UAB “PIENO TYRIMAI“

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APPROVED BY
the order No. 3D-
of the Minister of Agriculture
of the Republic of Lithuania
of the of April, 2025

SET OF FINANCIAL STATEMENTS OF 2024

FOR THE TWELVE-MONTH PERIOD ENDED ON THE 31ST OF DECEMBER, 2024

5th of March, 2025, No. 45F-79

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(All amounts in the tables are in euros unless otherwise indicated)

STATEMENT OF FINANCIAL CONDITION

Articles	Note No.	31-12-2024	31-12-2023
ASSETS			
Fixed assets			
Intangible assets	4.1.1.	31,482	42,480
Fixed tangible assets	4.1.2.	2,311,867	2,486,292
Deferred corporate tax assets	4.3.	266,556	239,547
Fixed assets, in total		**2,609,905**	**2,768,319**
Current assets			
Stocks	4.4.	221,321	246,099
Advances paid	4.5.	29,258	23,411
Trade accounts receivable	4.6.	458,444	427,642
Other accounts receivable	4.6.	190,864	157,072
Fixed-term deposits	4.7.	1,719,621	924,595
Cash and cash equivalents	4.8.	414,536	445,972
Fixed assets for sale	4.2.	58	193,156
Current assets, in total		**3,034,102**	**2,417,947**
TOTAL ASSETS		**5,644,007**	**5,186,266**
EQUITY AND LIABILITIES			
Equity			
Authorized capital	4.9.	3,784,731	3,784,731
Reserves	4.9.	122,617	114,932
Retained profit (loss)		412,147	348,765
Equity, in total		**4,319,495**	**4,248,428**
Liabilities			
Fixed liabilities			
Lease liabilities	4.16.	4,913	4,925
Fixed liabilities		**4,913**	**4,925**
Current liabilities			
Current year part of lease liabilities	4.16.	12	18,802
Trade accounts payable	4.14.	74,833	35,758
Advances received		10,565	8,750
Corporate tax payable	4.3.	32,543	15,178
Employee benefits	4.13.	1,090,261	757,225
Other accounts payable and current liabilities	4.15.	111,385	97,200
Current liabilities, in total		**1,319,599**	**932,913**
Liabilities, in total		**1,324,512**	**937,838**
EQUITY AND LIABILITIES, IN TOTAL		**5,644,007**	**5,186,266**

Laima Urbšienė
Director

Asta Urbonienė
Chief Financial Officer

(All amounts in the tables are in euros unless otherwise indicated)

STATEMENT OF COMPREHENSIVE INCOME

Articles	Note No.	In 2024	In 2023
Sales income	4.18.	6,673,626	6,163,182
Cost price of sales	4.19.	(4,886,560)	(4,773,933)
Gross profit		**1,787,066**	**1,389,249**
Other activity income	4.20.	19,583	3,378
Other activity expenses	4.20.	(1,150)	(451)
Common and administrative expenses		(1,417,982)	(1,074,475)
Activity profit		**387,517**	**317,701**
Financial activity income	4.21.	29,991	8,265
Financial activity expenses	4.21.	(555)	(2,552)
Financial activity result		**29,436**	**5,713**
Profit before tax		**416,953**	**323,414**
Corporate tax expenses	4.3.	(39,825)	(39,440)
NET PROFIT		**377,128**	**283,974**
Other comprehensive income			
Articles that will never be regrouped into profit (loss):			
- *relate to the revaluation of non-current assets*		1,019	233
Articles that will or may be regrouped into profit (loss)		-	-
COMPREHENSIVE INCOME, IN TOTAL		**378,147**	**284,207**

Laima Urbšienė
Director

Asta Urbonienė
Chief Financial Officer

(All amounts in the tables are in euros unless otherwise indicated)

STATEMENT OF CHANGES IN EQUITY

	Authorized capital	Statutory reserve	Revaluation reserve	Other reserves	Retained profit	In total
Balance on the 1st of January, 2023	**3,784,731**	**77,143**	**-**	**30,581**	**340,432**	**4,232,887**
Other comprehensive income (expenses)	-	-	(233)	-	233	-
Net profit for the reporting period	**-**	**-**	**-**	**-**	**283,974**	**283,974**
Dividends	-	-	-	-	(278,260)	(278,260)
Formed reserves	-	19,000	9,827	9,195	(28,195)	9,827
Reserves used	-	-	-	(30581)	30581	-
Balance on the 31st of December, 2023	**3,784,731**	**96,143**	**9,594**	**9,195**	**348,765**	**4,248,428**
Other comprehensive income (expenses)	-	-	(1,019)	-	1,019	0
Net profit for the reporting period	**-**	**-**	**-**	**-**	**377,128**	**377,128**
Dividends	-	-	-	-	(305,960)	(305,960)
Formed reserves	-	18,000			(18,000)	-
Reserves used	-	-	(101)	(9,195)	9,195	(101)
Balance on the 31st of December, 2024	**3,784,731**	**114,143**	**8,474**	**-**	**412,147**	**4,319,495**

Laima Urbšienė
Director

Asta Urbonienė
Chief Financial Officer

(All amounts in the tables are in euros unless otherwise indicated)

CASH FLOW STATEMENT

Articles	Note No.	In 2024	In 2023
Cash flows from core activity			
Cash receipts for the reporting period (including VAT)		**7,980,845**	**7,359,382**
Cash receipts from customers		7,980,299	7,359,075
Other receipts		546	307
Cash benefits for the reporting period		**(6,849,897)**	**(6,559,647)**
Money paid to suppliers of raw materials, goods, and services (including VAT)		(1,751,509)	(1,741,435)
Cash benefits related to labor relations		(3,939,059)	(3,926,592)
Taxes paid to the budget		(1,142,326)	(877,002)
Other benefits		(17,003)	(14,618)
Cash flows from core activity		**1,130,948**	**799,735**
Cash flows from investment activity			
Acquisition of fixed assets other than investments		(281,247)	(854,650)
Transfer of fixed assets, except investments		214,017	800
Interest received		25,164	4,871
Other increase in cash flows from investment activity		1,674,595	400,000
Other decrease in cash flows from investment activity		(2,469,621)	(1,324,595)
Net cash flows from investment activity		**(837,092)**	**(1,773,574)**
Cash flows from financial activity			
Dividends paid to the state budget		(305,960)	(278,260)
Payments of the financial part of the lease liability		(18,791)	(82,214)
Payments of the part of the activity lease liability	4.16.	(352)	(352)
Lease interest part payments		(164)	(2,114)
Net cash flows from financial activity		**(325,267)**	**(362,940)**
Impact of exchange rate change on the balance of cash and cash equivalents		**(25)**	**(74)**
Net increase (decrease) in cash flow		**(31,436)**	**(1,336,853)**
Cash and cash equivalents at the beginning of the period	**4.8.**	**445,972**	**1,782,825**
Cash and cash equivalents at the end of the period	**4.8.**	**414,536**	**445,972**

Laima Urbšienė
Director

Asta Urbonienė
Chief Financial Officer

(All amounts in the tables are in euros unless otherwise indicated)

The following explanatory note is an integral part of all these financial statements.

EXPLANATORY NOTE TO THE FINANCIAL STATEMENTS

1. General data about the company

UAB “Pieno tyrimai” (hereinafter referred to as the Company) was registered on the 15th of October, 1993. In the Register of Legal Entities of the Republic of Lithuania. The shareholder of UAB “Pieno tyrimai” is the state of the Republic of Lithuania and the manager of the shares owned by the state is the Ministry of Agriculture of the Republic of Lithuania. Registered office of the Company: Radvilų Dvaro g. 31, LT48331 Kaunas, Lithuania. The company does not have independent branches, representative offices, subsidiaries, and associates and companies controlled under a joint venture (partnership) agreement.

The activities of UAB “Pieno tyrimai” are guided by the Civil Code of the Republic of Lithuania, the Law on Companies of the Republic of Lithuania, other legal acts of the Republic of Lithuania, articles of association of the Company.

The main activity of the Company is to conduct tests on the composition and quality of milk for the purpose of monitoring and controlling the safety and quality of purchased milk, settlement for purchased milk, breeding and other purposes of dairy herd owners and milk processing and purchasing companies, and to provide dairy animal productivity test services, which include determining the individual productivity and breeding characteristics of dairy animals, accurate and reliable data accounting, and registration and storage in animal breeding information systems. The company also performs and executes other services related to milk test activity.

On the 31st of December, 2024, authorized capital of the Company amounted to 3,784,731 euros and has remained unchanged since the beginning of the previous reporting period. It is fully paid and divided into 3,784,731 ordinary registered shares. The nominal value of one share is 1 euro (one euro). The owner of all shares of the company is the Republic of Lithuania.

The supreme governing body of the Company is the general meeting of shareholders. Since the owner of all shares is the Republic of Lithuania, represented by the Ministry of Agriculture of the Republic of Lithuania, the decisions of the general meeting of shareholders are formalized by written decisions of the sole shareholder, i.e. by orders of the Minister of Agriculture of the Republic of Lithuania. The collegial governing body of UAB “Pieno tyrimai” is the board, which consists of 5 members (including the board‘s chairman). The Company acquires civil rights, assumes civil obligations, and implements them through a sole governing body (the Company‘s manager).

The number of employees of the company was:

	In 2024	In 2023
Average number of employees listed	**210**	**232**

2. Accounting principles

The following are the accounting principles that guide these financial statements.

2.1. Summary of significant accounting principles

In the financial statements, all amounts are accounted for and presented in euros, the common currency of the countries of the European Union valid in the Republic of Lithuania.

The financial year of UAB “Pieno tyrimai” coincides with the calendar year. These financial statements shall contain comparative information for the previous accounting year.

Financial statements for the year ending on the 31st of December, 2024, prepared on the basis of the principle of activity continuity, i.e., there are no indications that the company will not be able to continue its activity in the future and it is expected that the company will continue its activity for more than one year, and the historical cost price of acquisition, excluding real estate, is assessed at fair value using the revaluation method. The difference between the depreciation of the revaluated assets shown in the comprehensive income statement and the depreciation calculated on the basis of the initial value of the assets is transferred from the revaluation reserve to retained profit after assessing the impact of deferred corporate tax. Also, after the sale or write-off of an asset unit, any revaluation reserve balance associated with this asset is transferred to retained profit.

2.2. Basis for preparing reports

The financial statements of UAB "Pieno tyrimai" for 2024 are prepared in accordance with the provisions of International Financial Reporting Standards (IFRS) adopted for application in the European Union (EU) and comply with them.

The applied accounting principles and calculation methods correspond to those that were applied in the preparation of the company's annual financial statements for the year ended on the 31st of December, 2023. The company has consistently applied accounting principles for all periods presented in these reports.

