operating income grew by 42.6k euros (+2.7%) and the ones that increased them the most were the followings:

- Feed test income, which grew by as much as 60.0k euros (+27.9%);
- Sales of control samples and calibration kits increased by 13.6k euros (+8.1%);
- Demand for farm animal marking and registration services increased income by 8.6k euros (+39.6%).

The company is actively expanding the range of services provided and seeks to exploit market changes, focusing on the needs of larger and more modern farms, constantly looking for ways to increase sales in foreign markets.

**The company's income structure and service payment model.** Company receives the majority of its income (75.4%) from services ordered

by customers in compliance with legal requirements. Mandatory services include:

- Tests of samples of milk to be purchased in accordance with the frequency set out in the Milk Purchase Rules;
- Tests of samples of milk directly placed on the market by milk producers;
- Dairy animal productivity tests (GPT).

### State-funded services:

- 49.5% of the income from tests of milk samples purchased for processing comes from the Ministry of Agriculture, which purchases tests to monitor milk safety and quality;
- 70% of the prices of animal productivity tests for farms are subsidized by the state.

Since the prices of these services are directly related to public funds or state aid to farms, their determination shall be coordinated with the board of the Company. When determining the prices of animal productivity tests, the maximum funded prices for animal productivity test services provided for in the Rules on Aid for Breeding are taken into account. If these limits are exceeded, dairy farms would have to cover a higher part of the cost of services at their own expense.

In addition to mandatory services,

24.6% of income comes from additional services that contribute to the functioning of the unified milk test system and meet the needs of various actors in the sector:

### 1) Milk producers:

- Detection of mastitis pathogens and research for their antibiotic resistance;
- Determination of cow fertility;
- Feed tests;
- Additional routine milk tests;
- Collection of samples directly from farms;
- Farm animal marking and registration, etc.

### 2) For milk purchasers and processors' laboratories:

- Additional routine milk tests;
- Disposable jars and other sample containers;
- Control samples and calibration kits;
- Milk tests performed by immunoenzyme methods;
- Checks on the quality of tests and tests carried out by reference methods.

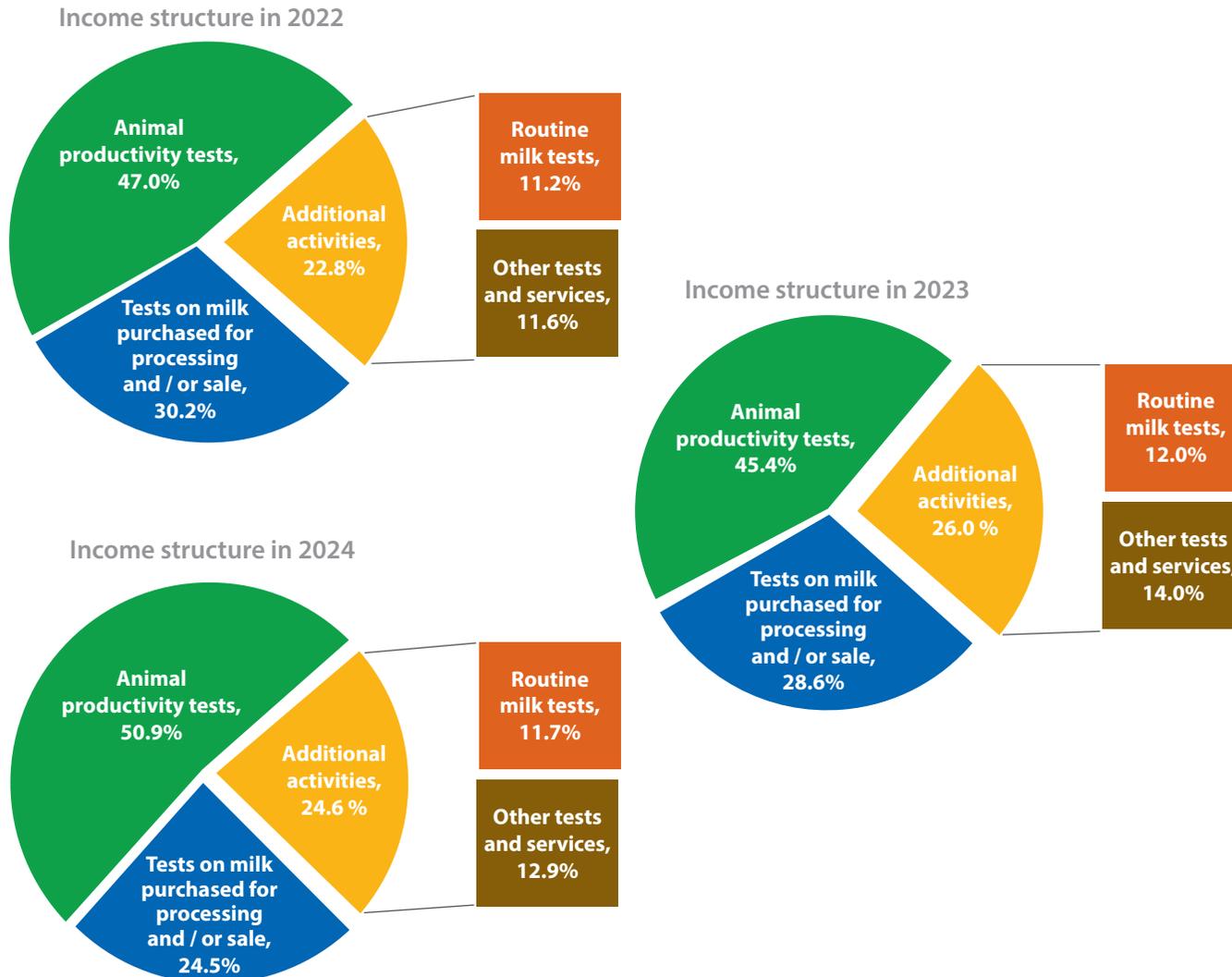
### 3) State authorities (State Food and Veterinary Service) orders:

- Verification of the identity of milk samples with purchased milk;
- For the implementation of the

monitoring program for the incidence of mastitis in dairy cows, identifying the causative agents of mastitis in dairy cows and their susceptibility to antimicrobial agents.

The company, by expanding the range of additional services and implementing advanced test technologies, aims to contribute to the efficiency of dairy sector activities, improving quality and increasing international competitiveness.

Figure 18. **Income structure in 2022-2024**



## 4.7. Variation and structure of expenses

Compared to 2023, the expenses of the company grew by 456.2k euros (+7.8%). Main causes of increase:

- The growth in salary expenses was 30.4k euros (0.8%). From 03-03-2024, the monthly salary of employees has been increased. This decision was made on the basis of the results of the market survey of salary for individual positions. Salaries grew from 5 to 20%, averaging 11.1%. Higher increase of salary expenses has been avoided due to a reduction in the number of employees.
- The increase in the expenses of materials and tools for the tests, due to increased volumes of feed tests, earned 27.9% more income (60k euros) for these tests;
- Increase in transport expenses due to a change in the accounting model for the expenses of trips to farms of animal productivity test assistants. From 01-06-2023, compensation for nature of running has been abandoned and the actual fuel consumption accounting system has been introduced. In addition, more cars were repaired;
- Growth of depreciation expenses associated with updated tests and other equipment, which ensures greater test efficiency;
- The expenses of accrued provisions in 2024 increased to 286.3k euros. Accrued provisions for vacation benefits, severance benefits to employees, who have reached retirement age, payment of variable salary to management employees in accordance with the established annual indicators, and annual bonuses related to the company's activity.



Table 19.

**Variation of expenses of UAB „Pieno tyrimai“ in 2021-2023**

Articles of expenses	Amount of expenses, thousands of euros				Comparison						Structure, %		
	In 2022	In 2023	In 2024		In 2023 / In 2022		In 2024 / In 2023		Fact / plan of 2024		In 2022	In 2023	In 2024
			Plan	Report	thousands of euros	%	thousands of euros	%	thousands of euros	%			
1 Salary and social insurance	3,803.7	3,820.5	3,940.6	3,850.9	16.8	0.4	30.4	0.8	-89.7	-2.3	69	65	61
2 Materials and tools	592.5	672.8	636.4	680.6	80.3	13.6	7.8	1.2	44.2	6.9	11	12	11
3 Depreciation of fixed assets	362.2	409.5	442.6	411.4	47.3	13.1	1.9	0.5	-31.2	-7.0	6	7	7
4 Operation of fixed assets	321.5	318.3	310.6	371.1	-3.2	-1.0	52.8	16.6	60.5	19.5	6	5	6
5 Operation of transport	223.5	233.1	285.1	272.9	9.6	4.3	39.8	17.1	-12.2	-4.3	4	4	4
6 Other expenses	265.8	452.9	306.8	431.4	187.1	70.4	-21.5	-4.7	124.6	40.6	5	8	7
7 Provision expenses	-26.6	-58.7	145.0	286.3	-32.1	120.7	345.0	587.7	141.3	97.4	-1	-1	4
<b>In total</b>	<b>5,542.6</b>	<b>5,848.4</b>	<b>6,067.1</b>	<b>6,304.6</b>	<b>305.8</b>	<b>5.5</b>	<b>456.2</b>	<b>7.8</b>	<b>237.5</b>	<b>3.9</b>	<b>100</b>	<b>100</b>	<b>100</b>

Figure 19. Expenses in 2022-2024



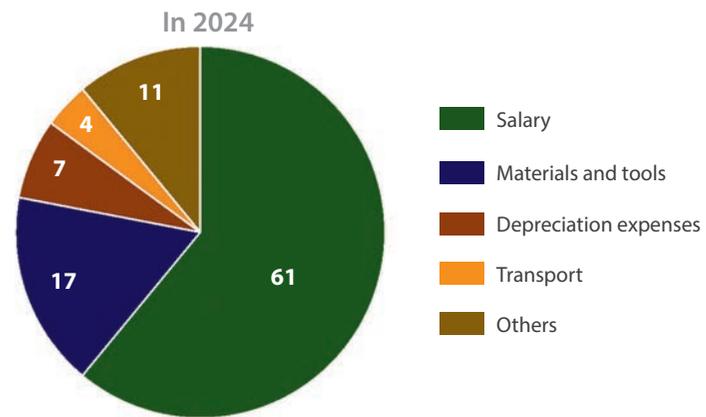
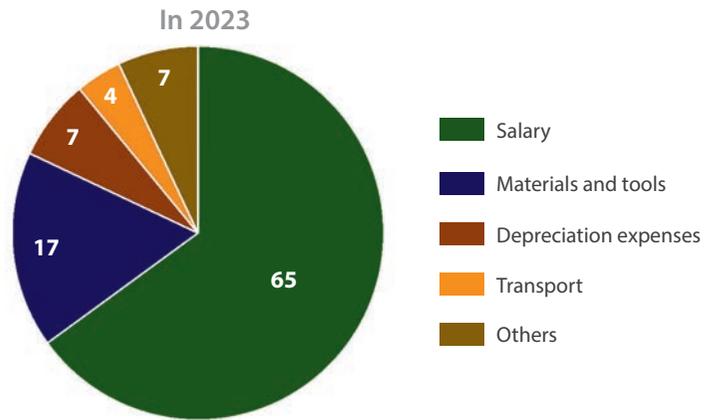
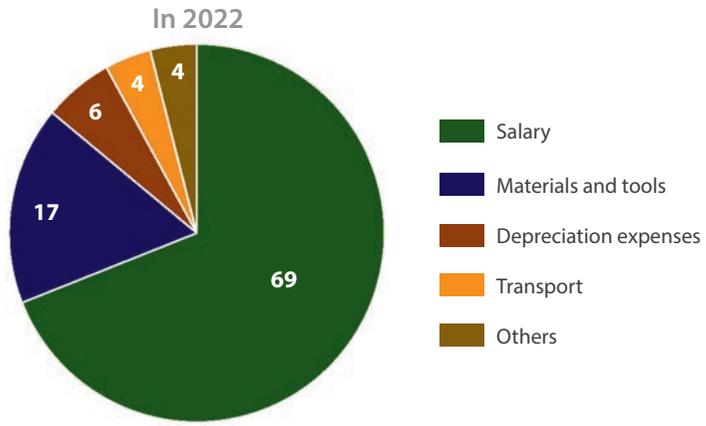
Since the Company's main area of activity is the provision of services, the largest part of the expenses is the expenses of salary, which in 2024 was 61% of all expenses.

