

**UKRAINIAN SAWMILL HOLDING COMPANY
LIMITED**

**Financial statements in accordance with International
Financial Reporting Standards**

for the year ended 31 December 2022 with Management report
and Independent auditor's report

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I. COMPANY'S ORGANIZATION AND OPERATIONS

Company's background information

UKRAINIAN SAWMILL HOLDING COMPANY Limited Liability Company (EDRPOU 39325379) ("the Company") was established and registered according to the legislation on 29 July 2014. Legal entity location is 01054 Kyiv, 38 Yaroslaviv Val Street. Production facilities location is 11501, Zhytomyr oblast, Korosten, 11-T S. Kemsokho Street. The Company's production facilities are among the largest in Europe and are located on an area of 51.6377 hectares.

The Company's main activity under KVED 16.10 is "Sawmilling and planing of wood". As at the date of preparation of the report, the Company has no separate divisions, branches, etc.

The merger of REZULT HOUSE LLC and BF PROJECT LLC through the procedure of liquidation of a legal entity by means of accession was completed during 2022.

The Company's share capital amounts to UAH 953,673 thousand and is distributed among the participants as follows:

Participant's name	Participant's share in the authorized capital (UAH'000)	% in the authorized capital
PJSC VCENCI FUND Unibudinvest	763,674	80.0771%
Yurusheva Nataliya Dmytrivna	47,500	4.9807%
Zholynska Anastasiya Leonidivna	47,500	4.9807%
Yurusheva Yelizaveta Leonidivna	47,500	4.9807%
Giourousef Leonidas	47,498	4.9805%
Rezult Ukraine LLC	1	0.0001%
TOTAL:	953,673	100%

The Company's ultimate beneficial owners are:

Giourousef Leonidas, a citizen of Greece
Yurusheva Nataliya Dmytrivna, a citizen of Ukraine
Zholynska Anastasiya Leonidivna, a citizen of Ukraine
Yurusheva Yelizaveta Leonidivna, a citizen of Ukraine

Company's operations and products

The Company's main activities are:

KVED 16.10 Sawmilling and planing of wood (main).
KVED 16.23 Manufacture of other builders' carpentry and joinery.
KVED 46.13 Agents involved in the sale of timber, building materials and sanitary products.
KVED 80.10 Private security activities.
KVED 46.73 Wholesale of wood, construction materials, and sanitary equipment.
KVED 46.90 Non-specialized wholesale trade.
KVED 49.41 Freight transport by road.
KVED 68.20 Rental and operating of own or leased real estate.
KVED 35.30 Steam, hot water and air conditioning supply.

The main products manufactured by the Company are edged lumber: board, squared timber, beam and other related products.

The by-products of the Company's sawmill production are technological wood chips, sawdust, which are the raw materials for producing biofuel - pellets. Pellets are cylindrical granules of standard size. High-quality pellets are used for heating residential buildings by burning in solid fuel boilers, stoves and fireplaces.

Applicability of lumber produced by the Company.

Edged lumber plays a special role in construction works as the one easy to expose to mechanical processing. Edged lumber is used in the construction of houses and bathhouses, for roofing works, for decorating works, and to make doors, windows, floors, walls and stairs. Also, the Company's materials are used in furniture production, to make packaging products. Some products are suitable for laying the floor, some for load-bearing structures, and some are appropriate for decoration of residential and non-residential buildings.

The applicability of lumber depends on its size and grade. Each grade has its properties: resistance to moisture, to drying, strength.

Pine lumber is very easy to use. Its specific properties are:

- light weight (no additional load on the foundation).
- high strength (can be used both for processing and for creating load-bearing structures).
- easy and convenient installation.
- easy processing (allows making parts of various shapes with ease).
- excellent sound insulation.
- low thermal conductivity.
- resistance to deformation and decay.
- resistance to moisture.

The Company's products are exported to more than 25 countries worldwide, the shares of the key product buyer countries in 2022 are given below:

Italy	Romania	Poland	Austria	Greece	Germany	Czech Republic	Bulgaria	Estonia	Turkey	India	Latvia	Japan	Korea
32.1%	14.7%	11.1%	8.3%	6.5%	5.5%	4.1%	3.6%	3.4%	1.8%	1.7%	1.5%	1.1%	1.0%

Raw material purchases

The Company purchases its forest raw materials from the state forest farms in 9 regions of Ukraine: Zhytomyr, Kyiv, Rivne, Chernihiv, Khmelnytskyi, Volyn, Sumy, Poltava oblast. In 2022, forest raw materials were sourced from 26 forest farms.