The following are new and / or changed amendments and interpretations of IFRS and International Financial Reporting Interpretation Committee standards adopted for application in the European Union:

On the 20th of November, 2023, amendments to IFRS-16 "Lease" were published by Commission Regulation (EU) 2023/2579. The amendments require that in the case of a back lease, the seller and the lessee account for the variable lease payments arising from the sale and back lease transaction. During initial recognition, variable lease payments must be included in the assessment of the lease liability arising from the sale and back lease transaction. After initial recognition, apply general requirements to the subsequent accounting of the lease obligation in such a way that the profit or loss associated with the retained right of use is not recognized. It also requires seller and lessees to reassess and possibly restate sale and back lease transactions entered into since the effective date of IFRS-16 in 2019. The amendments are valid for annual periods beginning on the 1st of January, 2024.

On the 19th of December, 2023, amendments to IFRS-1 *"Submission of Financial Statements"* were published by Commission Regulation (EU) 2023/2822. These amendments on the classification of liabilities into current or fixed and fixed liabilities with covenants clarify that the classification of liabilities into current or fixed liabilities is based solely on the entity's right to delay settlement for at least 12 months from the date of reporting. The right must exist on the date of submission of the report and must be justified. This right is only affected by contracts that the entity must comply with on or before the reporting date. Obligations to be met after the reporting date do not affect the classification of the obligation as current or fixed at the reporting date. However, disclosure of obligations is now required so that consumers understand the risk that those obligations may be repaid within 12 months of the reporting date. The amendments are valid for annual periods beginning on the 1st of January, 2024.

On the 15th of May, 2024, amendments to IAS-7 "Statement of Cash Flows" were published by Commission Regulation (EU) 2024/1317. Supplier financing arrangements (an amendment of IAS 7 "Statement of Cash Flows" and IFRS-7 "Financial Instruments: Disclosures") require an entity to disclose qualitative and quantitative information about its supplier financing arrangements. The IASB has determined that, in most cases, summarized information about an entity's supplier financing arrangements will satisfy the information needs of users of financial statements. Among other features, IAS-7 explains that a supplier financing arrangement provides the entity with longer payment terms and the entity's suppliers with prepayment terms compared to the related invoice payment term. Before the amendments to IFRS-7, an entity had to provide a description of how it manages the liquidity risk arising from financial liabilities. It is now necessary to disclose whether it was possible to access supplier financing agreements that provided for longer payment terms or prepayment terms for suppliers. The amendments are valid for annual periods beginning on the 1st of January, 2024.

On the 12th of November, 2024, amendments to IAS-21 *"The Effects of Changes in Foreign Exchange Rates"* were published by Commission Regulation (EU) 2024/2862. The amendments aim to include transactions in non-changeable currencies in the accounting. They explain when a currency is considered changeable into another currency and how an entity estimates the spot rate for currencies that cannot be changed. The amendments introduce new disclosure procedures to make it easier for users of financial statements to assess the impact of the use of the calculated exchange rate. The disclosed information should enable users of financial statements to assess how the inability to change currencies affects or may affect the company's financial results, financial condition and cash flows. The amendments are effective for annual reporting periods, beginning on the 1st of January, 2025.

The application of the amendments to the standards did not have a significant impact on the company's financial statements.

The following are the approved amendments and interpretations of standards of IFRS and International Financial Reporting Interpretation Committee that have been issued by the IASB and have not yet been adopted by the EU and have not entered into force:

New standard IFRS-18 "Presentation and Disclosure of Financial Statements". The adoption of this standard will affect the content of financial statements, as it significantly changes the way the profit (loss) statement is presented and what information must be disclosed. The way in which a company reports its financial results will change. The aim is to ensure a more consistent presentation of income and cash flow statements and a more fragmented information. Entities shall present in their condensed interim financial statements at least the same headings and subtotals as in their most recent annual financial statements. IFRS-18 introduces corresponding amendments to IAS-34 "Interim Financial Statements", requiring entities to present additional information about activity management indicators in their interim financial statements, i.e. this information is required in both interim and annual financial statements. However, interim financial statements should only include activity management indicators that are related to the company's activity during the interim reporting period. The standard is applied retrospectively. IFRS-18 comes into effect on the 1st of January, 2027, with earlier application possible.

New standard IFRS-19 "Subsidiaries, without Public Accountability: Disclosure of Information". IFRS-19 offers a practical way for qualifying subsidiaries to address the problem of excessive disclosure and reduce reporting costs by eliminating the need to disclose information that exceeds the needs of users or to maintain two separate sets of accounting records. UAB "Pieno tyrimai" will not apply this standard. Subsidiaries may choose to apply the standard for reporting periods beginning on the 1st of January, 2027, or later, the previous application is allowed.

The amendments to IFRS 9 "Financial Instruments" clarify that in certain circumstances, the transfer of an entity's equity instruments is considered to be the settlement of a liability. If a liability contains any equity conversion options, they generally affect its classification as current or fixed (for example, if the conversion option is split as an embedded derivative of the host debt), unless those conversion options are recognized as equity in accordance with IAS-32 "Financial Instruments: Presentation".

Improvements to IAS-28 "Investment in Associates and Joint Ventures". The IASB published a draft information proposing changes to the equity approach for IAS-28 investments in associates and joint ventures. The IASB hopes that the proposed changes will reduce diversity in practice. Such diversity today arises because IAS-28 does not have clear requirements or inconsistencies with other IFRS accounting standards. For example, the proposals aim to consistently assess the cost of an associate or joint venture by deciding on the acquisition and partial transfer of an initial part of equity and any additional interests. The proposals will also require the disclosure of additional information, including the reconciliation of the start and end accounting value of investments in associates and joint ventures. The changes will be valid the 1st of January, 2027.

Amendments to IFRS-9 "Financial Instruments" and IFRS-7 "Financial Instruments. Disclosure" • Amendments to the classification and valuation of financial instruments (amendments to IFRS-9 "Financial

Instruments" and to IFRS-7 "Financial Instruments: Disclosure") clarify that financial assets and financial liabilities are recognized and written off at the settlement date, excluding routine purchases or sales of financial assets and financial liabilities that meet the conditions of the new exemption. The new exception allows companies to decide to terminate recognition of certain financial obligations paid by electronic payment systems earlier than the settlement date. They also provide guidelines for assessing the contractual cash flow characteristics of financial assets, which apply to all uncertain cash flows, including those resulting from environmental, social, and governance (ESG) characteristics. These amendments also introduce new disclosure requirements and update others. The IASB also amended IFRS-7 "Financial Instruments: Disclosures". Now companies will have to provide additional information about financial assets and financial liabilities that have certain contingent characteristics. Valid from the 1st of January, 2026.

On the provision of company's sustainability information:

On the 5th of January, 2023, the Sustainability Reporting Directive (Directive (EU) 2022/2464 of the European Parliament and of the Council of the 14th of December, 2022, amending Regulation (EU) No. 537/2014, Directive 2004/109/EC, Directive 2006/43/EC, and Directive 2013/34/EU on corporate sustainability reporting) entered into force, aiming to expand the scope of corporates reporting on sustainability and standardize the disclosure of information on sustainability issues. The Directive obliged the European Commission to adopt delegated acts to adopt European Sustainability Reporting Standards (hereinafter referred to as ESRS). ESRS specifies what sustainability information related to environmental protection, social, and governance sustainability issues a company must disclose in its sustainability report. The sustainability report prepared in accordance with the requirements of the ESRS will have to disclose more information than the social responsibility report. Sustainability reports will need to provide information based on a dual materiality model: the sustainability report will need to provide information not only about the impact of the company's activity on people and the environment, but also about the impact that sustainability issues have on the company. The first set of twelve ESRS was published on the 22nd of December, 2023 and will apply from the 1st of January, 2024 (European Commission Delegated Regulation 2023/2772 of the 31st of July, 2023). The published ESRS apply to companies operating in all sectors, except for small and medium-sized enterprises, which will apply the ESRS provisions from the 1st of January, 2026. The company is a small enterprise whose securities are not traded on a regulated market, therefore it will not be required to apply these provisions from the 1st of January, 2026.

2.3. Fixed assets

2.3.1. Intangible assets

Expenditures are recognized as intangible assets if they meet the following criteria: the future economic benefits of such assets are reasonably expected, the cost price of acquisition (production) of the asset can be reliably estimated and distinguished from the value of other assets, and the Company can dispose of the asset, control it, or limit the right to use it for others. The company does not have intangible assets with an indefinite useful life.

At the time of acquisition (production), intangible assets are recorded at the cost price of acquisition (production). In the statement of financial condition, it is shown at the residual value, which is calculated by deducting accumulated amortization and impairment losses, if any, from the cost price of acquisition.

Non-gratuitous intangible assets shall be recorded at fair value if there is an active market for those assets and the fair value can be reliably established.

Amortization is calculated using a directly proportional (linear) method. Amortization expenses are attributed to the cost price of sales and to common, administrative expenses.

The following intangible asset groups and asset amortization times have been determined:

Asset group	Amortization period (years)
Software	3-8
Patents, licenses	3-5

The useful life and amortization method are reviewed annually to ensure that they are consistent with the expected nature of intangible asset use.

The operating expenditures and other subsequent expenditures of intangible assets shall be included in the expenses of the reporting period in which they were incurred. Losses from impairment of intangible assets and write-off of assets are attributed to the activity expenses of the Company. When intangible assets are transferred, the result of the transaction – profit or loss – is shown in the other activity section of the profit (loss) statement.

2.3.2. Real property, plant, and equipment (fixed tangible assets)

Tangible assets are classified as fixed assets, according to the following features:

- the company intends to use it for more than one year;
- the company reasonably expects to receive economic benefits from the asset in future periods;
- the company can reliably determine the cost price of acquisition (production) of the asset;
- the cost price of acquisition (production) of the asset is not less than 500 euros;
- the risk associated with tangible assets is transferred to the company.

Fixed tangible assets shall be recorded in the accounting at the cost price of acquisition (production), including non-refunded acquisition fees, capitalized borrowing interest, and any directly attributable expenditures associated with the preparation or transfer of the asset to its place of use, and shall be shown in the financial statements at the cost price of acquisition, from which accumulated depreciation and impairment amounts are deducted.

Buildings and structures assets are accounted for at revalued value, determined by independent property appraisers, reduced by accumulated depreciation and impairment amount. The increase in accounting value due to the revaluation of fixed tangible assets is recognized in other comprehensive income and accumulated in the revaluation reserve in the equity part. This increase is recognized in profit or loss to the extent that it reverses a decrease in the book value of the same asset due to revaluation previously recognized in profit or loss. The impairment of the book value associated with the revaluation of the assets shall be recognized as profit or loss. In this case, a revaluation reserve is not formed. The impairment, which covers the previous increases in value of the same asset shall be recognized in other comprehensive income and shall be reported by reducing the revaluation reserve. Each year, the difference between depreciation calculated on the basis of the revalued accounting value of an asset (where the revaluation increases the value) recognized in profit or loss and depreciation calculated on the basis of the original cost price of acquisition of that asset is transferred from the revaluation reserve to retained profit, after assessing the effect of deferred corporate tax.