The remaining structure of expenses is distributed as follows: 17% – expenses for various materials, tools, and maintenance of premises and equipment, 7% – depreciation of fixed assets, 4% – transport, 4% – accrued provisions related to employee benefits, and 7% – other items of expenses.

The structure of the expenses incurred by the company to earn income during the entire reporting period remained stable and no significant changes were fixed.



Figure 20. **Structure of expenses in 2022-2024**





## 5. STRATEGY AND ITS IMPLEMENTATION

**mission • vision • values**

In order to increase the value created, the Company will take into account the expectations of the stakeholders involved in the Company's activity and will seek to implement the following **strategic directions and goals**:

### STRATEGIC DIRECTIONS AND GOALS



#### MISSION

To contribute to the sustainable development of the dairy sector by providing impartial and competent laboratory and dairy animal productivity test services.

#### VISION

To be a leading company providing the most technologically advanced range of tests and related services to the domestic and foreign dairy sector.

#### VALUES

- Professionalism
- Responsibility
- Innovativeness

#### STRATEGIC DIRECTIONS

- **Efficient and profitable activity**
- **Developing sustainable and partnership activity**

#### STRATEGIC GOALS

- **Return to shareholder**
- **Securing sales income for sustainable business activity**
- **Sustainable activity management**
- **Improving the customer experience**

Strategic directions are formed in such a way that, after analysis of internal and external factors, ensure the continuity of the Company's activity and the expectations set by shareholders. They aim is to implement targeted and continuous changes that will increase the value of the Company.

In order to implement the strategic directions, the main strategic goals for the period of 2025-2027 have been set. For each strategic goals, measures are provided, the period of their implementation, the persons responsible and indicators expressing the values to be achieved for the strategic goals and objectives.

Table 20.

**Strategic directions and goals for 2025-2027**

Direction	Goal	Objectives	Measurement indicator	Target value			Actions
				In 2025	2026 m.	2027 m.	
Effective and profitable activity	Return to shareholder	<b>Return on equity ROE, %</b>		In 2026	>5,8	>5,8	
		Execution of the profit plan	Profit before tax, thousands euros	In 2027	292	294	Monitoring of budgets and insights and responsibilities of managers.
		Dividend assurance	Dividends allocated for the calendar year, % of distributable profit	≥ 75	≥ 75	≥ 75	Conduct regular financial assessment: analyze profitability, return on equity, and other indicators of profitability.
		Reduction of indirect expenses	Reduce indirect and administrative expenses, %.	8	3	1	Eliminate inefficient work and activities, optimize functions by redistributing work. Increase sales of supporting activity. Rent of premises.
		Increasing work efficiency	Income per employee (average conditional), thousands of euros	>36,9	> 38,6	> 40,6	Standardization and digitalization of work operations in the Animal Productivity Test Unit, Routine Test, Reference Test, Logistics, and Equipment Maintenance Departments.
	Ensuring sales income for sustainable Company's activity	<b>Sales income, thousands of euros</b>		6,510	6,388	6,274	
		Animal productivity test activity development	Increase the number of cows under test from the total number of cows kept in the country, %	61	63	65	Farm visits and consultancy activities to attract new and retain existing users of the animal productivity test service.
		Development of laboratory activity	Introduction of new services / methods, in units	2	2	3	Installation and launch of new services.
		Increasing income in foreign markets	Sales income from additional activity in the foreign market, thousands of euros	114	117	119	Development of existing and new services in Latvia. Increasing sales of harmonized samples and feed tests. Introduction of mycotoxin tests to the market. Customer search and commercial offers.
		Adding value to additional activity	Sales income from additional activity in the Lithuanian market, thousands of euros	1,591	1,588	1,587	Increase the sales volume of existing services in the Lithuanian market and carry out targeted communication. Increase the growth of tests and commercial activity income, expanding the tests of corn silage, mycotoxins, and feed, and start the commercial activity of the facility maintenance department. Increase market share and attract customers by conducting analysis, segmenting the target audience, and implementing commercial offers and a discount system.



Direction	Goal	Objectives	Measurement indicator	Target value			Actions	
				In 2025	2026 m.	2027 m.		
Development of sustainable and partner activity	Sustainable activity management	<b>Good governance index</b>			A+	A+	A+	
		Financial sustainability	Ratio of liabilities to equity	0.2-0.3	0.2-0.3	0.2-0.3	Regularly review the capital structure and maintain the optimal debt-to-equity ratio, cash flow forecasts, and capital investment plan in fixed assets. Efficiency of management accounting processes: control system of expenses, software implementation for financial and operational management analysis.	
		Increasing transparency	Assessment of the transparency dimension of the good governance index	A+	A+	A+	Implement recommendations for improving the transparency dimension of the GGI, which are presented in 2023-2024. In the Governance Coordination Center's assessment report on the Good Governance Index of State-Owned Enterprises.	
		Improving energy consumption efficiency	Reduction in kWh of purchased electricity, %	5	5	5	In compliance with the obligations of the Ministry of Energy, every year to reduce electricity consumption.	
		Increasing the level of employee engagement	Employee engagement index	+1%	+1%	+1%	Salary that align with market conditions and the restructuring of the payment for work system. Improving communication.	
		Competency development	Hours dedicated to learning and development per employee (average conditional), hours	19	19.5	20	Development of managerial and professional competencies. Corruption prevention training on conflicts of interest and employee resistance to corruption. Employee training to ensure substitutability and competency matrix.	
	Improving customer experience	<b>Customer recommendation index</b>			57	59	61	
		Building partnerships and improving cooperation	Number of cooperation projects, units	≥5	≥6	≥6	Development of scientific test activity. Cooperation with foreign organizations and laboratories. Development of relations with Lithuanian agricultural sector and scientific institutions, academic community, and educating future specialists, increasing the visibility of the Company.	
		Increasing customer confidence and service quality	Number of customer complaints, units	Determination of the fact	-10%	-10%	Customer recommendation index indicator for measuring customer satisfaction and loyalty. Re-accreditation of test activity. Prompt response to customer complaints, analysis of the reasons for non-compliance and identification of places to be improved, improvement actions, and assessment of their effectiveness. Continuous monitoring of the reliability of results to control laboratory activity. Conducting publicity campaigns to increase the Company's awareness, form a positive image and promote sales in order to attract new customers, strengthen ties with existing customers, and increase trust and loyalty to the Company.	

### Planned activity indicators

At the time of preparation of the management report, there is no information available to indicate that the Company's **management** intends to liquidate the Company or cease activity or has no other realistic alternatives and should therefore do so.

Taking into account the influence of the implementation of the set strategic goals and objectives, the variation of the main indicators characterizing its activity during the implementation period of the strategy is presented in the table:

Table 21.

#### Economic-financial activity indicators are planned to be achieved in 2025-2027

FINANCIAL AND ACTIVITY INDICATORS	In 2025	In 2025	In 2025
Number of routine milk tests, thousands of units	2,347	2,215	2,114
Number of milk sellers, thousands of units	8.6	7.7	7
Number of dairy animals under tests, thousands of units	119	117	115
Sales income, thousands of euros	6,510	6,388	6,274
Sales income from additional activity, thousands of euros	1,705	1,705	1,706
Average turnover per producer, in euros	758	832	893
Cost price of sales, thousands of euros	4,829	4,756	4,653
All expenses, thousands of euros	6,226	6,102	5,984
Net profit, thousands of euros	245	245	247
EBITDA, thousands of euros	685	668	639
Net profitability, %	3.8	3.8	3.9
Average annual return on equity ROE, %	5.8	5.8	5.8
Average annual return on assets ROA, %	4.6	4.5	4.6
Dividends allocated for the calendar year, % / distributable profit	75	80	85
Annual ratio of liabilities to equity, in times	0.3	0.3	0.3
Number of employees at the end of the year	189	177	165
Average monthly salary of employees, in euros	1,855	2,028	2,173
Sales income per employee (average conditional), thousands of euros	36.9	38.6	40.6

### The indicators describing the activity results were calculated based on the actual data for the past 3 years and the following assumptions:

- The main indicators characterizing activity are planned after evaluating various aspects of the Company's activity and factors influencing them.
- Considering the 13.5% decrease in the number of milk producers in previous periods and in 2024, we plan that the number of milk producers will decrease from 8.5% to 13.2% during the strategic period. This will also affect the decrease in the number of routine milk tests from 4.6% up to 6.9% per year.
- The company, having implemented the planned actions and development in the Latvian and Lithuanian markets, plans to increase the sales volumes of existing services in 2025-2027. The strategy for this period provides not only for the strengthening of the existing portfolio of services, but also for the growth of the development of commercial services and tests. The increase in the number of additional tests and other commercial services is envisaged as one of the main growth factors of the Company.
- The number of animals under test decreased by 3.7% in the period 2023-2024. In 2024, the part of cows under test amounted to 59.1% of the total number of cows in the country. Taking into account the general trend of decreasing the number of cows and animals under test in the country and the actions envisaged, we will aim to increase this indicator from 61% during the strategic period up to 65%.
- After assessing the decrease in the volume of milk producers, animals under test, and services, fluctuations in the prices of test materials, and changes in work processes and technologies, pricing during the strategic period was formed in such a way that the Company could meet its goals and obligations and ensure the continuity of its activity. The Company must ensure the sustainable activity of the Company and generate sufficient income to cover the necessary activity expenses and pay the established taxes and return on capital to the state budget that meets the expectations of the shareholder. From January 2025,



the prices of commercial services will increase by an average of 4%, and from May 2025, it is planned to increase the prices of routine tests by an average of 4.7% per test. An increase in prices for animal productivity test services is not foreseen during the strategy period. In 2025-2027, the planned decline in the Company's total income from 1.8% up to 1.9% per year.

- The objectives set out in the strategic plan include reducing indirect expenses and increasing work efficiency. With the implementation of measures for these objectives, it is planned to reduce indirect and administrative expenses by 8%, as well as increase sales income per average employee (conditional unit) from 36,9k euros to 40.6k euros during the period of 2025-2027. These actions should contribute to the growth of the Company's activity efficiency and profitability.
- In order to maintain the competitiveness of work places, the Company plans to increase the official salary of employees. Based on the research of salary market performed by Korn Ferry, the average salary increase is expected to be 9% in 2025 and 5% growth annually in 2026-2027. In 2024, salary account for

69% of the Company's total expenses. Taking into account the decrease in the number of routine milk tests and animals under test, measures to improve work efficiency and optimization of functions, a decrease in the number of employees is expected by about 7%. These changes will also affect the salary fund. In 2025, salary expenses should decrease by 5.3%, in 2026, there should be a slight increase of 0.7%, and in 2027, to decrease by 1.6%.

- The economic development scenario predicts that while the overall price growth will slow down, the geopolitical situation will maintain uncertainty in the prices of energy raw materials. Therefore, the Company assesses the increase in the price of test materials and energy resources based on the results of past and ongoing public procurements. The expenses of materials and services, which are most sensitive to price increases, are forecast to increase by 0.5 to 15%. The company expects expenses to decrease by 1.4% in 2025, by 2% in 2026, and by 1.9% in 2027.
- Planned investments, after assessing the depreciation of fixed assets, will lead to a decrease in the value of assets in 2025 and in 2026, 0.3%

and 5.6% respectively. Although the investments in the planned period are intended for equipment renewal and ensuring activity continuity, rather than for the development of services and direct increase in income, in 2027 the value of fixed assets is expected to increase by 12.2%. This growth is associated with increased investments in vehicles, new software, and strategic infrastructure modernization, which will contribute to the Company's efficiency and long-term competitiveness. These investments will ensure activity fluidity and reduce the costs of long-term care.