Since 18 March 2021, Ukrainian Sawmill Holding Company LLC is included in the multi-site FSC certification, in which all participating sites have a single FSC certificate code: FC-COC-804480. The below standards were followed during the 2021 multi-site certification: FSC-STD-40-004 V3-0 - *Chain of Custody Certification*; FSC-STD-40-003 V2-1 - *Chain of Custody Certification of Multiple Sites*.

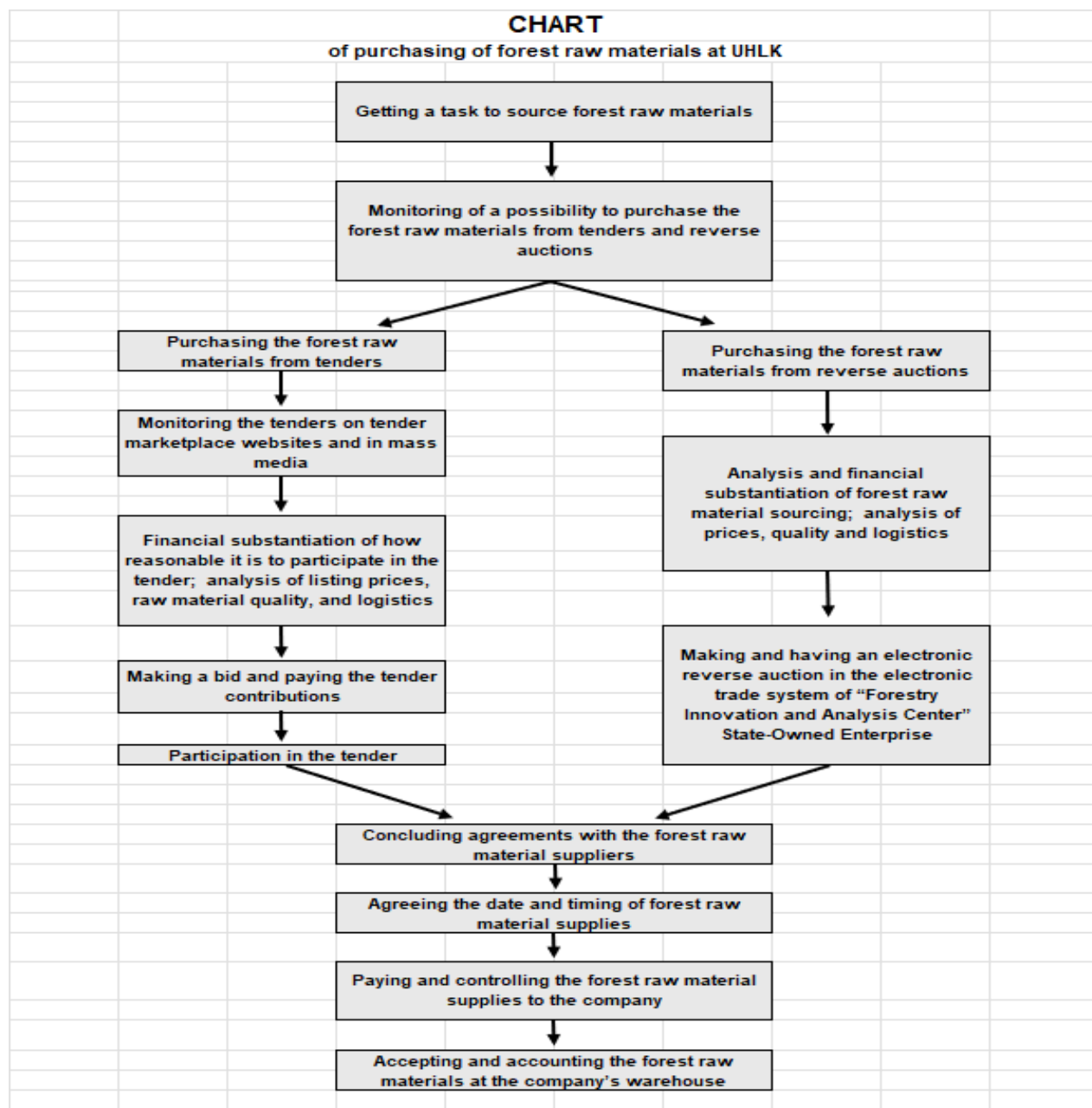
UHLK LLC monitors the validity of the suppliers' certificates during the recognition of forest raw materials. During 2022, the ratio of forest raw material supply amounts was: 65% - FSC certified, and 35% - non-certified.