Subsequent expenditures incurred for the repair, reconstruction, and operation of fixed tangible assets, if they do not improve the useful properties of the individual unit, which would require an increase in the value of the individual unit, and do not prolong its useful life, the cost price of those works shall be recognized as the expenses of the reporting period. The expenditures of reconstruction or repair of fixed tangible assets, which are not current repairs, increase the cost price of acquisition of fixed tangible assets and refine the depreciation calculation.

When parts of real property, plant, and equipment have different periods of service life, they are accounted for as separate components (main components) of real property, plant, and equipment.

If the Company changes the significant components of fixed tangible assets that have not been accounted for as a separate unit of fixed tangible assets, the recognition of the book value of old parts is terminated (parts are written off), and the cost price of acquisition of new parts and replacement expenditures, if the criteria for recognition of fixed assets are met, the cost of acquisition of fixed tangible assets is increased and the calculation of depreciation is adjusted.

Depreciation of fixed assets is calculated by a directly proportional (linear) method. The liquidation value of fixed tangible assets is the amount that, after the end of the useful life of the object, the Company expects to receive for the asset, minus the estimated future expenditures of liquidation or transfer. Amortization expenses are attributed to the cost price of sales and to common, administrative expenses.

The following periods of useful life of the asset by asset groups have been established:

Fixed tangible asset group	Useful life (years)
Buildings (including separately depreciated components)	10-50
Facilities (structures, boreholes, and electronic transmission and communication devices)	8-20
Vehicles	4-12
Equipment, appliances, and installations	5-12
Other tangible assets	4-10

The liquidation values and useful life periods of the assets shall be reviewed and adjusted as necessary during the annual inventory.

In the event of the transfer of fixed tangible assets, the profit (loss) statement shows the net result of the transaction (profit or loss), calculated by deducting the residual value of the assets sold and all expenditures associated with the transfer from the earned income.

2.4. Assets held under right-of-use and related liabilities

At the beginning of the agreement, the Company assesses whether the agreement is a lease and whether it includes it. The Company recognizes assets held under right-of-use and liabilities for all lease agreement under which the Company is the lessee, except for current leases (where the lease term is 12 months or less at the commencement date) or leases where the value of the leased asset is small, not exceeding 10k euros. or the monthly lease is insignificant, i.e. less than 300 euros. For these lease agreements, the Company recognizes lease payments as an activity expenses on a straight-line basis over the lease term. However, in individual cases, the assessment of the entire agreement is taken into account, not only the value of such assets.

At the lease commencement date, the Company measures the lease liability at the present value of the unpaid lease payments at that date. Lease payments are discounted using the interest rate provided for in the lease agreement, if that rate can be easily determined. If that rate cannot be easily determined, the Company selects a rate of return on equity that is close to the rate of return on equity for the previous three-year reporting period and approved by a resolution of the Government of the Republic of Lithuania, but not less than the company‘s average borrowing interest rate.

In subsequent periods, the lessee measures the lease liability by taking into account the interest on the lease liability, the lease payments made and adjusting the book value to reflect the revised lease payments and discount rate. Additionally, the residual value of the lease liability is reassessed if there are lease modifications, a change in the lease term, changes in the lease payments, or a change in the assessment of the option to purchase the leased asset.

The asset held under the right-of-use consists of an initial assessment of the relevant lease liability. The asset held under the right-of-use is the asset that demonstrates the right of the company to use the leased asset during the lease period. At the lease commencement date, the Company assesses the assets under right-of-use at cost price, which comprises the initial assessment of the lease liability, any lease payments on or before the commencement date, deducting any lease incentives received, and any initial direct expenditures incurred by the Company.

After the commencement date, the Company assesses the assets under the right-of-use using the cost price method, i.e. assets under the right-of-use is assessed at cost price after deducting all accumulated depreciation and any accumulated impairment losses adjusted for the re-assessment of the lease liability. Assets held under the right-of-use shall be depreciated by a linear method.

The Company shall provide information about the assets under the right of use in the statement of financial position together with fixed tangible assets and shall disclose in detail in the explanatory note.

2.5. Stocks

When registering stocks in accounting, they are estimated at the cost price of acquisition. The cost price of acquisition of stocks shall consist of the purchase price adjusted by the amounts of the discounting of the purchased stocks and the discounts received, the fees and charges related to the purchase, except those that will be recovered later, the expenditures of transporting, storing, insurance on the road, loading, and unloading, preparation for use expenditures, and other expenditures directly related to the acquisition of stocks. Borrowing costs are not included in the cost price.

When calculating the cost price of stocks consumed in production or sold, the Company uses the FIFO method. Inventory consumption or sale is recorded continuously in accounting. Stocks are accounted for at cost price or net realization value, whichever is lower. The net potential realization value is the estimated selling price, under normal business conditions, minus the potential expenditures of selling stocks.

Stocks include: raw materials and materials, consisting of reagents, other materials for conducting tests, fuel, lubricants, spare parts, inventory (not yet put into use in activity), goods held for sale, and other materials.

2.6. Fixed tangible assets held for sale

Fixed tangible assets for sale are fixed tangible assets that are no longer used in the company's activity, the company does not provide for its continuous use later, and are held for sale. These assets are accounted for from the accounting value or fair value minus the estimated expenditures of sales, at the calculated value, whichever is lower.

2.7. Financial assets

Financial assets are classified into the following groups: financial assets accounted for at amortized cost price, financial assets accounted for at fair value, the change in which is reflected in other comprehensive income, and financial assets accounted for at fair value, the change in which is reflected in profit (loss).

The company recognizes a financial asset in its statement of financial condition when it becomes a party to the financial instrument agreement. The purchase or sale of financial assets is recognized or its recognition is terminated using the transaction date.

The assignment of the financial assets at the time of initial recognition depends on the contractual cash flow characteristics of the financial asset and the Company's business model defining the management of the financial asset. With the exception of trade accounts receivable that do not have a significant financing component, the Company shall assess the financial assets at fair value at the time of initial recognition, plus, where the financial assets are not accounted for at fair value through profit (loss), transaction expenditures. Trade accounts receivable that do not include a significant financing component are assessed in accordance with IFRS-15. Transaction expenditures consist of fees and commissions that the Company would not have paid if it had not signed the financial instrument agreement. If the value of a financial asset at the time of initial recognition differs from the transaction price, the difference is recognized in the profit (loss) statement.

After initial recognition, financial assets are classified according to the above categories, based on the business model of the Company's financial assets. The business model applied to a group of financial assets is determined at a level that reflects how the entire managed group of financial assets enables the Company's business objectives to be achieved. The intentions of the Company's management regarding individual financial instruments do not affect the applicable business model. When managing financial assets, a Company may apply more than one business model.

From the perspective of the business model applied to managing a group of financial assets, financial assets are accounted for as follows:

Financial assets assessed at amortized cost price. The company's accounts receivable are accounted for on the basis of a business model in which the purpose of holding financial assets is to collect contractual cash flows, which may include cash flows related to the payment of the principal loan amount and interest. Amortized cost price is the amount at which the financial assets were assessed at initial recognition, minus principal amount repayments, plus or minus accumulated amortization of the difference between the initial and final amounts using the actual interest method, and less any decrease (directly or through an allowance account) related to impairment or non-recovery of debts. Actual interest rate is the rate that exactly discounts estimated future cash outflows or inflows to the net book value of the financial assets over the expected life of the financial instrument or, if necessary, over a shorter period.

When the recognition of the asset is terminated, the asset is replaced or a decrease in value is determined for it, and the profit or loss accrued is recorded in the profit (loss) statement. If a company cannot reasonably expect to recover all or part of a financial asset, it directly reduces the gross value of the financial asset. Write-off is the termination of recognition when the Company cannot reasonably expect to recover the contractual cash flows of all or part of a financial asset.

The company's financial assets, measured at amortized cost price, include short-term trade accounts receivable and other short-term accounts receivable.

Description of accounts receivable. Accounts receivable are non-derivative financial assets with fixed or defined payments that are not traded on an active market. Accounts receivable are initially recognized as the cost price of acquisition (fair value of remuneration paid).

At the date of the financial statements, short-term accounts receivable are accounted for at cost price of acquisition less all expected impairment losses. Depreciated accounts receivable are written off when they are assessed as no longer recoverable.

Description of cash and cash equivalents. Cash and cash equivalents in financial statement articles include cash at the cash desk and money in bank accounts and are accounted for a nominal value. In the company's accounting, monetary assets are registered in the common currency of the European Union – in euros. Cash equivalents are short-term, highly liquid investments that are easily converted into a known amount of money. The risk of changes in the value of such investments is very insignificant.

Termination of recognition of a financial asset, when at least one of the following features occurs: the asset has been sold in such a way that the risks and benefits associated with the asset have been transferred together, the contractual rights to the monetary flows of the instrument have expired, when it is covered or canceled.

Impairment of financial assets: In accordance with the requirements of IFRS-9, the expected credit losses of all financial debts that are not assessed at fair value through profit or loss are assessed at each balance sheet date. Expected credit losses are the weighted average of credit losses, determined taking into account the relevant risk of default, arising from all possible default events over the entire expected life of the financial instrument. If the credit risk of a financial instrument has not increased significantly since initial recognition, the amount of loss on that financial instrument equal to the estimated 12 months of credit losses shall be assessed. Expected credit losses are calculated based on probability (i.e. current value of total cash shortfall) during the expected period of validity of the financial instrument. Cash shortfall is the difference between the cash flows that must be paid to an entity under a contract and the cash flows that the entity expects to receive. When determining expected credit losses, the amount and timing of payments are taken into account, so credit losses occur even if the entity expects to be paid in full, but later than contractually required. Expected credit losses are recognized by assessing whether the probability of default or the increase in risk since initial recognition is significant. The assessment of whether the credit risk of a financial instrument has increased significantly since initial recognition or the assessment of expected credit losses shall take into account:

a) the change in default risk since initial recognition;

b) the expected period of validity of the financial instrument; and

c) reasonable and verifiable information that can be obtained at no excessive expenditures or effort and that is likely to have an impact on credit risk.

The company considers that the debtor has not fulfilled its liabilities in relation to financial assets if agreements are terminated and contractual payments are overdue for more than 365 days, or when there are signs that the debtor is experiencing significant financial difficulties, i.e. liquidation, bankruptcy, or reorganization procedures have been initiated and in cases where the observed data indicate that there is a foreseeable reduction in future cash flows, e.g., the growth of arrears or economic conditions that influence default. Financial assets are written off when there is no reasonable expectation of receiving contractual cash flows (the debtor is liquidated, bankrupt, there is no chance of recovering the agreed amounts without unreasonably high costs or effort, and the debtor does not have the assets to cover its liabilities).

According to the assessment of the company's management, trade accounts receivable do not have a significant financing component, accordingly, trade accounts receivable are subject to a simplified method for calculating expected credit losses. Individual expected credit losses are assessed on the basis of the customer's credit history, expected credit losses and other future factors.