- Changes in current assets and liabilities will be determined by trade accounts receivable and payable, but these indicators will be monitored to ensure stable cash flow management. It is planned that the company's equity capital will remain constant throughout the period of 2025-2027 and will average 4.2 million euros. The company will seek to maintain financial stability despite planned investments and related asset changes.
- In 2025-2027, net profit is planned to average 245k euros per year, less than in 2024. This is associated with a general downward trend in

income, which is due to a decrease in the scale of milk tests and animal productivity tests, associated with a decrease in the number of animals under test and the number of milk producers. In addition, declining market activity due to structural changes in the livestock sector will also affect income. The downward trend in the number of milk producers is also observed in foreign markets.

- The Company plans its cash flows for the period 2025-2027 in such a way as to generate sufficient cash flows to finance the Company's daily activity and ensure the fulfillment of investments and financial obligations. The Company's main source of money comes from milk and animal productivity tests and commercial services and positive cash flows from main activity are of great importance for activity stability.
- The average annual return on equity over the three years of the strategic period will be stable at 5.8%. Upon achieving these indicators, dividends paid to the state budget will amount to 85% in 2024, and within the three years of this strategic planning period, it is planned to allocate  $\geq 75\%$  of the amount of distributable profit as dividends.

Table 22.  
**Implementation of the goals of the activity strategy of UAB „Pieno tyrimai“ in 2024.**

Strategic direction / goal	Indicator, measure unit	In 2024		Actions performed during the reporting period
		plan	fact	
<b>Strategic direction: Effectively and sustainably develop the Company's activity</b>				
Strategic goal: <b>Ensuring an adequate return to the shareholder</b>	Return on equity ROE, %	6.9	8.8	Budget monitoring is underway, budget execution coefficient is 1.04. The budget of expenses exceeded by 237.5k euros due to the repair and operation of production facilities and equipment, as well as for the formed accruals. Income budget execution coefficient is 1.05. More income was received by 307.6k euros due to feed tests and animal productivity tests services and maintenance of animals under test. The optimal capital structure is maintained. The annual ratio of total liabilities to equity is 0.3. An analysis of the efficiency and technical condition of fixed assets, vehicle utilization, and test equipment utilization was performed. The procedure for managing overdue buyers' debts has been developed. The premises in Vilnius have been sold and tenants are being sought for the vacant premises. Changes in technology and activity processes were carried out: abandoned correlations with jars packaging / film coating, introduced measures to ensure the uniformity of work in the laboratory, digitized immunoassay test process, optimization of the control milk production process, optimization of internal processes in the Finance and Accounting Department, efficiency of the work process of the animal productivity test assistant, and optimization of the management processes of the Logistics Department and drivers forwarders.
Strategic goal: <b>Ensuring good governance</b>	Index of good governance of state-owned enterprises	A+	A+	Effective risk management of the Company is ensured; a risk map has been drawn up, and the implementation of the risk management measures plan in 2024 is 93%. Monitoring of sustainability practices: a solar power plant is installed on the roof of the company. Monitoring of the application of electricity saving measures was carried out. In 2024, 10.5% (52k kWh) less electricity was purchased than in 2023.
<b>Strategic direction: Be a partner in the dairy sector</b>				
Strategic goal: <b>Innovative and attractive milk and productivity test system</b>	Average turnover of one milk producer, thousands of in euros / average number of milk producers, thousands of units	624.1/10.2	674.1/9.9	Installed: mycotoxin tests in feed, production of Neba-PT preservative, determination of lactoferrin by HPLC test method, and fatty acids are tested from industry and animal productivity test samples. The development of control activity services has been carried out and an accreditation certificate has been obtained with 4 new verification methods included in the control area. The field of accreditation of test methods has been expanded and an accreditation certificate has been obtained with 1 new method – the test of lactose content by the method of high-performance liquid chromatography (HPLC).
Strategic goal: <b>Increasing the added value of services</b>	Sales income from additional activity, thousands of euros	1 500*	1,644	Achieved 82% of large farms (from 101 cows) participating in animal productivity tests. A module for analytical animal productivity test data reporting program has been developed. Improved quality of work in animal productivity tests. Completed: publicity of animal productivity test services, training, consultations on the implementation of animal productivity tests, data entry and use, communication with keepers of herd under test and potential customers of animal productivity test service. An external communication plan was carried out, income from the sale of existing commercial services were increased, and new services were introduced to the market. Analysis of foreign markets and customer search were carried out.
<b>Strategic direction: Creating mutual value between company and employee</b>				
Strategic goal: <b>Increase employee engagement and loyalty to the company</b>	Engagement index	42	49	The communication improvement measures provided for in the approved employee communication plan were implemented by 94.4% and the engagement improvement measures were implemented by 92%. Training has been organized to promote the reduction of discrimination in the work environment.
Strategic goal: <b>Retention and development of competencies</b>	Hours dedicated to learning and development per employee (average conditional), hours	18.5	20.5	The plan for the development and maintenance of competences of professional employees was completed by 87.3%. In cooperation with scientific institutions, 3 student internships were organized, in cooperation with 8 scientific institutions, and 299 people visited the Company. 21 excursions were conducted. 9 LEAN management trainings were held and employee training was conducted to develop sales knowledge and skills.

\* increased from 1,380 to 1,500k euros, board minutes No. 25V-02 of 22-01-2024



## 6. INFORMATION ON SUSTAINABILITY ISSUES

UAB “Pieno tyrimai” does not belong to the category of companies that are required to prepare and publish a sustainability report in accordance with the law on accountability of companies and groups of companies of the Republic of Lithuania. However, in order to act responsibly and contribute to the implementation of the sustainable development goals, the Company voluntarily applies selected sustainability principles in its activity.

The information below is prepared in accordance with the requirements laid down in the Article 20 of the said law.

### Environment and management

The Company’s sustainable governance principles are an inseparable and integral part of its long-term strategy, realized through the areas of ethics and transparency of the Company’s activities, environmental protection, relations with employees, society, and customers. The company, taking into account that its activities may have an impact on the environment, makes decisions to avoid or minimize negative environmental impacts.

From the 14<sup>th</sup> of November, 2022 UAB “Pieno tyrimai” has implemented an environmental protection man-

agement system that meets the requirements of the standard LST EN ISO 14001: 2015 “Environmental Management Systems. Requirements and Guidelines for Use”. On the 15<sup>th</sup> of October, 2024, an inspection was carried out, during which it was found that the company’s environmental protection management system meets the requirements of ISO 14001 and the company’s requirements and is efficient and effective. All raw milk tests, meter calibration, and verification services provided by the company comply with customer, environmental protection, and other legal requirements. The environmental protection standard promotes greater involvement of workers in the environmental impact management, resource conservation, and continuous improvement and care for the surrounding environment. The company’s laboratory activity have the greatest impact on the environment by collecting and transporting raw milk samples from farms or milk buying / processing enterprises, therefore the provisions of the environmental protection standard LST EN ISO 14001 are integrated into the planning, organization, and management processes of the laboratory management system in

the sustainable development policy.

In order to comply with good governance practices, meetings of the board are regularly organized, during which the members of the board, using their existing expert experience, submit proposals to the management of the company and together make the most important decisions.

In 2024, the board, together with the managing employees of the Company, actively participated in the preparation of the Company’s three-year strategic activity plan during the strategic session. The Company’s strategic plan identifies stakeholders – the owner (the rights and obligations of the state as the owner are implemented by the Ministry of Agriculture of the Republic of Lithuania), customers (milk producers, purchasers, processors, and institutions administering and controlling milk production, breeding and purchasing, etc.), and the Company’s employees. UAB “Pieno tyrimai” has committed to continuing to adhere to the Sustainable Development Goals and the Global Accountability Principles. The principle of sustainable activity is implemented in all strategic areas of activity through specific activity goals and measures. The board meetings not

only discuss / approve the strategy, but constantly discuss the results of the implementation of the strategy and monitor performance indicators. On the 14<sup>th</sup> of October, 2024, by order No. 3D-733 of the Minister of Agriculture of the Republic of Lithuania, a new board of UAB “Pieno tyrimai” was formed.

**The company’s strategic goals are based on the United Nations Sustainable Development Goals (SDGs).**





After assessing our activity processes and the impact on the environment and communities, in 2024 we remained on the same SDGs as in 2023, since by improving our activity and processes we can make the most meaningful contribution to the achievement of these goals, at the same time making a significant contribution to future generations.

We pursue our sustainable development goals by introducing new technologies in the field of laboratory tests, thus guaranteeing not only fair payment for the milk we purchase, but also ensuring the food safety interests of consumers of milk products, and by developing the Company's activity in the direction of sustainable milk farming, safe and quality food, while respecting fundamental human rights and good governance practices.

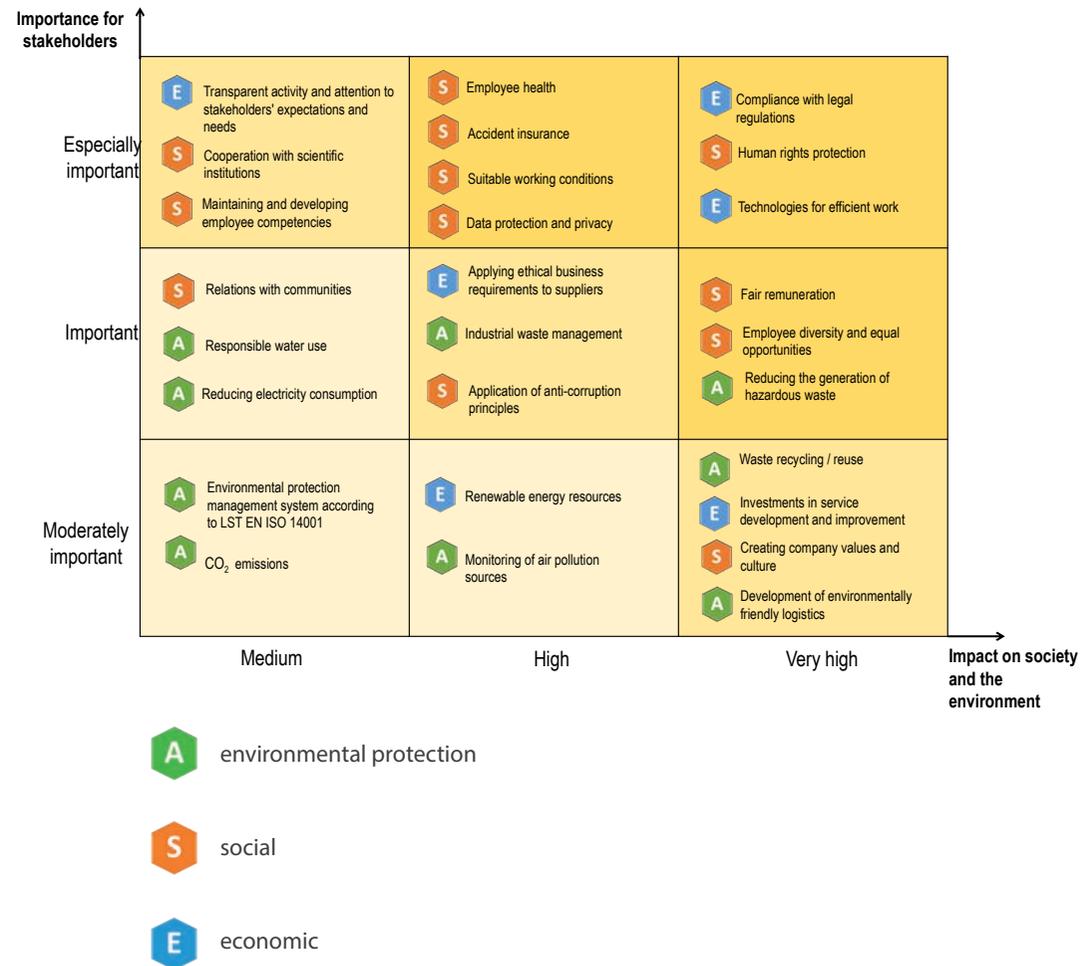
Company sustainability policy reflects the Company's approach to managing sustainability risks and is carried

out by prioritizing three main areas – environmental protection, social, and economic, which are carried out in the formation of internal processes of the Company's activity, providing services to domestic customers and cooperating with other stakeholders.

**The materiality matrix** of UAB "Pieno tyrimai" sets out the most relevant social, environmental protection, and management (economic) topics for sustainability.