No.	Forest farm	No.	Forest farm
1	"Baranivka Forest and Hunting Farm" State-Owned Enterprise	14	"Ovruch Special-Purpose Forest Farm" State-Owned Enterprise
2	"Bilokorovytske" State-Owned Enterprise	15	"Radomyshl Forest Farm" State-Owned Enterprise
3	"Vyschedubechanske Forest Farm" State-Owned Enterprise	16	"Slovehanske Forest Farm" State-Owned Enterprise
4	"Horodnytske Forest Farm" State-Owned Enterprise	17	"Korostyshiv Forest Farm" State-Owned Enterprise
5	"Hadiach Forest Farm" State-Owned Enterprise	18	"Makariv Forest Farm" State-Owned Enterprise
6	"Horodnia Forest Farm" State-Owned Enterprise	19	"Narodychi Special-Purpose Forest Farm" State-Owned Enterprise
7	"Ivankivske Forest Farm" State-Owned Enterprise	20	"Olevsk Forest Farm" State-Owned Enterprise
8	"Kyiv Forest Farm" State-Owned Enterprise	21	"Pereyaslav-Khmelnytsky Forest Farm" State-Owned Enterprise
9	Klavdiivska Research and Production Forestry Station (renamed from "Klavdiyevе Forest Farm" State-Owned Enterprise)	22	"Polissya Forest Farm" State-Owned Enterprise
10	"Korosten Forest and Hunting Farm" State-Owned Enterprise	23	"Poltava Forest Farm" State-Owned Enterprise
11	"Dymer Forest Farm" State-Owned Enterprise	24	"Teterivske Forest Farm" State-Owned Enterprise
12	"Yemilchynske Forest Farm" State-Owned Enterprise	25	"Fastiv Forest Farm" State-Owned Enterprise
13	"Luhyny Forest Farm" State-Owned Enterprise	26	"Boryspil Forest Farm" State-Owned Enterprise

Round lumber sourcing by geography:



Process of purchasing of forest raw materials



The Company's organizational structure

The Company's management:

The Company's management:

Director, persons subordinate to the Director:

- Production Director: persons subordinate to the Production Director are shift supervisor, formwork panel production section, shop No.5; supervisor, beam production section, shop No.5; production supervisor, CLT production section, shop No.5.
- Chief Mechanic: persons subordinate to the Chief Mechanic are deputy chief mechanic; chief mechanic of shops No.5 and No.7; group mechanical engineer; head of the repair team; senior production mechanic; senior mechanic of the mechanical repair sector, shop No.3.
- Chief Industrial Engineer: persons subordinate to the Chief Industrial Engineer are deputy head of the forest raw material sourcing department.
- Financial and Economic Security Analyst.

- Chief Accountant: persons subordinate to the Chief Accountant are deputy chief accountant, accountant.
- Director of Production Section, shop No.3: persons subordinate to the Director of Production Section, shop No.3, are deputy director of production section, shop No.3; chief industrial engineer.
- Head of Lumber Grading Section: persons subordinate to the Head of Lumber Grading Section are shift supervisors.
- Head of Lumber Production Section: persons subordinate to the Head of Lumber Production Section are head of the lumber warehouse; production planning sector expert.
- Chief Power Engineer; persons subordinate to the Chief Power Engineer: senior power engineer; head of the automation service; senior specialist in information technologies; heating engineer of the boiler house; engineer for the operation of structures and equipment of the water and sewage utilities.
- Acting Head of Truck Fleet - Transportation and Freight Forwarding Manager.
- Head of Occupational Safety and Health Department: persons subordinate to the Head of Occupational Safety and Health Department are occupational safety engineer; ecologist; paramedic; senior medical nurse; medical nurse.
- Acting Head of Fire and Rescue Department - Senior Fire Safety Specialist.
- Head of HR Department: persons subordinate to the Head of HR Department are HR managers.
- Head of Commerce Department; persons subordinate to the Head of Commerce Department are logistics specialist; foreign economic activity manager; senior agent for customs clearance of cargoes and goods; supply manager; supply specialist.
- Head of Legal Department.
- Head of Treasury Department.
- Deputy Director for Business Issues.
- Head of Quality Control Department - quality control department specialist; head of laboratory.
- Head of Inventory Stock.
- Head of Security Service.
- Head of Production Scheduling and Financial Department: persons subordinate to the Head of Production Scheduling and Financial Department are economist; specialist.
- Pellet Production Director, shop No.7: persons subordinate to the Pellet Production Director, shop No.7, are Chief Industrial Engineer.
- Deputy Director for Construction: persons subordinate to the Deputy Director for Construction are civil and construction supervision engineer
- Archivist.
- Assistant Director.

The Company consists of:

1. Lumber Production Section, which consists of:
 - 1.1 production planning sector.
 - 1.2 production sector of lumber sawing.
 - 1.3 production sector of grading and packing.
 - 1.4 production sector of kilns.
 - 1.5 pallet manufacture section.
 - 1.6 lumber warehouse.
 - 1.7 sharpening sector.
 - 1.8 pallet manufacture sector.
2. Lumber sorting section.
3. Chief Power Engineer Department, which consists of:
 - 3.1. Automation Service.
 - 3.2. Power Supply Service.
 - 3.3. Information Technology Service.
 - 3.4. Boiler house.
 - 3.5. Energy sector, shop No.3.
4. Mechanical Service, which consists of:
 - 4.1 mechanical repair sector, shop No.3.
 - 4.2 mechanical repair sector, shop No.5.