For the calculation of expected credit losses of trade accounts receivable, the Company uses a provision matrix based on past credit losses experience information and expected future factors. It specifies fixed provision rates for individual asset groups, based on the nature of the agreements, the legal form of the entity entering into the agreement, and the nature of the subject matter of the agreement, taking into account the number of days past due for payment of the trade account receivable.

The amount of credit losses in accounts receivable is accounted for through profit (loss) using a counter accounts of impairment receivable or doubtful accounts receivable.

2.8. Equity

The company's equity consists of authorized capital, reserves, and retained profit (loss).

The size of the authorized capital is equal to the sum of the nominal values of all subscribed shares of the company and cannot be less than 1k euros.

The authorized capital of the Company shall be increased by decision of the general meeting of shareholders by issuing new shares or by increasing the nominal value of the shares issued.

The authorized capital can be reduced only for these purposes:

- to eliminate losses recorded on the company's balance sheet;
- in order to cancel the shares acquired by the company;
- in order to pay the company's funds to shareholders;
- to correct mistakes made during the formation or increase of the authorized capital.

The authorized capital shall be reduced by the decision of the general meeting of shareholders by reducing the nominal values of the shares or by canceling the shares.

Increase or decrease of the authorized capital is not recognized as profit or loss in the comprehensive income statement.

Statutory reserve. The Company must establish a statutory reserve, which can only be used to cover the Company's losses. The mandatory reserve shall be formed from the distributable profit of the Company by applying annual deductions of the amount established in the Law on Companies of the Republic of Lithuania. Deductions to the statutory reserve must consist of at least 1/20 of the distributed profit. They must be carried out until the amount of the statutory reserve is 1/10 of the value of the authorized capital. The proportion of the statutory reserve exceeding the specified amount may be reallocated in the distribution of the Company's profit. The statutory reserve used to cover the Company's losses is created anew.

Revaluation reserve. Revaluation reserve (results) is a change in equity as a result of revaluation of fixed tangible assets and financial assets. The revaluation reserve is reduced when the revalued asset is written off, depreciated, impaired, or transferred to other parties. The revaluation reserve cannot reduce the Company's losses.

Other reserves. Other reserves are formed from distributable profit and used to fulfill the specific objectives of the Company. They can be used to cover the company's losses and increase the authorized capital. If other reserves remain unused and are not intended to be used, they may be reallocated for the next financial year.

Retained profit (loss) are formed from comprehensive income of the current year and comprehensive income of the previous periods after deduction of all profit contributions paid to the state budget.

2.9. Description of the principles of accounting for grants, subsidies, and assets received free of charge

Accounting for grants is maintained on an accrual basis, i.e. grants received or portions thereof are recognized as expended in the periods in which the grant-related expenses are incurred. Monetary state subsidies are assessed in the amount of cash and cash equivalents received or receivable.

Grants received in the form of fixed assets or intended for the purchase of fixed assets are considered as grants related to the assets. Asset-related grants shall be recorded in accounting at the indicated value or fair value of the assets received, if the value of those assets has not been indicated. If the reported value of the assets received significantly exceeds its fair value, the grant received and the cost price of acquisition of the assets shall be recorded at the fair value of that assets. The value of the grants is subsequently reduced by the amount of depreciation expenses for that asset recognized in the profit (loss) statement.

The use of grants related to income is shown in the periods when the related expenses are incurred or income is not received, for which the grant or part thereof was allocated to compensate. If the grant cannot be linked to the expenses or income incurred or for future periods, its use shall be recognized for the period in which the grant was received or there was a reasonable assurance or decision that it would be received.

2.10. Financial liabilities

Financial liabilities are recorded in accounting when the Company contractually assumes a liability to pay money or settle other financial asset, or exchange financial instruments and financial liabilities.

The Company's financial liabilities include liabilities for loans received from banks and other credit institutions, trade accounts payable to suppliers and contractors, and other financial liabilities. The Company recognizes the asset receivable and the obligation to pay for it on the date of the trade (transaction formation). At initial recognition, the Company assess the financial liability at its fair value, and in cases where the financial liability is assessed at other than fair value, changes in its value are recognized in profit or loss, with transaction expenses directly attributable to the acquisition or issuance of the financial liability being added or deducted.

At the time of initial recognition, the fair value of a financial liability is usually the transaction price, if the value of the liability is different from the transaction price, then this financial instrument is accounted for as the fair value to be assessed at the quoted price of the same liability on an active market, i.e. only observable data are used for the assessment. The difference between the fair value at the time of initial recognition and the transaction price shall be recognized as profit or loss.

Financial liabilities are grouped according to their subsequent assessment:

- Liabilities are subsequently assessed at amortized cost price;
- liabilities assessed at fair value, the change in which is recognized as profit or loss, provided that such attribution would provide more relevant information.

Financial liabilities are never regrouped.

Recognition of a financial obligation is terminated when it is covered, withdrawn, or expires.

Loans received are recorded at fair value at the beginning, less transaction expenditures incurred. Subsequently, the loan received is accounted for at amortized cost price, and the difference between the received inflows (less transaction expenses) and the repayment value is recognized as profit (loss) over the loan term.

Trade accounts payable are liabilities paid for goods or services provided by suppliers during the normal activity cycle. Trade accounts payable shall be classified as short-term liabilities if they are to be covered over a period of one year or less. Otherwise, they are classified as fixed liabilities. Trade debts are initially recognized at fair value and then assessed at amortized cost price using the calculated interest rate method.

2.11. Corporate tax and deferred corporate tax

Corporate tax. Corporate tax for the reporting period is calculated in accordance with the requirements of the Law on Corporate Tax of the Republic of Lithuania and the established rate. Profit is taxed at a corporate tax rate of 15% and from the 1st of January, 2025, the corporate tax rate will increase to 16%. Corporate tax income or expenses during the reporting period consists of corporate tax for that period and deferred corporate tax. Corporate tax is recognized in the profit (loss) statement, except when registered in equity accounts. The amount of corporate tax payable is offset against corporate tax paid in advance and / or corporate tax overpayment. Corporate tax overpayment is recognized as current assets.

Accumulated tax losses in the Republic of Lithuania, except for losses arising from the transfer of securities and / or derivative financial instruments, may be carried forward for an unlimited period, however, such carry forward shall be terminated if the activity due to which these losses arose is terminated, except in cases where the activity is discontinued for reasons beyond the control of the company. Losses from the transfer of securities and /or derivatives may be incurred for 5 years and covered only from the profit of transactions of the same nature. The amount of tax losses carried over may not exceed 70% of the company's taxable profit for the financial year.

Deferred corporate tax. The article on other fixed assets shows deferred tax assets. Deferred tax assets are corporate tax amounts recoverable in future reporting periods that arise from deductible temporary differences and the carry forward of unused tax losses. Deductible temporary differences are temporary differences that will result in taxable profit being lower than accounting profit (tax losses being higher than accounting profit) in future reporting periods. If deductible temporary differences arise, the Company recognizes a deferred tax asset, but only to the extent that it can reasonably be expected that:

- temporary differences will disappear in the near future;
- there will be taxable profit from which these temporary differences can be deducted as permitted deductions.

Deferred tax assets shall be calculated by applying the corporate tax rate as it should be during the reporting periods when the temporary differences that led to the deferred tax have disappeared.

At each date of the reporting period, the Company reviews and reassesses the deferred tax assets. If, in future reporting periods, the taxable profit is not expected to be sufficient to make use of all unused tax losses, the deferred tax asset shall be reduced or not recognized at all. Deferred tax assets may be offset against each other with a deferred tax liability.

If the book value of an asset is higher or the book value of the liability is lower than its tax base, taxable temporary differences are formed, which give rise to a deferred tax liability. The deferred tax liability is calculated using the corporate tax rate that is expected to apply in the reporting periods when the temporary differences that gave rise to the deferred tax will disappear.

The accounting value of deferred corporate tax shall be reviewed each time a set of financial statements is drawn up and shall be reduced if it is probable that sufficient taxable profit will not be received to utilize for this corporate tax asset.

2.12. Employee benefits

Employee remuneration – any remuneration from the Company to an employee for work performed. The expenses of remuneration to the employee for the work performed and the reimbursed non-working time shall be recognized for the reporting period when the employee performed the work or the reimbursed non-working time occurred, regardless of when the amount calculated will be paid. Severance benefits will not provide economic benefits to the company in the future and are therefore recognized as expenses for the period in which they are incurred.

The expenses and liabilities of remuneration to employees shall be recognized if the Company has a legal liability or irrevocable undertaking to allocate such remuneration to the employee and can assess this liability reliably before the date of the formation of the financial statements.

Each employee of the Company, upon leaving work and reaching retirement age, must be granted a severance benefit of at least 2 months' salary in accordance with the Labor Code of the Republic of Lithuania and the Company's remuneration system. In order to account for this type of liability, accruals are formed taking into account the number of employees, who have reached retirement age as of the date of the financial statements and the amount of their salary for the following 12 months and 2 months, including taxes paid by the Company.

The Company pays social insurance contributions to the State Social Insurance Fund for its employees in accordance with the requirements of the laws of the Republic of Lithuania. These contributions shall be recognized as cost price of sales and common and administrative expenses in accordance with the accrual principle.

2.13. Recognition of income under agreements with customers and expenses

A unified five-step method of recognition for income recognition:

1) Identification of the agreement.
The agreement with the customer is accounted for only when all these criteria are met:
(a) the parties to the agreement have approved the agreement (in writing, orally, or in accordance with other common business practice) and are committed to fulfilling their respective obligations;
(b) it is possible to identify the rights of each party in respect of the goods or services to be transferred;
(c) payment terms can be identified;
(d) the agreement has a commercial basis (i.e. the agreement is likely to change the periodicity or amount of the entity's future

cash flows or the risks associated with them); and

(e) it is likely that the company will receive a reward, the right to which it will have in exchange for goods or services that will be transferred to the customer.

An agreement does not exist if each party to the agreement has a unilateral enforceable right to terminate a completely unfulfilled agreement without giving compensation to the other party. The agreement is completely unfulfilled if the company has not yet transferred any promised goods or services to the customer and has not yet received and is not yet entitled to any remuneration in exchange for the promised goods or services.

Agreements are aggregated into a single agreement if the agreements were negotiated as a set of agreements with a common commercial purpose, or the amount of consideration payable under one agreement is contingent on the price or execution of the other agreement, or the goods or services promised under the agreements (or the particular goods or services promised under each of the agreements) constitute a single common activity liability.

An agreement modification is accounted for when the parties to the agreement approve a modification that creates new or changes existing rights and enforceable liabilities of the parties to the agreement.

2) Identification of activity liabilities. The company recognizes income when it fulfills an activity liability (or as it is being fulfilled) by transferring the promised goods or services (i.e., an asset) to the customer. An asset is transferred when a customer gains (or upon acquisition of) control of that asset. For each activity liability, the company, when entering into an agreement, determines whether it will fulfill the activity liability over a certain period of time (assesses progress) or whether it will fulfill the activity liability at a certain moment in time (applies methods of production or expenses). If an activity liability is not fulfilled within a certain period of time, the activity liability is fulfilled at a certain moment.