In 2024 In order to hear and evaluate the expectations and suggestions of the company's employees, and to increase their involvement in the development and implementation of the sustainability strategy, a focus group was organized to determine long-term goals and indicators for 3 years, **which will be pursued. The goals set are in line with the UN Sustainable Development Goals, the materiality matrix, stakeholders, and their expectations and needs.**

Figure 21. **Materiality matrix**





## Sustainability priorities and goals

UAB „Pieno tyrimai“ is determined to carry out its activity sustainably and responsibly, prioritizing those questions that need an answer today and tomorrow, as well as those areas where our impact is greatest.

The company has set long-term goals and indicators, **which they seek to implement:**

Table 23.

### Sustainability priorities and goals for 2024-2026

Goal	Indicator	Measure	Indicator value for the specified period		
			In 2024	In 2025	In 2026
<b>SOCIAL AREA</b>					
Maintaining and developing competencies	Hours dedicated to learning and development per employee (average conditional), hours	hours	≥18.5	≥19	≥19.5
Increasing employee engagement and loyalty to the company	Employee engagement index	%	42	43	44
Health improvement holidays	Provide employees with 2 days of health improvement leave per year	Days per year	400	400	400
Encourage employees to engage in volunteering / donation activity	Employees are granted one paid day per calendar year	Days per year	40	50	60
<b>ENVIRONMENTAL PROTECTION</b>					
Reducing the impact of climate change	Reduction in kWh of purchased electricity	%	5	5	5
	Change in greenhouse gas emissions from the Company's N1 fleet compared to the previous one (assessed from 2023)	%	-2	-2	-2
Reduce waste generation through recycling and reuse	Plastic disposable containers (bags, jars, and lids) used for the transportation of milk samples are handed over to the waste manager	%	100	100	100
<b>GOVERNANCE</b>					
Strong and transparent governance of the Company	Zero tolerance for corruption	units	0	0	0
Responsible supplier chain management	Percentage of green purchases on the value of all public purchases	%	100	100	100

## ENVIRONMENTAL PROTECTION

### Environmentally safe activity

In environmental protection policy, we commit ourselves not only to environmental protection legislation, but also to voluntary requirements relating to environmental protection aspects. The purpose of this policy is to outline guidelines and principles for ensuring the management of the Company's influence on the environment. The company has identified significant aspects of environmental protection – these are chemicals, wastewater, transport, electricity, water, packaging, and waste. In this way, the Company identifies all aspects of activity and services that it can manage and those that it can influence through suppliers, customers, etc. Waste is sorted to separate waste suitable for recycling and secondary recovery (circular economy) or to dispose of it in accordance with current legislation.



**The main environmental protection goals and objectives of the Company:**

- prevention of environmental pollution by collecting used chemicals;
- to strive to manage as much waste generated in the Company as possible according to the principle of reduce, reuse, and recycle;
- carry out activity in accordance with all mandatory requirements of environmental protection legislation;
- develop employee competence and responsible attitude to environmental protection.

In laboratory activity, the greatest environmental impact is caused by the use of electricity (for the operation of facility and maintenance of IT systems), water resources (for conducting laboratory tests), and fuel (for taking and collecting milk samples on farms for animal productivity tests

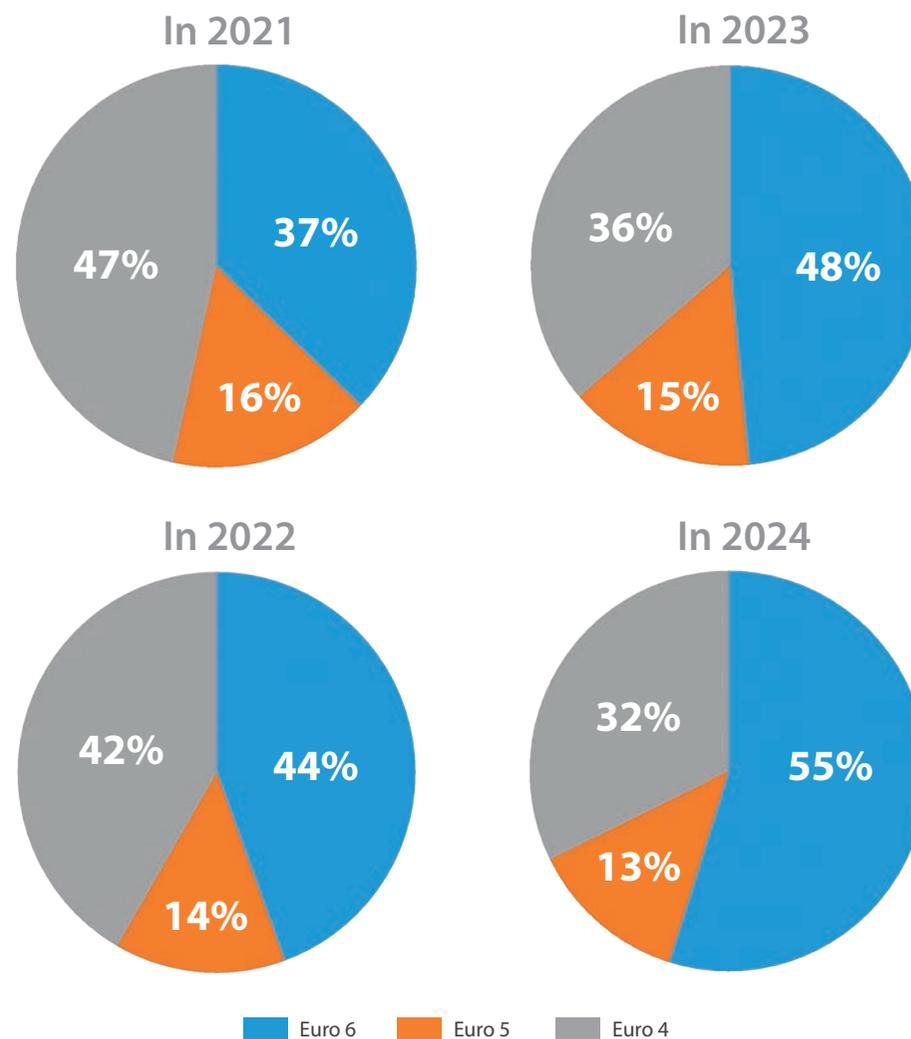
and for collecting purchased raw milk samples for tests, with a total of 265 collection points (289 units in 2022 and 269 units in 2023).

**Transport**

The company, contributing to the reduction of environmental pollution caused by transport and prioritizing non-emission vehicles using alternative fuels, in 2024 had 17 cars that met the Euro 6 emission standard (in 2021, 2022, and 2023 – 16 units), 4 cars that met the Euro 5 emission standard (7 units in 2021 and 5 units in 2022 and 2023) and 10 cars that met the Euro 4 emission standard (20 units in 2021, 15 units in 2022, and 12 units in 2023).

The company has a fleet of 31 cars (in 2021 – 43 units; in 2022 – 36 units; and in 2023 – 33 units). The largest part of the Company’s vehicles in 2024 consisted of diesel cars – 19 units, gasoline / gas – 10 units, gasoline – 1 unit, and gasoline / hybrid – 1 units.

Figure 22. **Company transport by EURO class**





Comparing the data of the last few years, although the fleet is reduced (in 2021 – 26 units and 17 units; in 2022 – 21 units and 14 units and 1 hybrid / petrol car; in 2023 – 20 units and 12 units and 1 hybrid / petrol car), but the consumption of fuel (especially diesel) increased by about 12% compared to last year (113,470 liters of diesel were consumed in 2023). This jump was obtained for two reasons:

- changes in the regulation of fuel accounting procedures for the staff of the Animal Productivity Test Unit (rules on cars used under loan agreements, approved by the director's or-

der No. 13V-0038 of the 24<sup>th</sup> of April, 2023). The procedure for accounting for fuel used by animal productivity test assistants to travel to farms has been changed, as the provisions of the Labor Code regarding compensation to employees for the mobile nature of work have been repealed as of 01-06-2023.

- From the 18<sup>th</sup> of June to the 27<sup>th</sup> of June, 024 and from the 17<sup>th</sup> of September to the 27<sup>th</sup> of September, 2024, pilot projects for the collection and transportation of parcels of the State Food and Veterinary Service were held.

In 2024, it was planned to develop and implement an economic driving assessment system, which would serve as a motivational system that allows the driver to receive an extra for economical driving every quarter, but after finding that the software data is not reliable, it was decided to postpone the application of the system.

In 2023, the assessment and accounting of greenhouse gas emissions from the N1 car fleet began. Greenhouse gas emissions in 2024 amounted to 131.08 tonnes CO<sub>2</sub> eq. and in 2023 – 144.8 tonnes CO<sub>2</sub> eq. The company has set a long-term goal to reduce the impact of climate change

in 2024 and set an indicator to reduce it by 2%. Greenhouse gas emissions to the Company's N1 car fleet. This indicator was achieved by abandoning polluting cars. Greenhouse gas emissions in 2024 decreased by about 10% compared to the previous year.

### Responsible consumption

The introduction of a systemic / complex approach to the environment has led to energy efficiency. Considering the current geopolitical situation, great attention was paid to increasing energy efficiency by reducing electricity consumption in all activity processes.

Figure 23. Fuel consumption

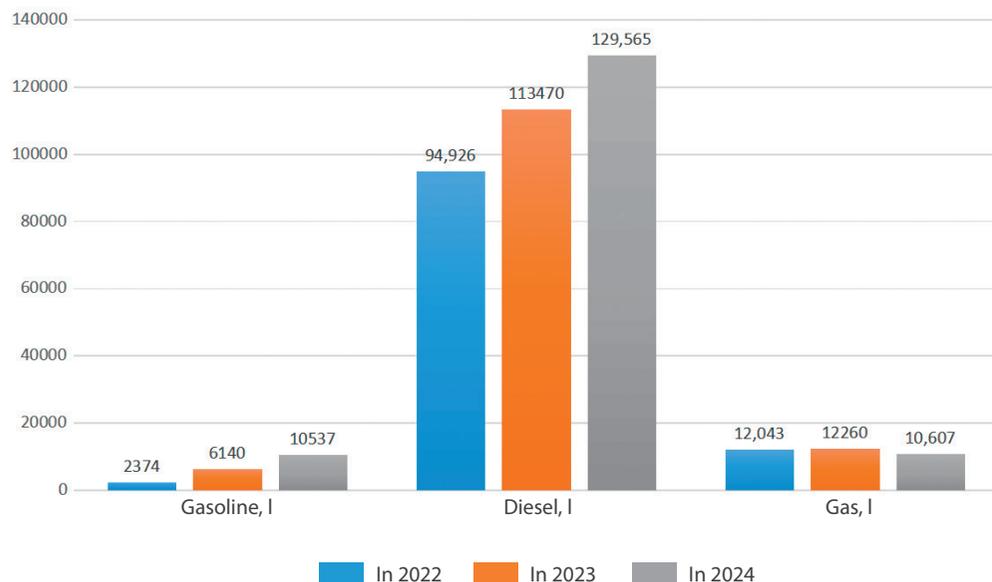
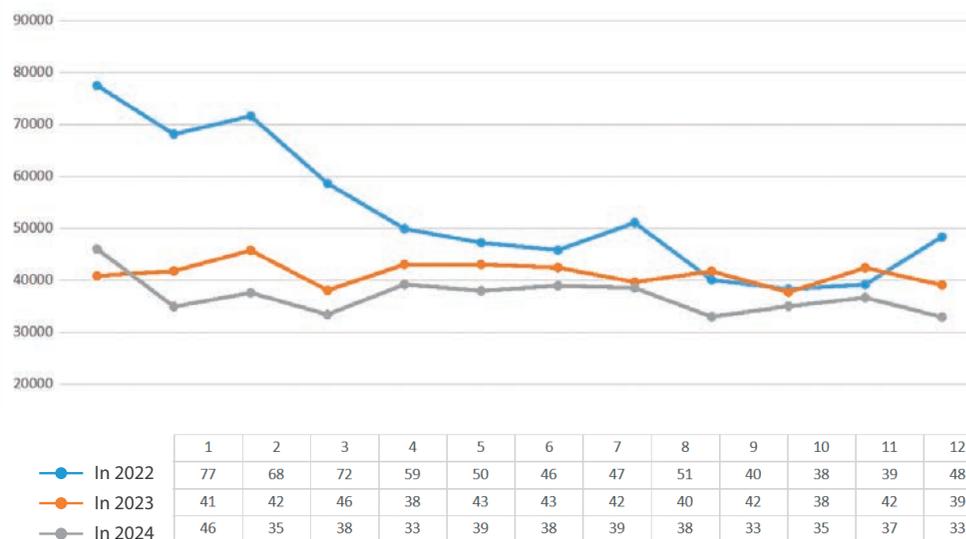


Figure 24. Electricity consumption, thousands of kWh

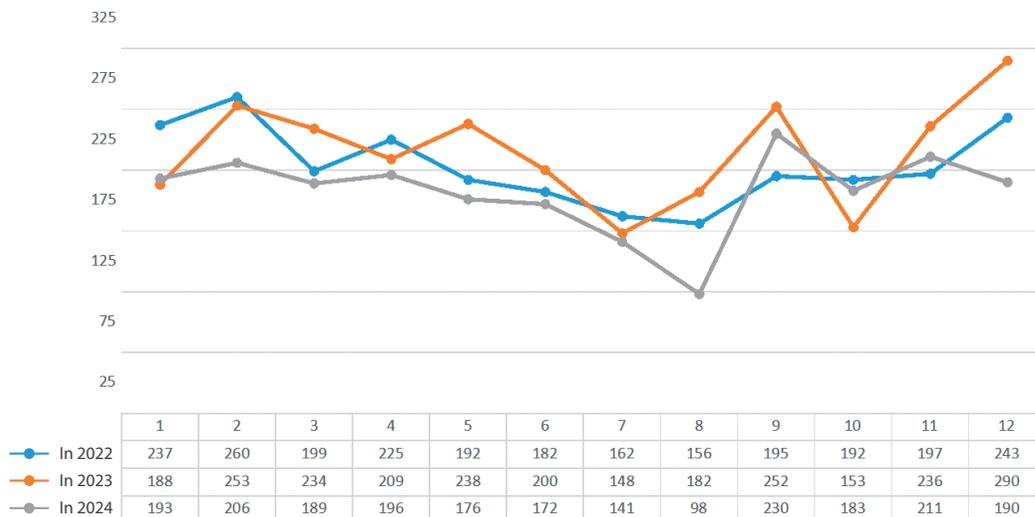




In the Company's strategic plan for 2024 and the long-term goal plan for 2024-2026, it was planned to reduce the purchased electricity by 5%. A better result was achieved: in 2024, 10.5% (52k kWh) less electricity was consumed than in 2023. Electrical power from 650 kW to 300 kW was also reduced. After the reduction, the power component is distributed: line I - 120 kW, line II - 120 kW, line III - 60 kW. In October 2024, a solar power plant was put into operation, which generated 400 kWh of electricity by the 31<sup>st</sup> of December, 2024.

In order to conserve water resources, the Company conducts monitoring of water consumption. Comparing indicators for several years, it was found that water consumption remains unchanged. The company's laboratory consumes an average of about 200 m<sup>3</sup> of water per month for its own needs. It has been noticed that water consumption has fluctuated slightly every month since 2020. However, in 2024, due to the decrease in the number of milk samples, water consumption was 15% (398 m<sup>3</sup>) less than in 2023.

Figure 25. Water consumption, m<sup>3</sup>

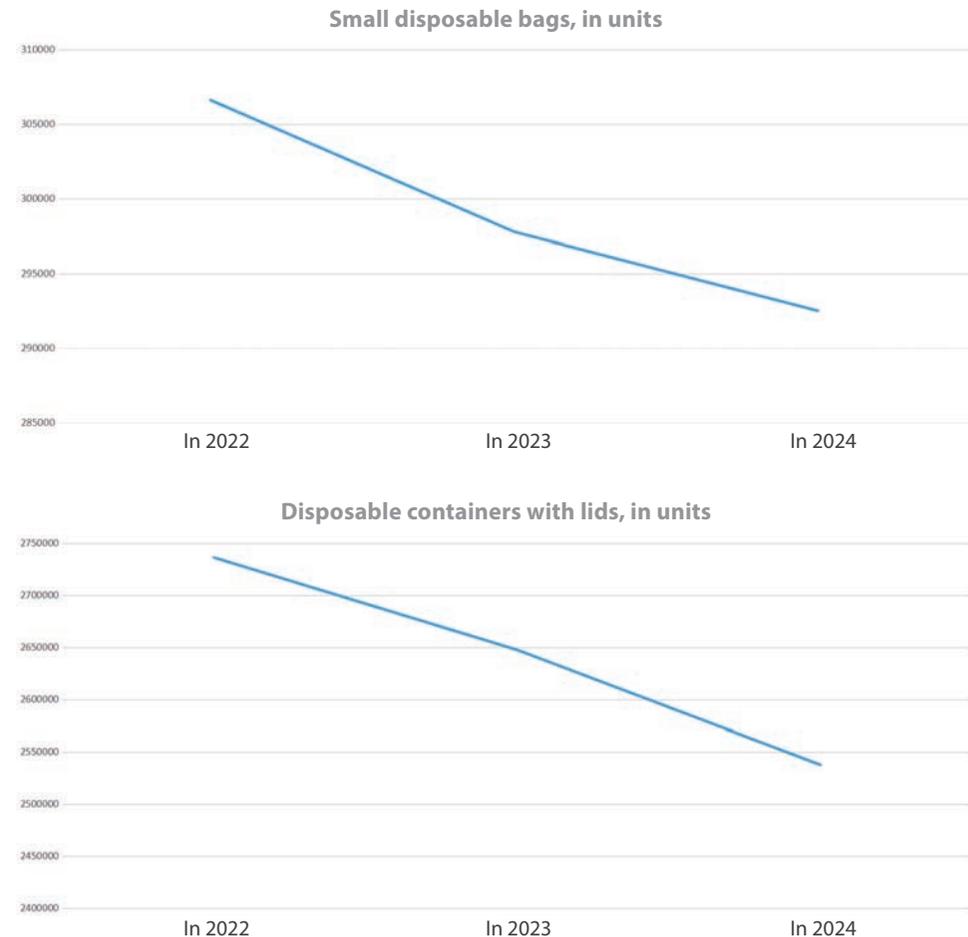


The company, in order to contribute to the environmental protection policy goals related to the solution of climate change problems, the use of resources and sustainable consumption and production, joins the green procurement instrument of the Government of the Republic of Lithuania. In 2024, green purchases in the Company amounted to 100%. Another indicator set out in

the 2024-2026 long-term goals plan has been implemented.

As the number of milk producers and animal productivity test farms decreases, the number of disposable plastic containers used for sampling also decreases. We noticed that every year the consumption of disposable containers decreases significantly.

Figure 26. Consumption of disposable containers for milk sampling





With the decrease in milk samples, milk purchasing / processing companies refuse to use containers with a capacity of 80 jars for the transportation of samples, preferring disposable bags with a capacity of up to 8 jars. In 2024, 4,700 units of this type of bag were issued, or 8-13% more than in 2023 (4,100 units) and in 2022 (4,300 units).

Used seals, broken containers, and sample transportation containers are given to UAB "Žalvaris". In 2024, 92 kg less plastic transferred (1,177 kg) than in 2023 (1,269 kg). Plastic disposable jars and disposable bags as secondary raw material are sold in UAB "Plastic Chips". In 2024, transferred 21,126 tonnes of plastic. For comparison, the total amount of plastic transferred for recycling in 2022 was 23,660 tonnes and in 2023 was 21,938 tonnes. Both of

these companies are registered in the State Register of Waste Managers, have all permits and licenses established by legislation, and carry out accounting of waste generation and management using the Unified Product, Packaging and Waste Record Keeping Information System. The company's long-term objective for 2024-2026 to reduce waste generation through recycling and reuse and to transfer 100% of single-use plastic containers (bags, jars, and lids) used for the transportation of milk samples to a waste manager has been met.

UAB "Pieno tyrimai" uses various chemicals to carry out laboratory tests. The chemist of the Reference Test Department, appointed by order of the director, annually submits data and information on the hazardous chemical materials and preparations used in the

information system "Environmental Information Management Integrated Computer System". In this system, data is filled in since 2017.

In accordance with the requirements of the Law on Packaging and Packaging Waste Management in the Republic of Lithuania, UAB "Pieno tyrimai" packaging and waste generation accounting is carried out electronically in the Unified Product, Packaging and Waste Record Keeping Information System, including all waste generated in the Company in the completed waste generation accounting journal. The implementation of waste and packaging accounting in the Unified Product, Packaging and Waste Record Keeping Information System started from 2018. A contract has been signed with UAB "Žalvaris" for the collection and disposal of chemical residues from

the Company's laboratory and for the service of filling out the waste generation accounting journal since 23-10-2019.

*The variation in the quantities of hazardous waste transferred by the Company to the waste manager is shown in figures 27 to 29:*

The disposal of residues of laboratory chemicals, including mixtures of laboratory chemicals consisting of hazardous substances, to a waste manager has evolved slightly. The number of materials (712 kg) and packages containing residues of hazardous chemicals grew to 209 kg or about 19% more than in 2023. This jump has been observed since 2023, when the *Vapodest* 500 automatic steam distillation system was introduced, designed to determine protein content in milk using the reference Kjeldahl method.

Figure 27. **Laboratory chemicals, including mixtures of laboratory chemicals, consisting of or containing hazardous chemicals**

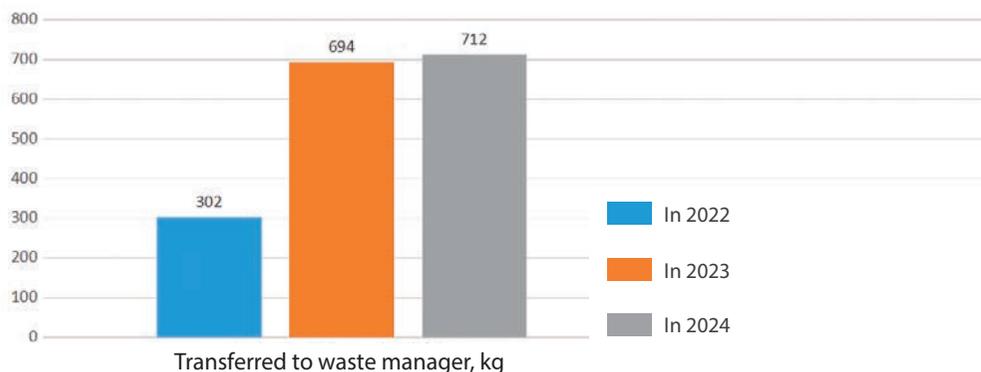


Figure 28. **Packaging containing or contaminated with residues of hazardous chemicals**