3) Determination of the transaction price. The transaction price is the amount of remuneration that the company expects to have in exchange for transferring the promised goods or services to the customer, except for the amounts collected on behalf of third parties (for example, certain sales taxes). The remuneration promised in the agreement with the customer may include fixed amounts, variable amounts, or both types of amounts. The nature, timing, and amount of the remuneration promised by the customer has an impact on the estimate of the transaction price. When determining the transaction price, the following are taken into account:

(a) the effect of variable remuneration;

(b) the impact of variable remuneration limit estimates;

(c) the impact of the existence of a significant financing component in the agreement;

(d) the impact of non-monetary remuneration; and

(e) the impact of the remuneration payable to the customer.

4) Assignment of transaction price to activity liabilities. The transaction price is allocated to each activity liability (or individual good or service). The amount of the transaction price is assigned to reflect the amount of remuneration to which the company expects to be entitled in exchange for the promised goods or services transferred to the customer. The transaction price may include a discount or a variable amount of remuneration, which concerns only a certain part of the agreement. The following methods are used to calculate the selling price:

(a) adjusted market valuation method: the market in which the company sells goods or services is assessed and the price that the customer of that market would agree to pay for those goods or services is calculated;

(b) expected expenses and profit margin approach: anticipating the expected expenses of fulfilling the activity liability and then adding the corresponding profit margin for that good or service;

(c) residual value method: the individual selling price is calculated by subtracting from the total transaction price the sum of the individual selling prices monitored for other goods or services promised in the agreement.

5) Recognition of income. Sales income is recognized when the transfer of goods or provision of services is reflected in the amount that fairly represents the fulfilled promise (liability) and the right to receive consideration in exchange for the goods and services.

If it is expected to recover the additional expenditures of concluding the agreement, which are incurred at the conclusion of the agreement with customers and which would not have been incurred if the agreement had not been concluded, they are recognized as assets. Additional agreements that are incurred regardless of whether the agreement has been concluded and whose assets, if they can be recognized, have an amortization period of one year or less shall be recognized as expenses when they are incurred.

If the expenditures incurred in the performance of the agreement with the customer are not recognized as stocks, fixed tangible or intangible assets, they are recognized as assets if they meet the following criteria:

(a) expenditures are related to the agreement or the intended agreement. They include expenditures for direct work, direct materials, expenditures that are directly related to the agreement or attributed to the customer under the agreement and are incurred only because the agreement was concluded) (costs of agreement management, maintenance, depreciation of tools, equipment used to carry out the agreement, and payments to subcontractors);

b) the expenditures create or increase the company's resources that will be used to meet (or continue to meet) its activity liabilities in the future, and

c) expenditures expected to be recovered.

The agreement asset is amortized, respectively, with the transfer of the goods or services to which this asset relates to the customer.

Common administrative expenditures, expenditures of waste, labor, or other resources for the performance of the agreement that were not included in the agreement price, expenditures related to the performance (or partial fulfillment) of activity liabilities under the agreement and expenditures that cannot be attributed to performance or non-performance liabilities are recognized when they are incurred.

Depending on the relationship between the company's activity and the payment of the customer, when either of the parties to the agreement carried out the activity, the agreement is presented in the statement of financial condition as either an agreement asset or agreement liability. Separately, any unconditional right to remuneration is presented as account receivable.

2.14. Expenses

The Company's expenses are recognized in accounting in accordance with the accrual and comparison principles in the reporting period when the related income is earned, regardless of the time when the money was spent.

The amount of the expenses shall be assessed as a decrease in the economic benefits due to the consumption, sale, loss, and impairment of the asset or the assumption of liabilities during the reporting period, when this results in a decrease in equity, except for its direct reduction.

Only the part of the expenses of the previous and reporting periods that falls on the income earned during the reporting period is recognized as an income. Expenditures that are not related to earning income for the reporting period, but are intended to earn income in future periods, are recorded in accounting and presented in financial deductions as assets. The part of assets intended to earn income in future periods must be assigned to expenses in the specified periods. The amount of expenses shall be assessed by the amount of money paid or payable, excluding VAT.

2.15. Foreign exchange rate conversion

The foreign exchange rate shall be converted into the currency of the financial statements – the euro, using the euro-foreign exchange ratio published by the European Central Bank (ECB), or the euro-foreign exchange ratio published by the Bank of Lithuania in cases where the currency ratio is not published by the ECB.

A foreign currency transaction at the time of initial recognition shall be assessed in the currency of the financial statements at the exchange rate at the date of the transaction.

Business trip expenditures incurred in foreign currency are valued in the financial reporting currency, applying the exchange rate in effect on the date of departure for the business trip.

Currency articles in the statement of financial condition shall be assessed in euros at the exchange rate of the date of the statement.

Differences arising after paying the amounts recorded in currency articles at an exchange rate different from that at the time of initial recognition or the date of the most recent financial statements (if currency articles were recognized in previous financial years) are recognized as income or expenses in the reporting period.

The comprehensive income statement shows only the result of the change in the exchange rate (profit or loss due to the change in the exchange rate).

2.16. Dividends

Dividends are allocated by the general meeting of shareholders upon approval of the annual financial statements. On the 18th of May, 2022, the Government of the Republic of Lithuania, by the resolution No. 509 “On the Approval of the Desired Key Financial Activity Indicators for State-Owned Enterprises for the 2022–2024 Period”, established that the company should pay 70-75% of the distributable profit as dividends. By the order No. 3D-705 “On Approval of the Letter Regarding the State’s Goals and Expectations for UAB “Pieno Tyrimai” of the 22nd of November, 2022 of the Minister of Agriculture, in the approved letter of expectations, specified that the dividends for 2022-2024 must be no less than those established by the Government. The appointment of dividends is recognized as a liability during the period when the dividends are approved by the order of the Minister of Agriculture of the Republic of Lithuania.

2.17. Contingent liabilities and assets

Contingent liabilities are future obligations that may arise from past events and that may be confirmed or negated by uncertain future events not wholly within the control of the company or by present obligations arising from past events. They are not recognized in the financial statements, and the information is contained in an explanatory note. Contingent liabilities shall be reviewed on an ongoing basis.

Contingent assets are possible assets whose existence will be confirmed by the occurrence or non-occurrence of uncertain future events that are not wholly within the control of the entity. Contingent assets shall not appear in the statement of financial condition until it is clear whether they will bring economic benefits to the company. When it is certain that a contingent asset will generate economic benefits, the asset and the related income and expenses are recognized in the financial statements of that period.

2.18. Related parties

Related parties to the company include shareholders, board’s members and close members of their families, the manager of administration and his / her close family members, and state-owned enterprises and institutions that control the company or are jointly controlled or have a significant influence on its management and financial decisions.

2.19. Mutual netting and comparative figures

In the preparation of financial statements, assets and liabilities, as well as income and expenses, are not offset against each other, except in cases where specific International Financial Reporting Standards require such offsetting.

The mutual netting of assets and liabilities shall be carried out if it is established by International Financial Reporting Standards or in cases where the assets and liabilities are related to the same person, where the law provides for or there is an agreement on netting such assets and liabilities and such arrangement is not prohibited by law.

Income and expenses are reported separately in the financial statements. The net result is presented only for certain economic transactions or events (the net result is shown when a specific unit of non-current assets is transferred, when incurred expenses are compensated, or when there is a change in the foreign exchange rate), and only when required by the International Financial Reporting Standards.

2.20. Post-reporting events

Post-reporting events – economic events that occur during the period from the date of the financial statements to the date when the financial statements are prepared for submission for approval and signed by the manager of the Company. All events that occurred after the date of the financial statements are accounted for in the financial statements, if they relate to the reporting period and have a significant impact on the data of these statements. Information on the nature of significant post-reporting events that are not corrective events and the assessment of their financial impact are provided in the notes to the explanatory note.

3. Financial risk management

Financial risk management is the set of strategies and measures designed to identify, assess, and mitigate the potential impact of risk on a company's financial condition. Risk is a natural and integral part of an activity, and the nature of risk is constantly changing. By managing risk, the company seeks to mitigate and reduce it to an acceptable level. The company faces the following financial risks in its activity:

- liquidity risk;
- credit risk;
- market risk.

The company, when managing these risks, seeks to reduce the influence of factors that can negatively affect financial activity results.

1) **Liquidity risk** is the risk that a company will not have sufficient funds to meet its obligations on time. Liquidity risk is managed by matching the size and duration of liabilities and their corresponding investments. The company has accumulated sufficient own funds to cover its obligations to creditors, therefore it does not use additional credit provided by credit institutions. For risk assessment, the company monitors indicators of capital structure, solvency and liquidity, and the impact of individual investment decisions on these indicators. The Company also seeks to optimize cash flows by planning investments and other significant payment terms in line with receipt of income.

Solvency and liquidity indicators monitored by the company:

INDICATOR NAME	Acceptable meaning	31-12-2024	31-12-2023
1. Common liquidity ratio	between 1.2 and 2.0	2.3	2.6
2. Critical liquidity ratio	between 1.0 and 1.5	2.1	2.1
3. Common solvency ratio (Equity / Liabilities), coefficient	critical threshold below 0.5, acceptable value 2.0	3.3	4.5
4. Debt to asset ratio (Liabilities / Assets)	acceptable value up to 0.5	0.2	0.2
5. Debt to equity ratio (Liabilities / Equity)	acceptable value up to 0.5	0.3	0.2

Indicators 1-3 exceed acceptable values, which indicates that the company has a large amount of free working capital. The company holds free funds in fixed-term deposits and the amount of fixed-term deposits is 1,719,621 euros (see note 4.7 of the explanatory note):

2) **Credit risk** arises from the fact that one party to the financial instrument will suffer a financial loss because the other party will not fulfill its obligation. The risk is related to both trade and other accounts receivable and cash held in banking institutions. These risks can affect financial stability.

- The credit risk associated with the balance of funds held in domestic banks shall be managed by holding the funds in those banks whose ratings issued by credit rating agencies are not lower than the higher investment rating. All bank deposits are insured for an amount of 100k euros. Deposits of Lithuanian banks are insured by the State Enterprise "Deposit and Investment Insurance" and the deposits of banks established in foreign countries are insured in insurance companies of those countries. The company's funds held in bank accounts exceed the insured amount of 100k euros (applied to each bank).
- Credit risk related to trade accounts receivable is managed in accordance with the approved procedure for managing the indebtedness of buyers for the services and goods provided by UAB "Pieno tyrimai". Buyers, for who milk tests are performed in accordance with the requirements of the Milk Purchase Rules shall pay for the tests in accordance with the procedure established by the order of the Minister of Agriculture, which provides that UAB "Pieno tyrimai" terminates milk tests for milk processing (purchase) companies that have not paid for the work performed at the specified time, and shall immediately inform the State Food and Veterinary Service and the Ministry of Agriculture of the Republic of Lithuania. Effective management of trade receivable debts in order to reduce the impact of delayed payments on the company's activity allows to ensure the financial stability of the company and avoid liquidity problems. Expected risk assessment of trade accounts receivable
- The credit risk associated with other accounts receivable arises from ensuring that the buyers are eligible for the aid under the requirements of the Rules on Aid for Breeding. Other accounts receivable include the obligation of the National Paying Agency to pay a subsidized 70% of the price of the livestock productivity test service. From the 1st of January, 2025, the company is obliged to collect requests from each beneficiary, which include verification of its compliance with the requirements of the status of the beneficiary.

3) **Market risk** is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to changes in market prices. It includes:

- ***Interest rate risk*** – fluctuations that affect loans and investments. When assuming debt liabilities, the aim is for long-term liabilities to have a fixed interest rate. Currently, the Company has not assumed any long-term debt liabilities and the leasing liabilities concluded in previous reporting periods were completed in May 2024. The Company has concluded fixed-interest term deposit agreements, except for the overnight deposit agreement for the balance of money held in the SWEDBANK current account, the interest on which varies depending on EURIBOR and the amounts held in the current account.

- ***Currency risk*** – the impact of exchange rate changes on financial liabilities and income. Currency risk arises from financial instruments denominated in foreign currency, i.e. other than their functional currency in which they are valued. The effect would be if the company used financial instruments in foreign currency. In 2024, the amount of exchange rate differences recognized as expenses was only 50 euros, so a wider analysis is not carried out.

- ***Other price risk*** – the risk that changes in market prices will affect the result or the value of the financial instruments held. This risk is not considered significant, since the Company does not buy goods on the exchange. May have an indirect impact on the company's activity expenses, profitability, and financial stability. Price increases can lead to higher activity expenditures and lower profit margins, especially if there is no possibility of a proportional increase in service prices. The aim is to ensure financial stability and reduce the negative impact of market fluctuations on the company's activity by the following measures:

- Contractual liabilities – supply agreements are concluded in accordance with the requirements of Public Procurement Laws, agreements are concluded with fixed or indexed prices, which helps to reduce unexpected price fluctuations;
- Efficient use of resources – optimizing production processes and resource allocation to reduce expenses;
- Sales pricing – reviewing service prices to maintain their competitiveness and profitability;
- Risk diversification – investing in new services or products to reduce dependence on certain prices and other market fluctuations.

4. Notes of the explanatory note

The Company presents notes of the explanatory note – significant financial statement articles and the reasons for their changes in the text, indicating brief additional information, and in explanatory tables.

4.1. Fixed assets

4.1.1. Intangible assets

	Patents, licenses	Software	Other intangible assets	In total
Residual value 31-12-2022	**486**	**48,125**	**-**	**48,611**
Cost price of acquisition 31-12-2022	**5,896**	**208,475**	**-**	**214,371**
Changes during 2023				
- acquisition of assets	977	1,305	8,148	10,430
- assets transferred and written off to other people (-)	-	(7,576)	-	(7,576)
a) Cost price of acquisition 31-12-2023	**6,873**	**202,204**	**8,148**	**217,225**
Changes during 2024				
- acquisition of assets	-	182	7,452	7,634
- assets transferred and written off to other people (-)	(446)	(5,500)		(5,946)
b) Cost price of acquisition 31-12-2024	**6,427**	**196,886**	**15,600**	**218,913**
Amortization 31-12-2022	**5,410**	**160,350**	**-**	**165,760**
Changes during 2023				
- amortization of the financial year	223	16,330		16,553
- amortization of assets transferred and written off to other people (-)	-	(7,568)		(7,568)
c) Amortization 31-12-2023	**5,633**	**169,112**	**-**	**174,745**
Changes during 2024				
- amortization of the financial year	154	16,531	1940	18,625
- amortization of assets transferred and written off to other people (-)	(445)	(5,494)		(5,939)
d) Amortization 31-12-2024	**5,342**	**180,149**	**1,940**	**187,431**
Residual value 31-12-2023 (a)-(c)	**1,240**	**33,092**	**8,148**	**42,480**
Residual value 31-12-2024 (b)-(d)	**1,085**	**16,737**	**13,660**	**31,482**

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(All amounts in the tables are in euros unless otherwise indicated)

All intangible assets used in the Company's activity. Amortization of intangible assets accounted for in the comprehensive income statement in articles of cost price of sales and activity expenses.

Fully amortized intangible assets (cost price of acquisition):

	31-12-2024	31-12-2023
Patents, licenses	5,056	5,127
Software	86,798	92,298
In total	**91,854**	**97,425**

4.1.2. Fixed tangible assets

4.1.2.1. Assets owned by the company under ownership right

	Buildings and structures	Vehicles	Other equipment, appliances, tools, and installations	Advances paid and ongoing reconstruction works	**In total**
Residual value 31-12-2022	**935,744**	**270,562**	**653,631**	**15,600**	**1,875,537**
Cost price of acquisition or revalued value 31-12-2022	**2,949,570**	**664,437**	**4,829,099**	**15,600**	**8,458,706**
Changes during 2023					
- acquisition of assets	-	-	648,429	83,751	732,180
- change in value due to revaluation	11,561	-	-	-	11,561
- assets transferred and written off to other people (-)	-	(24,304)	(468,471)	-	(492,775)
- reclassification from one article to another +/(-)	56,751	-	207,420	(56,751)	207,420
a) Cost price of acquisition or revalued value 31-12-2023	**3,017,882**	**640,133**	**5,216,477**	**42,600**	**8,917,092**
Changes during 2024					
- acquisition of assets	-	38,946	179,032	21,323	239,301
- assets transferred and written off to other people (-)	(23,159)	(77,492)	(115,770)	(15 600)	(232,021)
- reclassification from one article to another +/(-)	33,823	-	240,000	(33,823)	240,000
b) Cost price of acquisition or revalued value 31-12-2024	**3,028,546**	**601,587**	**5,519,739**	**14,500**	**9,164,372**
Accumulated depreciation 31-12-2022	**2,013,826**	**393,875**	**4,175,468**	**-**	**6,583,169**
Changes during 2023					
- amortization of the financial year	56,806	36,354	251,718	-	344,878
- amortization of assets transferred and written off to other people (-)		(24,246)	(458,496)	-	(482,742)
- reclassification from one article to another +/(-)	-	-	113,313	-	113,313
c) Amortization 31-12-2023	**2,070,632**	**405,983**	**4,082,003**	**-**	**6,558,618**
Changes during 2024					
- amortization of the financial year	47,956	37,766	296,321	-	382,043
- amortization of assets transferred and written off to other people (-)	(19,772)	(75,523)	(115,759)	-	(211,054)
- reclassification from one article to another +/(-)	-	-	127,500	-	127,500
d) Amortization 31-12-2024	**2,098,816**	**368,226**	**4,390,065**	**-**	**6,857,107**
Residual value 31-12-2023 (a)-(c)	**947,250**	**234,150**	**1,134,474**	**42,600**	**2,358,474**
Residual value 31-12-2024 (b)-(d)	**929,730**	**233,361**	**1,129,674**	**14,500**	**2,307,265**

As of the date of preparation of these reports, the Company has not pledged this asset.

In 2023 The company carried out a revaluation of real property. The assessment was carried out by independent property appraisers, the property valuation agreement was concluded with UAB "Latmas". If the fixed tangible assets had not been revalued, the residual values of the fixed tangible assets would have been as follows:

	31-12-2024	31-12-2023
Buildings and structures	919,643	935,963

The increase in revaluation value increased the equity by 9,827 euros, forming a revaluation reserve, and the deferred corporate tax liability by 1,734 euros.

The company's management did not identify any significant signs of impairment.

Fully depreciated but still in use fixed tangible assets at acquisition or revaluation value:

	31-12-2024	31-12-2023
Vehicles	187,971	233,632
Other equipment, appliances, tools, and installations	2,641,763	2,450,067
IN TOTAL	**2,829,734**	**2,683,700**

4.1.2.2 Assets managed by the Company under the right of use

	Other equipment, appliances, tools, and installations	Land	In total
Residual value 31-12-2022	**265,779**	**4,784**	**270,563**
Cost price of assets held under right of use 31-12-2022	**447,420**	**4,966**	**452,386**
Changes during 2023			
- additions to assets held under right of use	-	-	-
- write-offs	-	-	-
- reclassification from one article to another +/(-)	(207,420)	-	(207,420)
a) Cost price of assets held under right of use 31-12-2023	**240,001**	**4,966**	**244,966**
Changes during 2024			
- additions to assets held under right of use	-	-	-
- write-offs	-	-	-
- reclassification from one article to another +/(-)	(240,000)	-	(240,000)
b) Cost price of assets held under right of use 31-12-2024	**-**	**4,966**	**4,966**
Accumulated depreciation 31-12-2022	**181,642**	**182**	**181,824**
Changes during 2023			
- amortization of the financial year	48,547	91	**48,638**
- write-offs	-	-	**-**
- reclassification from one article to another +/(-)	(113,313)	-	(113,313)
c) Accumulated depreciation 31-12-2023	**116,876**	**273**	**117,149**
Changes during 2024			
- amortization of the financial year	10,624	91	**10,715**
- write-offs	-	-	**0**
- reclassification from one article to another +/(-)	(127,500)	-	(127,500)
d) Accumulated depreciation 31-12-2024	**-**	**364**	**364**
Residual value 31-12-2023 (a)-(c)	**123,124**	**4,693**	**127,817**
Residual value 31-12-2024 (b)-(d)	**-**	**4,602**	**4,602**

Depreciation expenses of fixed tangible assets accounted for in the articles of the cost price of sales and common and administrative expenses of the profit (loss) statement.