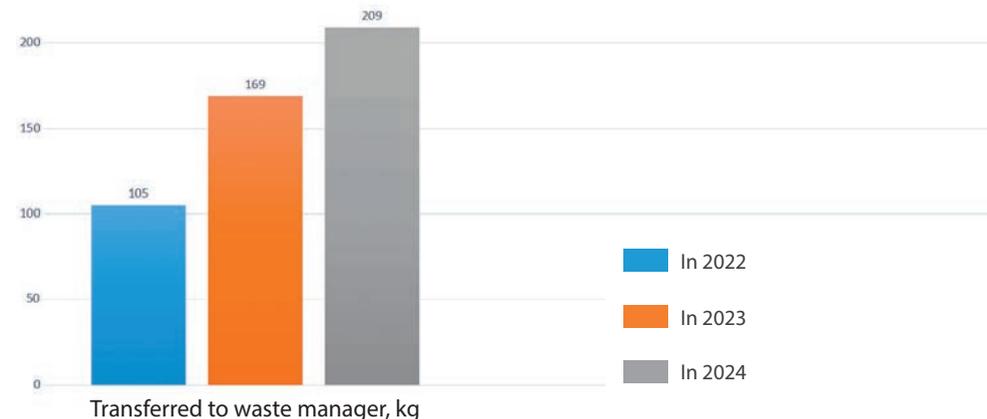
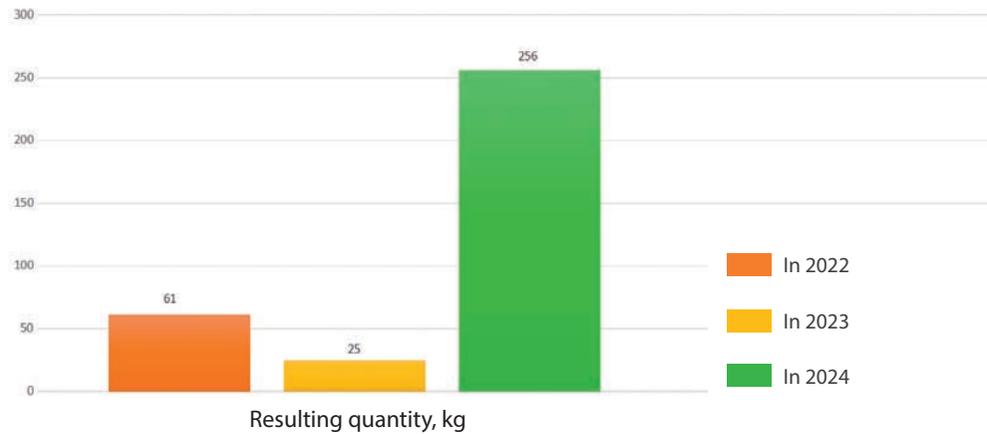




Figure 29. **Small IT and telecommunications equipment**



In 2024, the transfer of worn-out small IT and other telecommunications equipment to waste management companies increased significantly, even up to 256 kg. The green waste generated in the laboratory activities after

the feed tests is also transferred to the waste manager UAB „Rokvesta“. Due to the increase in the volume of feed tests, 1,430 kg of green waste was transferred in 2024, compared to 1,280 kg in 2023 and 1,535 kg in 2022.

## SOCIAL RESPONSIBILITY

### Employee welfare and occupational safety

The company, taking into account the importance of all areas of social responsibility and in order to ensure harmonious activity, follows the following principles:

respect for human rights, protection of occupational safety and health, employee training and qualification improvement, strengthening relations with various scientific institutions, and cooperation with local communities.

The company had 202 employees at the time of the report's conclusion.

Table 24.

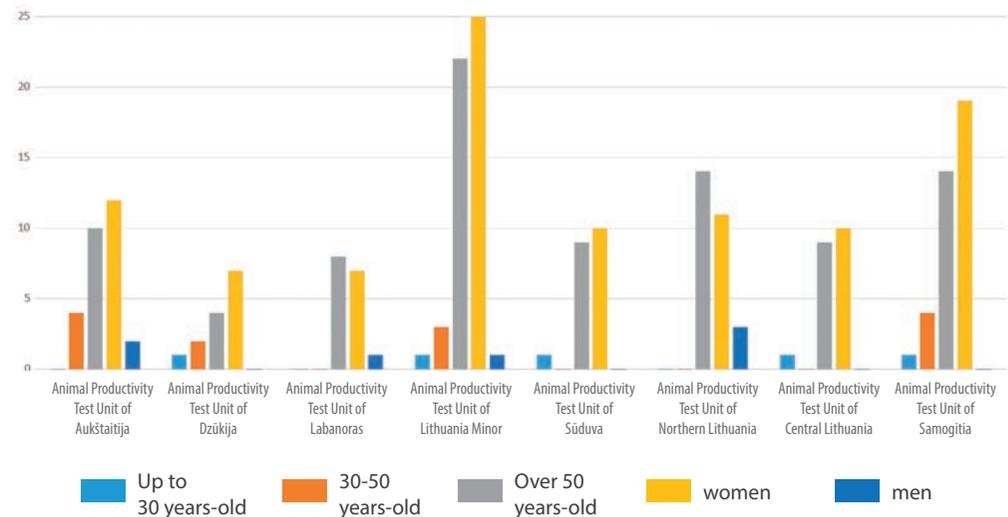
Year	In 2022		In 2023		In 2024	
<b>Employees</b>	238		227		202	
	187 women	51 men	178 women	49 men	157 women	45 men
<b>Average age, years</b>	54		55		55	

Due to the specifics of the Company's work, most of the staff consists of laboratory test employers and dairy animal productivity test assistants, who take control milk samples and keep breeding records on farms. Women most often choose to work in these areas, which determines the large part of women in the staff structure (78% in 2024). Men work in the Company in the positions of drivers-forwarders and technical specialists. Since the Company employs significantly more women, this trend also persists at the management level: the top-level and activity managers (director, chief financial officer, advisor to the director, head of animal productivity test activity, head of the quality system, head

of the Laboratory, head of the General Affairs Department) are 5 women and 2 men, and the heads / managers of structural units (departments) are 8 women and 6 men.

Equal opportunity law policies emphasize intolerance to discriminatory treatment based on race, gender, nationality, political or religious beliefs, health, or disability. The main focus is on the ability to perform the work well, without discriminating against employees based on age, gender, or location. The figure below shows the distribution of employees in the animal productivity unit by age, sex, and location.

Figure 30. **Employees of animal productivity tests by age, gender, and location**





### Salaries and their distribution

The company carries out a socially responsible approach to the working conditions of employees and their support. The company is guided by equal remuneration and social responsibility provisions in relation to employees. On the 20<sup>th</sup> of March, 2024, the Rules of the Labor Payment System were revised and approved by the director's Order No. 13V-0029.

### Additional financial incentives for employees

The company is socially responsible and takes care of its employees, supporting them financially in case of disaster. As every year, in 2024, 16 employees were paid material allowances upon the death of close relatives, the birth of a child, weddings, and other occasions. At the end of the year, on the occasion of the holidays, all 202 employees of the company were presented with gift certificates (cards).

In accordance with the plan developed by UAB "Pieno tyrimai" to improve employee engagement, which focused on employees' social needs, cooperation, and additional non-financial incentives, the following events were organized: on the 13<sup>th</sup> of February, a Mardi Gras celebration, on the 27<sup>th</sup> of June, an excursion to

Kairaičiai Farm (Kazlų Rūda District), from the 1<sup>st</sup> of July to the 1<sup>st</sup> of September, an employee step challenge "Let's Conquer Lithuania" was held, on the 14<sup>th</sup> of September, a summer staff meeting was held in Rumšiškės, in November, "Pie Day", and on the 28<sup>th</sup> of December, a Christmas celebration was organized for employees and their family members – a visit to the cinema.

### Human rights

UAB "Pieno tyrimai" social responsibility policy emphasizes respect for human rights and privacy, although the field of human rights is not the area in which the Company makes a significant impact. The Company prohibits discriminatory behavior against a person based on their race, nationality, gender, religious or political beliefs, membership in organizations, health or disability, and ensures equal opportunities and rights for employees. The Company's Equal Opportunities Policy, approved by the order of the director on the 17<sup>th</sup> of March, 2021, as well as the employee remuneration system, code of ethics and other documents, establish the implementation of the principles of equal opportunities and every effort is made to ensure that these principles are adhered to flawlessly. Respect for human rights is an integral

part of the Company's core values. The Company's job advertisements include an entry that **UAB "Pieno tyrimai" does not discriminate on the basis of gender, age, sexual orientation or sexual identity, ethnic identity, religion, or disability.**

The impact analysis survey conducted in 2022 showed that in the social area, stakeholders also pay the most attention to human rights and adherence to the Company's culture and values. Since 2020, the Company has not recorded a single case of violation of employee rights or labor conflicts. It is planned to respond responsibly to reports of human rights violations that employees can submit to the director of the Company, and in case of a problem situation, a decision will be made by a commission of competent people formed by the director.

On the 26<sup>th</sup> of October, 2022, by the director's order No. 13V-0108, the policy for the prevention of psychological violence and harassment in the workplace of UAB "Pieno tyrimai" was approved and a person responsible for organizing the prevention of psychological violence in the workplace was appointed. The company's policy encourages the creation of a working environment in which an employee or a group of employees would not

experience hostile, unethical, and humiliating actions that violate the honor and dignity, physical or psychological integrity of an individual employee or their group, to involve employees in the problem-solving process, and to create opportunities for employees to submit proposals for work organization. On the 2<sup>nd</sup> of October, 2024, internal training "Human Rights, Non-Discrimination of Employees and Ensuring Gender Equality" was held.

In May 2024, the Labor Council organized an employee survey about the physical and psychosocial work environment on the topic "Ask the Manager Everything", during which employees were given the opportunity to ask the company manager questions of concern, and the manager was given the opportunity to directly hear problems and expectations, solve them here and now, and if there is no solution, be sure to return with answers. During a hybrid meeting with employees, the director answered questions of concern to employees. In 2024, as needed, meetings of employees of individual departments were held with the direct manager to discuss current working issues, upcoming plans, and changes.

UAB "Pieno tyrimai" employs 8 employees with disabilities. For disabled

employees, working conditions are adapted in accordance with the conclusions issued by the Disability and Working Capacity Assessment Office under the Ministry of Social Security and Labor on the nature and conditions of work. In accordance with them, orders are issued prohibiting employees from working under the influence of physical, ergonomic, and physical risk factors specified in these conclusions. Managers of the employees are obliged to ensure and control that disabled employees do not work under the risk factors specified in the conclusions on the nature and conditions of work. Also, all employees with disabilities are appointed to work overtime, work at night and stay on duty only with their written consent and only if this is not prohibited by the conclusion issued by the health institution on the nature and conditions of work.

All employees of the company are free to gather in any organizations. The company has a trade union, currently uniting 29 employees. In the Company works and the interests of employees are represented by the Labor Council of employees elected in 2024, which actively participates in solving all important issues for the Company and creates social dialogue

between the employer and employees. Effective social dialogue in the implementation of information and consultation procedures contributes to better mutual understanding between the organization and its employees and healthy relations between employees and managers. For this purpose, in 2024, the administration of the company and the Labor Council organized 6 meetings to refine and adjust the draft payment system, the allocation of extras and allowances, the procedure for organizing the test of employee involvement and other issues and problems encountered.

The company will continue its efforts to achieve even more positive changes in this area, focusing on social equality through the fair pay model, achieving gender equality, preventing any type of discrimination, and ensuring the safety of employees and the best health protection.

#### **Occupational health and safety**

The Company strictly adheres to established occupational safety requirements, constantly improves the working environment, implements preventive measures, and strives to minimize factors that may negatively affect the health or safety of employ-

ees. All employees must comply with established occupational safety requirements in the workplace and regularly update their knowledge.

When creating a safe working environment, the Company is guided by the Law on Occupational Safety and Health of the Republic of Lithuania, the Labor Code, and the following standards:

- LST EN ISO 26000:2020 "Guidelines for Social Responsibility";
- LST EN ISO 14001:2015 "Environmental Protection Management Systems. Requirements and Guidelines for Use".

In 2024, one of the priority sustainability goals in social issues was to provide employees with an additional 2 days of health improvement leave. This initiative came into effect in May and was used by 129 employees or 252 days (the target for 2024-2026 in the long-term goals plan was 400).

Employees whose nature and specifics of their activity allow them to perform their assigned functions in a form of remote work organization may take advantage of the opportunity to work remotely. The employee coordinates the duration and time of remote work

in advance with the director of the Company and his / her direct manager. The Company's management has the right to apply flexible working conditions to employees and, in the event of serious reasons, allow an employee to leave their work place. The possibility to work remotely is used by 50 employees of the Company.

The establishment of safe and healthy working conditions in the Company is regulated by the requirements of the Labor Code of the Republic of Lithuania, the standard LST EN ISO 26000:2020 "Guidelines for Social Responsibility", and other legal acts on occupational safety and health. Adequate working conditions have a strong impact on the quality of life, economic, and social development of employees and their families. When creating a safe working environment, periodic assessment of occupational risks in the workplaces of employees is carried out. Employees of the Company, by the nature of the work, are provided with personal protective equipment to prevent injuries and accidents. In 2024, 1 accident was recorded on the way to work due to slippery road surfaces. Since 2022, the Company has had a joint employee and management health and safety committee, which examines safety instructions



and inspects and resolves issues raised by employees and managers.