4.2. Fixed assets for sale

Change in fixed assets for sale during the reporting period:

	In 2024			In 2023		
	Vehicles	Premises	**In total**	Vehicles	Premises	**In total**
Balance at the beginning of the period	**58**	**193,098**	**193,156**	**869**	**193,098**	**193,967**
Reclassified from fixed assets	1,970		**1,970**	**58**	-	58
Sold	(1,970)	(193,098)	**(195,068)**	(869)	-	(869)
Balance at the end of the period	**58**	**-**	**58**	**58**	**193,098**	**193,156**

4.3. Corporate tax

Deferred corporate tax assets and liabilities were formed as a result of different recognition of expenses in financial and tax accounting. The deferred corporate tax assets are offset against the tax liabilities of the current period, since the company pays corporate tax only to one State Tax Inspectorate of the Republic of Lithuania. Deferred corporate tax as of the 31st of December, 2024, was calculated using the 16% corporate tax rate effective from the 1st of January, 2025, which is expected to be applied when the corporate tax calculation for the recognized corporate tax asset base is actually realized in the tax accounting. Until 31-12-2024, the corporate tax rate was 15%. Changes in deferred corporate tax assets and liabilities during the reporting period:

	31-12-2022	Recognized as corporate tax income (expenses)	Recognized in equity	**31-12-2023**	Recognized as corporate tax income (expenses)	Recognized in equity	**31-12-2024**
Differences in financial and tax value of fixed assets	176,192	(6,498)		169,694	19,807		189,501
Accruals for fulfilling liabilities to employees	67,695	(1,103)		66,592	8,530		75,122
Accumulated expenses	405	-		405	(405)		-
Impairment of trade accounts receivable	2,073	1,735		3,808	(1,049)		2,759
Lease liabilities	718	23		741	47		788
Total deferred tax assets	**247,083**	**(5,843)**		**241,240**	**26,930**		**268,170**
Revaluation of fixed assets		41	(1,734)	(1,693)	180	(101)	(1,614)
Total deferred tax liability		**41**	**(1,734)**	**(1,693)**	**180**	**(101)**	**(1,614)**
Deferred corporate tax, net worth	**247,083**	**(5,802)**	**(1,734)**	**239,547**	**27,110**	**(101)**	**266,556**

(All amounts in the tables are in euros unless otherwise indicated)

The Company's taxable profit differs from the profit before corporate tax calculated in the profit (loss) statement due to the different recognition of expenses and income in financial and tax accounting. The following calculations of corporate tax expenses and corporate tax expenses (income) arising from deferred corporate tax have been made during the reporting period, which affected the Company's net activity result:

	31-12-2024	31-12-2023
Profit (loss) before tax	**416,953**	**323,414**
Tax-free income	*(3,232)*	*(8,712)*
Expenses that reduce taxable profit	*(38,996)*	*(54,003)*
Deductions not allowed	*171,360*	*88,493*
Investment relief	*(99,850)*	*(124,940)*
Taxable profit	446,235	224,252
Corporate tax for the reporting period	**(66,935)**	**(33,638)**
Deferred corporate tax expenses (income)	27,110	(5,802)
Corporate tax income (expenses)	**(39,825)**	**(39,440)**

4.4. Stocks

Total book value of stocks by type of stock:

	31-12-2024	31-12-2023
Stock balance:	**221,321**	**249,947**
- various materials and means for conducting milk tests	66,092	92,126
- reagents	99,604	87,554
- spare parts	38,220	46,399
- inventory and other miscellaneous stocks	13,440	15,756
- fuel and lubricants	2,763	3,745
- materials (alcohol)	1,202	519

There were no stocks held with third parties at the end of the reporting year. The reserves are not pledged.

Value of stocks recognized as expenses to earn the company's income:

	In 2024	In 2023
Stocks recognized as expenses:	**850,931**	**837,828**
- various materials and means for conducting milk tests	219,903	220,725
- reagents	268,258	303,512
- spare parts	89,907	76,891
- inventory and other miscellaneous stocks	112,030	93,638
- fuel and lubricants	160,044	142,301
- materials (alcohol)	789	761

4.5. Advances paid

In the statement of financial condition article advances paid accounted for as payments to suppliers for goods, other current assets, and services that these suppliers will provide to the company within one financial year.

	31-12-2024	31-12-2023
Advances paid	**29,258**	**23,411**
- advances paid for goods and services	9,289	7,456
- future expenses paid	19,969	15,955

4.6. Trade and other accounts receivable

Trade accounts receivable include amounts owed by customers in relation to the Company's trading activity, such as accounts receivable for milk sample quality and composition tests, animal productivity tests, and other related services. The term of repayment of these debts is not more than 12 months. Interest is not charged on accounts receivable. The usual payment term is up to 30 days. The statement of financial condition shows accounts receivable minus the part of hopeless debts and impairment.

Buyers' debts during the reporting period consisted of:

	31-12-2024	31-12-2023
Buyers' debts for milk tests and related services:	**463,233**	**443,832**
For tests and services to milk purchasers	183,175	190,344
For animal productivity tests	194,523	176,885
For tests into measures of the State Food and Veterinary Service	31,752	29,071
For the formation of samples for the tests of cow diseases	-	3004
For tests and services to other buyers	53,783	44,528
Debts of non-resident buyers	**12,186**	**9,748**
Buyers' debts for other services and sales	**271**	**470**
Total trade accounts receivable	**475,690**	**454,050**
Provision for losses	(17,246)	(26,408)
Book value of amounts of trade accounts receivable	**458,444**	**427,642**

Expected credit losses recognized as impairment of trade accounts receivable:

	In 2024	In 2023
Balance for the beginning of the year	**26,408**	**13,820**
Increase in impairment losses	-	12,588
Credit loss recovery (-)	(9,162)	-
Balance at the end of the year	**17,246**	**26,408**

Uses a provision matrix to calculate expected credit losses for trade debts receivable, taking into account past credit loss experience information and the overdue payment terms of accounts receivable.

The following provision matrix was used to calculate expected credit losses:

Overdue payment term, in days	Agreements with institutions	Agreements for the provision of animal productivity test services with natural people	All other trade accounts receivable
Not overdue	0%	1%	0.1%
up to 30	0%	3%	0.7%
31-90	0%	5%	1%
91-120	0%	10%	2%
121-180	0%	15%	3%
181-365	0%	25%	20%
366 and above	0%	100%	100%

Aging analysis of trade accounts receivable to assess expected trends in credit losses:

			The term has not yet expired	Overdue						In total
				up to 30	31-90	91-120	121-180	181-365	>366	
Balance as of 31-12-2024:			**320,425**	**73,100**	**48,329**	**8,585**	**6,343**	**8,213**	**10,695**	**475,690**
Milk purchasers' debts for test and services			155,931	16,449	9,212	1,322	260	-	-	**183,174**
Under agreements with institutions			31,752	-	-	-	-	-	-	**31,752**
Buyers performing animal productivity tests	number of tests	farmers	62,769	23,125	17,495	4,667	5,730	8,041	10,695	**132,522**
		companies	39,495	13,227	6,706	2,049	353	172	-	**62,002**
Debts of non-resident buyers			7,506	4,063	618	-	-	-	-	**12,187**
Other buyer debts			22,972	16,236	14,298	547	-	-	-	**54,053**
Balance as of 31-12-2023:			**302,352**	**79,155**	**27,824**	**5,766**	**8,292**	**13,805**	**16,856**	**454,050**
Milk purchasers' debts for test and services			156,451	32,096	275	-	-	1,522	-	**190,344**
Under agreements with institutions			29,071	-	-	-	-	-	-	**29,071**
Buyers performing animal productivity tests	number of tests	farmers	56,081	20,415	18,167	5,380	8,034	11,964	16,797	**136,838**
		companies	28,158	7,293	3,670	289	258	319	59	**40,046**
Debts of non-resident buyers			8,909	648	94	97	-	-	-	**9,748**
Other buyer debts			23,682	18,703	5,618	-	-	-	-	**48,003**
Change			**18,073**	**(6,055)**	**20,505**	**2,819**	**(1,949)**	**(5,592)**	**(6,161)**	**21,640**

Trade accounts receivable provision for losses (expected credit losses) 31-12-2024:

Overdue payment term, in days	Average provision rate	Trade accounts receivable				Provision for losses			
		Agreements with institutions	Agreements for the provision of animal productivity test services with natural people	All other trade accounts receivable	**In total**	Agreements with institutions	Agreements for the provision of animal productivity test services with natural people	All other trade accounts receivable	**In total**
Not overdue	0.3%	31,752	62,769	225,904	**320,425**	-	628	226	**854**
up to 30	1.4%	-	23,125	49,975	**73,100**	-	694	349	**1,043**
31-90	2.4%	-	17,495	30,834	**48,329**	-	875	308	**1,183**
91-120	6.3%	-	4,667	3,918	**8,585**	-	467	78	**545**
121-180	13.8%	-	5,730	613	**6,343**	-	860	18	**878**
181-365	24.9%	-	8,041	172	**8,213**	-	2,014	34	**2,048**
366 and above	100%	-	10,695	0	**10,695**	-	10,695	0	**10,695**
In total	3.6%	**31,752**	**132,522**	**311,416**	**475,690**	-	**16,233**	**1,013**	**17,246**

When a buyer is recognized as an economic entity experiencing difficulties (there are signs of bankruptcy, liquidation, the provision of services has been terminated and the payment has not been made for more than 365 days, etc.), the debt is recognized as hopeless. In 2024, the Company recognized 14,571 euros in losses due to the recognition of debts of buyers experiencing difficulties as bad, of which 4,508 euros was written off. In 2023, these losses amounted to 2,790 euros, and 984 euros was written off.

The other accounts receivable item shows all amounts receivable within 12 months from the date of preparation of the financial statements that are not presented in other lines of the statement of financial condition.

Other accounts receivable include:

	31-12-2024	**31-12-2023**
National Paying Agency (aid to farms for breeding activity)	183,126	152,613
Accumulated interest on fixed-term deposits	7,088	2,925
Other accounts receivable	650	1,534
Total balance:	**190,864**	**157,072**

In 2024 and in 2023, expected credit losses for other accounts receivable were not recognized.

(All amounts in the tables are in euros unless otherwise indicated)

4.7. Fixed-term deposits

	Deposit amount, in euros	Annual interest, %	Beginning	End
Fixed-term deposit of one night	319,621	changes	05-12-2023	
Fixed-term deposit of 5 months	300,000	2.5%	27-12-2024	26-05-2025
Fixed-term deposit of 10 months	100,000	2.5%	15-11-2024	15-09-2025
Fixed-term deposit of 12 months	300,000	3.5%	09-05-2024	10-05-2025
Fixed-term deposit of 12 months	100,000	3.30%	09-05-2024	09-05-2025
Fixed-term deposit of 12 months	300,000	2.25%	09-05-2024	09-05-2025
Fixed-term deposit of 12 months	300,000	2.2%	27-12-2024	27-12-2025
	1,719,621			

4.8. Cash and cash equivalents

	31-12-2024	31-12-2023
Cash in cash register	5,436	5,550
Money in bank accounts	409,100	440,422
In total	**414,536**	**445,972**

The Company had no cash pledged as of the 31st of December, 2024 and 2023. The credit risk associated with funds in banks is low, since all monetary transactions are carried out and funds are held in banks with high long-term borrowing ratings issued by international rating agencies.

4.9.Equity

Authorized capital. The authorized capital of the company is divided into 3,784,731 ordinary registered shares with a nominal value of 1.0 euro each. The shares are 100% owned by the State of the Republic of Lithuania, and their manager is the Ministry of Agriculture of the Republic of Lithuania. During the reporting period, the authorized capital of the company did not change.

Reserves *Statutory reserve* compiled in accordance with the requirements established by the laws of the Republic of Lithuania. At least 5% of the distributable profit is transferred to the statutory reserve until it reaches 10% of the authorized capital. The statutory reserve cannot be used to pay dividends and is only created to cover future losses. As of the reporting date, the statutory reserve has not been fully formed and amounted to 3.0% of the value of the Company's authorized capital.

The revaluation reserve is the amount of the increase in the value of real property obtained from the revaluation of the asset. The revaluation reserve shall be reduced when the revaluated assets are sold, written off, or transferred to the state or municipality. The revaluation reserve cannot reduce the Company's losses. The revaluation reserve may be used to increase the authorized capital.