Great attention is paid to the prevention of employees' health – funds are allocated for periodic mandatory medical examination. The Company ensures that all employees working in the natural environment are vaccinated against tick-borne encephalitis at the Company's funds. Also, all employees, who wish, are additionally vaccinated against influenza: in 2024, 20 employees were vaccinated, in 2023 – 27 employees, and in 2022 – 32 employees. Since 2020, all employees of the Company are annually covered by personal insurance against accidents (death as a result of an accident, disability, and various injuries).

In order to ensure a healthy, safe, and hygienic working environment, the Company tries to involve employees in these activities, contributing to healthy lifestyle initiatives. A bicycle storage rack is installed in the courtyard of the Company building so that employees can ride bicycles to work during the warm season.

### **Employee training and competency development**

The implementation of strategic goals and the pursuit of the Company's vision is impossible without pro-

fessional and competent employees. The staff policy of UAB "Pieno tyrimai" focuses on the development of professional skills of employees and the formation of an organizational culture that creates greater value for the employees themselves and society. Each year, the management of the Company evaluates the available competence of the employees and outlines what qualifications are missing in the current activity and / or orientation towards the planned expansion of activity in the future. Every year, not only professional (internal and external) training is organized for employees, but also occupational safety and health training, and periodic briefings on safety and health issues are conducted. At the beginning of the year, plans are drawn up both for internal training, when training is carried out within the Company with its own resources, and for external training, when training is carried out by external organizations according to the formed needs. Staff training is planned at the beginning of each year with an annual training plan approved by the director. The total number of training hours for the Company's employees was the following: in 2024 – 4120 hours (in 2023 – 4247 hours; in 2022 – 3099 hours). By conducting external training, all employees of the Company were provided with opportunities to improve

and raise their qualifications in various organized seminars and courses. In 2024, 62 employees participated in such training, in 2023 – 66 employees, and in 2022 – 81 employees.

In 2024, great attention was paid to training in the development of leadership competencies of managers: change management, inspiration and development, management of sensitive and complicated work situations, etc. For this purpose, the Grand Partners management e-training platform was purchased, with one hour each Wednesday devoted to listening to and discussing training.

In 2024, Lean management training continued (9 training sessions of 7 hours each), which was attended by 18 management employees, depending on the topic. During all trainings, the aim was to share experience with each other, thus strengthening cooperation and teamwork. One of the long-term goals for 2024-2026 was the maintenance and development of competencies, with  $\geq 18.5$  hours dedicated per employee for learning and development, which has been achieved.

In 2024 the Company organized 2 employee selections to fill vacant positions: 1 selection for the position of

animal productivity test assistant and 1 selection for the position of logistics manager-coordinator. After assessing qualifications and work experience, a candidate for the position of logistics manager-coordinator was selected from internal resources (Company's employees) and for the position of animal productivity test assistant from external resources.

Each year, staff activity is discussed through annual and interim activity interviews with employees, during which employees together with managers set annual goals linked to the Company's strategic goals and objectives, their implementation is discussed, the need for training is determined, and feedback is provided. In 2024, interviews of activity discussions were conducted with 199 (99%) employees, and in 2023 – with 232 (97%) employees.

### **Relations with society**

UAB "Pieno tyrimai" by its activity creates added value for the dairy sector business and society by promoting healthy and high-quality raw milk production. The company's activity is socially responsible. Animal productivity test units, carrying out their activity directly with farmers, work closely with local communities and the people living in them.

In the field of relations with society, permanent cooperation is created and maintained, based on the common interests of sustainable development. Understanding the importance of science for sustainable development, we cooperate with scientists, enabling them to obtain data for ongoing scientific projects. In 2024, as in 2023, the Company, together with scientists and other institutions, participated in the following projects:

- Control of the identity of purchased milk and samples of this milk;
- “Sustainable Silage” – we are implementing the EU Baltic program with the Latvian Farmers’ Union “Zemnieku saima”.
- Monitoring of mastitis pathogens in dairy cows and their susceptibility to antimicrobial agents.
- “Measures to Reduce the Number of Mastitis and Somatic Cells in Milk, while Reducing the Use of Antibiotics in the Treatment of Mastitis in Farms” – with the Chamber of Agriculture of the Republic of Lithuania and the EU.

These projects involved 442 dairy farms, the number of tests carried out – 154,733.

Since 2021, the cooperation agreement with the Public Institution Practical Training and Testing Centre of

the Lithuanian University of Health Sciences has been continued, on the basis of which our laboratory conducts tests on milk fatty acids and provides data for the purposes of scientific / practical application and sustainable farm herd management.

We invite everyone, who wishes to become familiar with the activities of the Company to visit the Company. During visits and excursions, we introduce the Company’s activities, tests conducted, calibration and verification services for milk quantity meters and digital thermometers, liquid dispensers, mid-IR range meters, and inspection of refrigeration tanks. In 2024, the Company conducted 21 excursions, visited by 299 people. 2,354 customers were provided with information of interest by telephone about the tests and services being performed, activity, projects, and other issues. The largest number of calls (42%) consisted of logistical issues, 33% – tests and services, 10% – accounting questions, 9% – information technology services. For comparison, in 2023 there were 21 excursions and 378 people visited, and in 2022 there were 18 excursions and 76 visitors visited.

Contributing to quality higher education, the company annually accepts students to conduct intern-

ships. In 2024, 4 students had the opportunity to do voluntary internships. For comparison, in 2023, 2 students conducted apprenticeship in the laboratory, in 2022 – 8 students, and a 2-month long internship at a distance was organized for 2 students of the Lithuanian University of Health Sciences.

### Public education

We actively carry out educational activity and participate in exhibitions, the purpose of which is to acquaint the public with the achievements of domestic breeding, services provided, strengthen regional cooperation, and strengthen the dissemination of science and innovation. As every year, from the 21st of March to the 23rd of March, 2024, UAB “Pieno tyrimai” participated in the exhibition “Ką pasėsi 2024”, on the 21st of February, presented its activity at the reporting event of the Lithuanian Cattle Breeders Association, and from the 26th of September to the 28th of September, participated in the Livestock Exhibition 2024.

In 2024, four information articles about the Company’s activity were published in specialized publications: “Ūkininko patarėjas”, “Valstiečių laikraštis”, “Agro” of “Kauno diena”, and on the “Mano ūkis” website.

### Initiatives in the field of communality

We support the initiatives and activity of the Company’s employees in order to contribute to the well-being of society. In 2024, the Company’s employees took part in the initiative “Cake Day”, which has been held annually since 2016. This year, the funds raised were allocated to the Children’s Rehabilitation Hospital “Lopšelis”, a branch of Kaunas Clinics of the Lithuanian University of Health Sciences. For the third year in a row, an action “Sweet Christmas” was organized, during which employees donated chocolate tiles with which they delighted the patients of the Social Care Centre “Vija”. The Company was thanked by the Centre for this initiative.

In 2024, one of the priority sustainability goals on social issues was to allocate one paid working day for employees to volunteer or donate. We can be proud that the Company’s employees were not indifferent and as many as 27 (the target in the 2024-2026 long-term goals plan was 40) employees volunteered at the organization “Maisto bankas”.



## ECONOMIC AREA

### Implementation of innovations

The sustainability of the Company depends on the implementation and use of modern technologies. We can only achieve more efficient use of resources and better working conditions through innovation.

In 2024, greater attention was paid to the field of information technology, digitizing processes:

- program for milk fatty acids tests from purchased milk and commercial samples, which includes receiving an order, conducting a test, submitting test protocols, preparing reports, and submitting results on an online portal;
- mycotoxin test program in feed consisting of the creation of mycotoxin orders and input of customer information and the programmed possibility to test mycotoxins in combination with feed tests or separately;
- In the Logistics Department, optimizing management processes: the planning of the arrival of samples and the coordination of sample collection schedules with customers has been transferred to the electronic format and the routing program has been improved. Changes in the activity process were implemented: the packaging / film coating of

sample transportation containers with jars was abandoned and the jars were sold to customers in bags. For this purpose, the container issuance and accounting system was changed.

In the Reference Test Department, instead of using Triton X-100 solution, the decomposition products of which have a harmful effect on the environment, a more environmentally friendly alternative product ECOSURF SA-9 solution has been used for washing "ProFlux® M12" filtration system, which is intended for concentrating milk proteins during the preparation of calibration samples. This product is a biodegradable, active surface material, and is aligned with the principle of green chemistry.

From the 18<sup>th</sup> to the 19<sup>th</sup> of January, 2024, the National Accreditation Bureau conducted an assessment of the planned supervision of the control activity of UAB "Pieno tyrimai" Laboratory together with the expansion of the accreditation scope and approved the accreditation of UAB "Pieno tyrimai" Laboratory as a type C control body in accordance with the standard LST EN ISO/IEC 17020:2012 "Conformity Assessment. Requirements for the Activity of Various Types of Control Bodies" to perform verification of measuring

instruments for compliance and issued an accreditation certificate with an expanded accreditation scope for metrological verification of milk refrigeration tanks (volume up to 35 m<sup>3</sup>), laboratory liquid dispensers (from 1 µl to 200 ml), digital thermometers (from minus 30 °C to plus 150 °C), maximum electric thermometers (from 32.0 °C to 42.0 °C; from minus 30.0 °C to 32.0 °C; from 42.0 °C to 150.0 °C), milk analyzers (lactoscopes) ((2...7)% fat, (2...5)% protein).

On the 21<sup>st</sup>-22<sup>nd</sup> of February, 2024, a new high-performance liquid chromatography (HPLC) method for determining lactose content in milk using the reference method according to ISO 22662:2007 was successfully presented to the experts of the National Accreditation Bureau and positively evaluated, expanding the scope of test accreditation. In September 2024, the National Accreditation Bureau accreditation certificate was received with an expanded calibration range of laboratory piston volumetric instruments from 1 µl to 100 ml.

The company is committed to implementing measures to increase energy efficiency in its activity, introducing newer and less energy-consuming technologies, expanding green production, contributing to Lithuanian

and regional commitments to increase the volume of electricity generation from renewable energy sources. In October 2024, a solar power plant was installed on the company's roof.

The Company constantly prioritizes the development of innovative technological solutions, contributing to the promotion of innovations in the Lithuanian agricultural sector, including creating demand for innovations, so that the new technologies and modern working methods implemented meet the priorities of innovation development, digitalization and greenness, which would improve the efficiency and efficiency of direct operations and create added value for the Company and customers.

When implementing innovations, the Company takes into account the improvement of production technological processes, environmental protection, improvement of staff working and recreational conditions, and saving energy resources.

### Compliance with legal regulation and fees

Compliance with all legal requirements applicable to the Company and fair payment of taxes are an essential condition for the sustainability of our activity. During the reporting peri-



od, there were no significant cases of non-compliance with laws and regulations. The Company's tax strategy is to correctly calculate, honestly declare, and pay all taxes due in accordance with the laws in force in the Republic of Lithuania. Compliance with the legal regulation shall be ensured through independent audits of financial statements. The annual reports shall be audited and presented by an independent auditor.

## ANTI-CORRUPTION

In order to ensure the transparency and publicity of its activity, UAB "Pieno tyrimai" carries out corruption prevention and consistently implements its goals, adhering to the principles of zero tolerance for corruption, legality, disclosure of information and transparency of activities, avoidance of conflicts of interest, transparency of public procurement, employee involvement, inevitability of responsibility, and continuous monitoring and improvement. The Company does not tolerate any manifestations of corruption, acceptance, provision, offer, promise, or demand of undue benefits by abusing current positions.