Other reserves are formed from distributable profit and are used to implement specific company objectives adopted by the general meeting of shareholders. They can also be used to cover company losses and increase authorized capital.

Results of changes in the company's *reserves*:

	Statutory reserve.	Revaluation reserve	Other reserves	In total
Reserve balance 31-12-2022	**77,143**	**-**	**30,581**	**107,724**
Transfers to profit distribution			(30,581)	(30,581)
Formed reserves after profit distribution	19,000		9,195	28,195
Change in real property value after revaluation		9,827		9,827
Depreciation of changes in the value of real property due to revaluation		(233)		(233)
Reserve balance 31-12-2023	**96,143**	**9,594**	**9,195**	**114,932**
Transfers to profit distribution			(9,195)	(9,195)
Formed reserves after profit distribution	18,000			18,000
Change in real property value after revaluation		(1,120)		(1,120)
Reserve balance 31-12-2024	**114,143**	**8,474**	**-**	**122,617**

4.10. Profit distribution project

	Amount
Retained profit (loss) at the end of the reporting financial year for the previous financial year	34,000
Net profit (loss)for the reporting financial year	377,128
Profit (loss) not recognized in the profit (loss) statement for the reporting financial year	1,019
Distributable profit (loss) 31-12-2024	**412,147**
Transfers from reserves	0
Total distributable profit (loss)	**412,147**
Profit distribution:	**371,325**
5,939 Part of profit allocated to the statutory reserve	21,000
5,939 dividends	350,325
Retained profit (loss), carried over to the next financial year	**40,822**

The company's **profit** is distributed by the general meeting of shareholders when it approves the annual set of financial statements.

4.11. Dividends

During the reporting period, the Company paid the following dividends approved by shareholders to the state budget:

	In 2024	**In 2023**
Approved dividends for the results of the previous year	305,960	278,260
The amount of dividends approved by shareholders for the previous year	**305,960**	**278,260**
Dividends paid to the state budget	305,960	278,260
Balance of outstanding dividends at the end of the reporting period	-	-
Approved dividends for the reporting year	**350,325**	**305,960**

85% of the amount of distributable profit was allocated for dividends for 2023, and 85% of the amount of distributable profit is also proposed for approval for 2024.

(All amounts in the tables are in euros unless otherwise indicated)

4.12. Grants and subsidies

The company conducts dairy animal productivity tests, 70% of the price of which is paid to the Company by the National Paying Agency under the Ministry of Agriculture of the Republic of Lithuania. In this way, the state subsidizes the breeding activity of dairy farms. These subsidies are recognized by the Company as income for the period when the services are performed. The following amount of subsidies was recognized as income:

	In 2024	In 2023
Subsidy for farms investigating the dairy animal productivity	**2,258,968**	**1,882,489**

4.13. Benefit liabilities for employees

	31-12-2024	31-12-2023
Liabilities related to employment relations	**1,090,261**	**757,225**
Holiday accumulations	389,593	348,737
Payable salary	184,354	171,392
Salary taxes	116,100	107,888
Accruals for employee promotion	320,297	34,000
Accruals for severance pay upon retirement	79,917	95,208

Accruals for severance pay for employees leaving the company upon reaching retirement age is provided for employees, who have reached retirement age while working for the Company or will reach retirement age within the next twelve months after the preparation of these reports

4.14. Trade accounts payable

Trade accounts receivable do not exceed 30 days payment terms.

	31-12-2024	31-12-2023
Trade accounts payable	**74,833**	**35,758**
Accounts payable for fuel	17,563	17,898
Accounts payable for various repairs	45,701	8,490
Other trade accounts payable	11,569	9,370

4.15. Other accounts payable and current liabilities

	31-12-2024	31-12-2023
Other accounts payable and current liabilities	**111,385**	**97,200**
Taxes payable (excluding corporate tax)	96,041	82,804
Accumulated expenses	14,774	13,084
Other current liabilities	570	1,312

4.16. Lease liabilities

Activity lease agreements are accounted for as financial lease in accordance with the requirements of IFRS 16. The right to lease is accounted for to fixed tangible assets and disclosed in note 2.2 of 4.1. No new activity lease agreements were concluded during the reporting period. Long-term ***activity lease*** agreements as of the reporting date:

	Land lease
Lease period	From 01-07-2006 to 30-06-2075
Interest rate, %	6.9
Book value of activity lease liability 31-12-2022	**4,947**
Interest expenses	341
Lease payments	(352)
Book value of activity lease liability 31-12-2023	**4,936**
Interest expenses	341
Lease payments	(352)
Book value of activity lease liability 31-12-2024	**4,925**

Short-term activity lease and low-value lease are exempted from IFRS 16 and therefore this lease is accounted for activity expenses. The Company has entered into short-term lease agreements for premises for the administrative needs of animal productivity test units. The Company has elected not to recognize the right to lease for this asset. Activity lease expenses recognized in profit (loss) statement:

	In 2024	In 2023
Activity lease expenses	**18,893**	**17,716**
Premises for animal productivity test units (lease agreement of 21 premises)	18,893	17,576
Other short-term lease	-	140

4.17. Contingent and off-balance sheet liabilities

Information about leased or loaned for use and other third-party assets:

		Lease fee	Loan for use / lease period
Miscellaneous equipment (loan for use)	1,893 euros	-	indefinite
Passenger cars (loan for use)	98 units	-	indefinite

The Company does not have guarantees granted or irrevocably (irrevocably) promised.

4.18. Income under agreements with customers

Sales income is grouped according to the purpose and nature of the services performed:

	In 2024	In 2023
Income from laboratory activity	3,025,742	3,128,064
Income for animal productivity tests	3,395,774	2,798,458
Income for other services and sales	252,110	236,660
In total	**6,673,626**	**6,163,182**

Sales of the company to Latvian and Estonian buyers in 2024 was for 121,684 euros and in 2023 was for 118,180 euros.

(All amounts in the tables are in euros unless otherwise indicated)

4.19. Expenses

Expenses assigned to the cost price of sales of the company by their nature:

		In 2024	In 2023
1.	**VARIABLE**	**2,745,552**	**2,783,548**
	Test materials and tools	675,464	668,321
	Salary and social insurance	2,070,088	2,115,227
2.	**CONSTANT**	***2,141,008***	***1,990,385***
	Transport (fuel, repair and operation, and other expenses)	266,923	225,114
	Salary and social insurance	1,110,920	1,056,148
	Depreciation of premises and equipment	376,311	371,657
	Equipment operation	185,583	134,315
	Utilities and other facility maintenance	108,444	119,865
	Administrative tools: office, postal, telephone, business trips, etc.	14,503	10,734
	Others (insurance, advertising, taxes, inventory, technical maintenance, etc.)	78,324	72,552
	IN TOTAL	**4,886,560**	**4,773,933**

The following staff-related expenses are included in the cost price of sales and activity expenses:

	In 2024	In 2023
Salary	3,641,773	3,401,547
Incentive benefits	122,754	330,508
Social insurance (employer)	79,723	79,270
Daily allowances (business trips)	2,853	1,694
Qualification improvement expenditures	27,943	30,935
Severance benefits and compensations	76,885	36,125
Accruals for severance pay, vacation, and incentives	311,862	26,645
Compensation for work of a movable nature	-	37,404
Allowances (incapacity for work, burial and others)	7,577	26,058
In total	**4,271,370**	**3,970,186**

4.20. Other activity results

Income and expenses from other activity include:

	In 2024	In 2023
Result of other activity (income / (expenses)):	**18,433**	**2,927**
Profit from the sale of fixed assets	16,448	-
Profit from the sale of fixed assets	(1,148)	(449)
For dispatch services	2,147	2,880
Training service	510	
Other income	478	498
Other expenses	(2)	(2)

4.21. Financial activity results

	In 2024	In 2023
Financial activity results (income / (expenses)):	**29,436**	**5,713**
Interest on fixed-term deposits	29,327	**7,796**
Interest (financial lease)	(164)	(2,114)
Interest on activity lease liabilities	(341)	(341)
The amount of exchange rate differences recognized as income		2
The amount of exchange rate differences recognized as expenses	(50)	(99)
Income from fines and late payment interest	664	469

4.22. Related parties

Related parties. The company is controlled by the Republic of Lithuania, represented by the Ministry of Agriculture of the Republic of Lithuania. Related party transactions and debt balances, including liabilities, include relationships and transactions with the shareholder and all state-controlled or significantly influenced entities and institutions, and with management and their close family members, where these transactions are material. For the purposes of disclosure of related parties, the Republic of Lithuania does not cover the routine activity of central and local government institutions. Transactions with ***related people*** and related debt balances:

Related party	Nature of relations	Nature of the transaction	Sales income In 2024	Accounts receivable balance 31-12-2024	Advance received balance 31-12-2024	Sales income In 2023	Accounts receivable balance 31-12-2023	Advance received balance 31-12-2023
the order No. 3D- of the Republic of Lithuania	control	milk tests	808,285	-	4,086	876,003	-	2,896
National Paying Agency under the Ministry of Agriculture	joint control	aid to farms	2,258,968	183,126	-	1,882,489	152,613	-
State Food and Veterinary Service	joint control	milk tests	280,035	31,752	-	321,827	29,071	-
National Food and Veterinary Risk Assessment Institute	joint control	sample formation	-	-	-	39,378	3,005	-
In total			**3,347,288**	**214,878**	**4,086**	**3,119,697**	**184,689**	**2,896**

The largest part of the income was paid to the company by the National Paying Agency under the Ministry of Agriculture of the Republic of Lithuania, which administers aid to dairy animal keepers by paying 70% of the expenditures of dairy animal productivity tests.

Salary and other benefits of management employees.

The salary of the Company's director is paid in accordance with the requirements of Resolution No. 1341 "On the Remuneration for Work of Executives of State-Owned Enterprises" of the Government of the Republic of Lithuania of the 23rd of August, 2002. The company's management staff include: director, chief financial officer, quality system manager, laboratory manager, and heads or managers of departments (units). Benefits for management staff during the reporting period:

	In 2024	In 2023
Benefits for management employees related to employment relations:	**705,796**	**583,911**
Salary	539,313	462,256
Incentive benefits	144,424	107,976
One-off allowances	5,081	3,211
Severance benefits and compensations	4,184	-
Social security contributions paid by the employer	12,794	10,468
Average number of managing employees	**19**	**21**

Remuneration paid to board's members:

	In 2024	In 2023
Number of board's members for the reporting date	5	5
of which: number of independent board's members	*3*	*3*
Amount of remuneration allocated	98,590	55,920
Amount of remuneration paid	62,125	35,220
Average monthly allocated remuneration	1,643	932

Other benefits, loans, liabilities, guarantees, and other significant amounts or transferred assets were not paid, calculated, or granted to the management of the Company.

4.23. Post-reporting events

There were no events after the reporting period that had a significant impact on the company's operations and its continuity.