Corruption prevention measures in the Company are implemented in

accordance with the requirements of national legal acts, the anti-corruption program of the Ministry of Agriculture of the Republic of Lithuania for the areas of management assigned to the regulatory area and the plans for implementing measures for this program, the Company's corruption prevention policy, corruption prevention measures plans, and other internal legal acts regulating corruption prevention activities. UAB "Pieno tyrimai" approved description of zero tolerance policy for corruption (order No. 13V-0122 of 30-12-2021) lays down general principles for the prevention of corruption, provisions on the intolerance of corruption, measures for the prevention of corruption, and coordination and control of their implementation. In the Governance Coordination Centre's 2023/2024 state-owned enterprise good governance index report, UAB "Pieno tyrimai" corruption prevention good governance index was rated A+. This shows that the Company is on the right track when introducing and improving corruption prevention practices and creating a corruption-resistant environment, and encourages us to keep going and continue to prevent possible manifestations of corruption, with special attention paid to their prevention and employee education.

Implemented and / or ongoing measures and initiatives in the field of corruption prevention:

- A person appointed within the Company responsible for corruption prevention;
- The anti-corruption program and the plan of measures for implementing the anti-corruption program approved by the order No. 13V-0075 of the Company's director of the 15<sup>th</sup> of October, 2024;
- In order to identify the areas of activity of UAB "Pieno tyrimai" in which there may be external and / or internal and / or individual risk factors affecting the activity of the institutions that may create opportunities for corruption, the person responsible for corruption prevention, in accordance with the order No. 2-246 "On the Determination of the Probability of Corruption and Approval of Recommendations for the Procedure for Carrying Out the Procedure" of the director of the Special Investigation Service of the Republic of Lithuania of the 30<sup>th</sup> of November, 2021, annually conducts an assessment of the probability of corruption. The last assessment made on 18-09-2024;
- The company has adopted a code of ethics, a zero gift policy, and a gift register. In 2024, the company

received gifts in accordance with international protocol from a delegation from the Ministry of Agriculture of Taiwan (tea was placed in a box for the company's employees and guests to enjoy, and a set of stationery was handed over to the company's employees for use). Gifts are registered in the gift register, which is posted on the company's website;

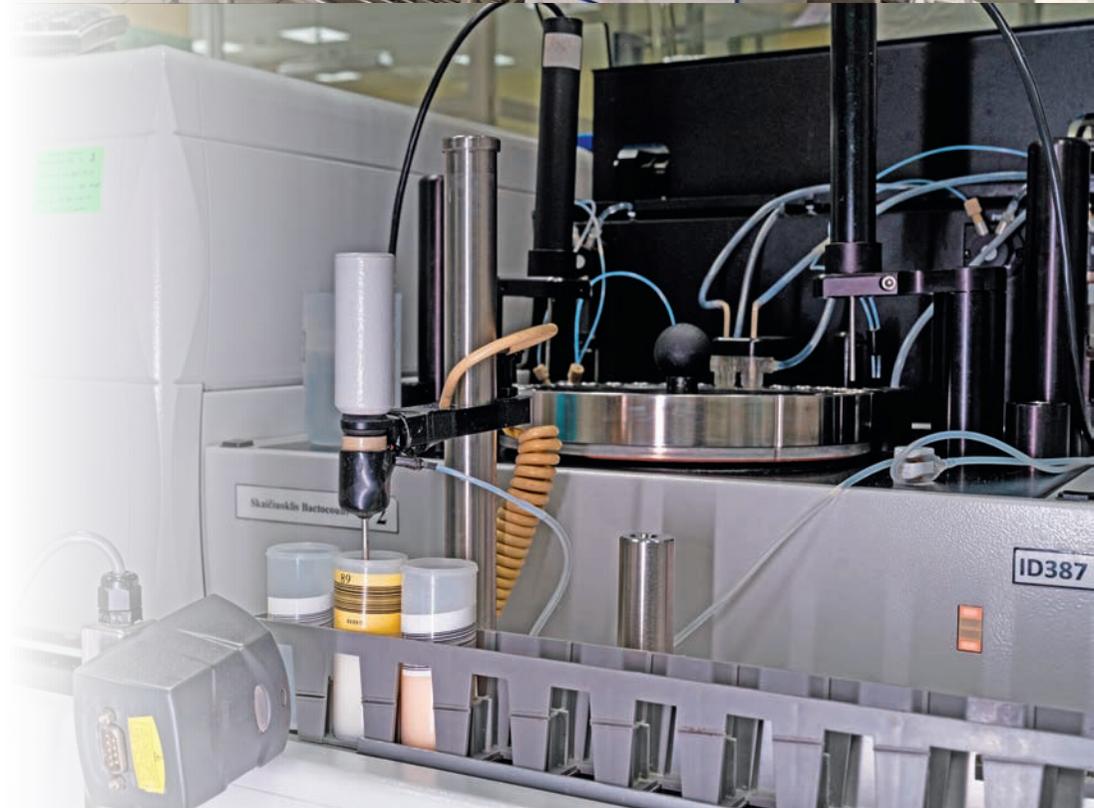
- The company pays great attention to the prevention of conflicts of interest and the control of the declaration of private interests. To this end, a procedure for balancing public and private interests, as well as a procedure for the withdrawal and removal of employees from assigned work or tasks, has been approved. These procedures are mandatory for all employees of the Company;
- The company has implemented whistle blower protection principles – an internal channel has been installed through which whistle blowers can submit information about violations in UAB "Pieno tyrimai" that pose a threat to or violate the public interest, with which the whistle blowers are or were connected by employment or contractual relationships (consulting, internships, practices, etc.). A procedure for examining and administering information about violations

has been established, ensuring the confidentiality of whistle blowers and protection from retaliation. Not a single report was received during 2024;

- Employees are familiarized with the Company's corruption prevention policy and procedures related to its implementation through the Document Management System (DMS);
- On the 28<sup>th</sup> of November, 2024, the Company organized employee training on corruption prevention and reconciliation of private interests, which helps to develop and strengthen employees' anti-corruption awareness. In 2024, an employee survey was conducted, in which 146 employees answered the questions. The survey will be organized annually to assess the index of resistance to corruption. The survey of showed that 90.4% of employees, who responded to the questionnaire have no tolerance for corruption (in 2023, there were 87.7%). 95.9% of employees believe that corruption does not exist in the Company (in 2023, there were 93%);

- During the annual survey of the Company's customers' satisfaction with the services provided by UAB "Pieno tyrimai", in 2024, respondents were asked whether they had encountered a situation when, while communicating with the Company's employees, they had directly or indirectly mentioned solving the problem by giving a bribe or other informal compensation. The results of the survey of 2024 showed that 100% of respondents had not encountered corrupt offers from the Company's employees;
- Since 02-03-2021, the Company has also actively participated in the project "Transparency Academy" initiated by the Office of the President of the Republic of Lithuania and the Special Investigation Service (together with partners), was a member of it, and on 20-12-2022, the Company was awarded a certificate of completion of the "Transparency Academy".

All information on corruption prevention is posted on the Company's website.



## 7. INFORMATION ON COMPLIANCE WITH THE TRANSPARENCY GUIDELINES

### 7.1. Disclosure of information

UAB “Pieno tyrimai” follows the provisions of the Company Governance Code regarding the disclosure of information, set out in the Principle IX of this Code (“Disclosure of Information”), as well as other provisions detailing the principles specified in the Company Governance Code, related to public disclosure of information.

Information about the Company’s activity is available to the public and is publicly available on the website at [www.pieno-tyrimai.lt](http://www.pieno-tyrimai.lt). The published information is divided into sections: services, prices, news, areas of activity, useful information, company (companies, legal and administrative information), contacts, test results (login for registered users), and movement of sample collection transport.

The following information is published: goals, objectives, and expectations of UAB “Pieno tyrimai” established by the Ministry of Agriculture of the Republic of Lithuania, data about the company, the board and the manager, its structure and contacts, areas of ac-

tivity, tenders for vacancies, company statutes, collections of annual and interim financial statements and audit conclusions, annual management reports, strategic activity plans, information on sustainability issues, prevention of corruption, information on quality management system, salary, official transport, violations of legal acts (if any identified), public procurement, funds for support, promotion of activities, incentives and awards, prices of services, and other relevant information. With the help of this website, the Company provides milk purchasers and milk producers with data on the results of the milk tests, issues electronic protocols of the results of the test and VAT invoices for the milk tests and other services carried out.

The website works in Lithuanian and English.

### 7.2. Content of the management report

The Company’s management report for 2024 has been prepared in accordance with the Law on Companies No. VIII-1835 of the Republic of Lithuania of the 13<sup>th</sup> of July, 2000, the Law on the Accountability of Companies and Groups of Companies No. XIV-2811 of the Republic of Lithuania of the 25<sup>th</sup> of June,

2024, the Description of Guidelines for Ensuring Transparency in the Activity of State-Owned Enterprises No. 1052, approved by the Resolution of the Government of the Republic of Lithuania of the 14<sup>th</sup> of July, 2010, and the State-Owned Enterprise Good Governance Index Methodology ‘23/24.

### 7.3. Sets of accounting and financial statements

The financial statements of UAB “Pieno tyrimai” have been prepared in accordance with the Law on Financial Accounting of the Republic of Lithuania, Law on Accountability of Compa-

nies and Groups of Companies of the Republic of Lithuania, and International Financial Reporting Standards (IFRS) adopted for application in the European Union (EU).

### 7.4. Submission of management reports and sets of financial statements

The management report, the set of annual reports, the sets of interim financial statements, and the conclusions of the independent auditor are published publicly on the website of UAB “Pieno tyrimai”. The requirement for the disclosure of the fulfillment of

special obligations is not being met, as the Company does not provide services that fall under the special obligations outlined in the recommendations for the establishment and information disclosure of special obligations for state-owned enterprises, approved by the



Minister of Economy and Innovation of the Republic of Lithuania.

After the adoption of the set of annual financial statements and the conclusion of the independent auditor of the annual financial statements in accordance with the procedure established by law, we publish the annual management report on the website no later than the 30<sup>th</sup> of April;

We make the interim financial statements available to the public on the website in PDF format:

- a set of interim (3 month) financial statements – no later than the 31<sup>st</sup> of May;
- a set of interim (6 month) financial statements – no later than the 31<sup>st</sup> of August;
- a set of interim (9 month) financial statements – no later than the 30<sup>th</sup> of November;
- a set of interim (12 months) financial statements – no later than the 28<sup>th</sup> of February;

## 7.5. Information on the audit of annual financial statements

The audit of the annual financial statements is carried out in accordance with international audit standards. The audit of the Company's financial statements of 2024 was performed by Daiva Žumbakienė, an independent auditor of UAB „Raimda auditas“. The company entered into a service contract with the audit firm to audit the financial statements for 3 years. The audit firm was approved by the Minister of Agriculture of the Republic of Lithuania to conduct audits of the annual financial statements for 2024-2026 by the order No. 3D-793 „On the selection of an audit firm to conduct audits of the annual financial statements of UAB „Pieno tyrimai“ for 2024-2026“ of the 22<sup>nd</sup> of November, 2024. The cost of one annu-

al audit is 5k euros and no other payments, services, or guarantees were paid or provided to the auditors.

An audit of financial statements involves an independent examination of the financial statements and the provision of a conclusion indicating whether the financial statements present fairly, in all material respects, the financial condition, activity results and cash flows of the company in accordance with applicable financial reporting requirements and whether the financial data presented in the management report are consistent with the data in the annual financial statements.

## 8. KEY EVENTS AFTER THE END OF THE FINANCIAL YEAR PRIOR TO THE CONCLUSION OF THE REPORT

1. On the 14<sup>th</sup> of January, 2025, the Company's board approved the strategic activity plan for 2025-2027.
2. By the director's order No. 13V-0014 of the 20<sup>th</sup> of February, 2024, the action plan for 2025 for the implementation of the 2025-2027 strategic activity plan and the activity budget of 2025 were approved.
3. From the 1<sup>st</sup> of January, 2025, UAB „Pieno tyrimai“ must receive an application for aid from the final recipient before providing animal productivity test services. In the application, the final recipient of the aid shall indicate which type of state aid he / she chooses to receive and declare how he / she complies with the provisions of the Commission Regulation (EU) 2022/2472, if he / she chooses the type of state aid, or with the requirements set out in the Regulation (EU) No. 1408/2013, if he / she chooses the type of *de minimis* aid, and, if necessary, shall attach copies of financial statements.

*Director*

**Laima Urbšienė**

**Asta Urbonienė**

**Dalia Riaukienė**