- 4.3 mechanical repair sector, shop No.7.
5. Administration.
 6. Truck Fleet.
 7. Environment and Labor Safety Department.
 8. Fire and Rescue Department.
 9. HR Department.
 10. Commerce Department.
 11. Forest Raw Material Sourcing Department.
 12. Treasury Department.
 13. Department of Business Issues.
 14. Legal Department.
 15. Quality Control Department.
 16. Accounting Department.
 17. Inventory Stock.
 18. Security Service.
 19. Production Scheduling and Financial Department.
 20. Production section of shop No.3, which consists of:
 - 20.1 Ledinek end-jointing section.
 - 20.2 Salvador optimization section.
 - 20.3 Waco section.
 - 20.4 Bottene end-jointing section.
 - 20.5 glued panel section.
 21. Production section of shop No.5, which consists of:
 - 21.1 formwork panel production section.
 - 21.2 beam production section.
 - 21.3 CLT production section.
 22. Pellet production shop No.7, which consists of:
 - 22.1 pellet production section.
 - 22.2 pellet packing section.

The Company's management bodies according to the Charter

The highest management body of the Company is the General Meeting of participants. It consists of the Company's participants or their representatives. The representatives can be appointed by the Company's participants permanently or for some specific period. Each participant may replace their representative at the General Meeting of participants at any time notifying other participants thereof. Any participant of the Company may transfer their powers at the meeting to another Company's participant or this participant's representative. The participants have the number of votes proportional to the size of their shares in the authorized capital. The Company's General Meeting of participants appoints the Company's CEO.

The exclusive competence of the General Meeting of the Company's Participants is to:

Determination of the Company's main areas of operations, and approval of the respective plans and reporting on their implementation:

- 1) determination of the Company's main areas of operations.
- 2) making amendments to the Company's charter, deciding on the Company's operations to be based on the model charter.
- 3) changing the size of the Company's share capital.
- 4) approval of the monetary valuation of the participant's in-kind contribution.
- 5) re-allocating of the shares among the Company's participants where provided for by the Law.
- 6) electing the sole executive body of the Company or members of the collective executive body (all, or one or more of them separately), setting the amount of remuneration payable to the members of the Company's executive body.
- 7) determining the forms of control and supervision over the activities of the Company's executive body.
- 8) initiating the other bodies of the Company, determining their operational procedure.
- 9) deciding on the Company's acquisition of a participant's share (in full or in part).
- 10) approving of the Company's operational performance results for a year or another period.
- 11) distributing the Company's net profit, deciding to pay dividends.
- 12) making decisions on separation, merger, division, consolidation, liquidation and transformation of the Company, appointing the termination (liquidation) commission, approving the procedure for the Company's

termination, approving the procedure for the distribution of the residual property among the participants of the Company in the event of the Company's liquidation after the satisfaction of all creditors' claims, approving the Company's liquidation balance sheet.

13) making other decisions the legislation attributes to the competence of the General Meeting of participants. The exclusive competence of the General Meeting of the Company's participants may include other issues.

The executive body of the Company, which manages its current operations, is the Director.

The Director addresses all issues of the Company's activities, except for those that fall within the exclusive competence of the General Meeting of participants. The General Meeting of the Company's participants may decide to transfer part of their powers to the competence of the Director.

The Director is accountable to the General Meeting of participants and provides for the implementation of their decisions. The Director does not have the right to make any decisions that are binding on the Company's participants.

The Director is elected for a one (1) year term. Annually, the General Meeting of the Company's participants decides on the Director's appointment or removal or extension of the Director's powers. The Director acts on behalf of the Company within the limits established by the law of Ukraine and the constituent documents.

The Director has the right to act on behalf of the Company without the power of attorney.

The Director may not be the chairperson of the General Meeting of the Company's Participants at the same time.

The Company Director's competence is to:

- ensuring the implementing the decisions of the General Meeting of participants.
- making the current plans of the Company's activities and working out the measures necessary to address their tasks.
- approving the annual budget, staffing schedule and salaries of employees, setting the performance indicators, terms and amounts of their bonus payments.
- hiring and firing employees, applying incentives to and imposing fines on employees.
- approving the product prices and service tariffs.
- issuing orders and regulations that govern the relations between the Company's divisions and branches.
- submitting the Company's annual report and balance sheet for approval to the General Meeting of Participants.
- representing the interests of the Company in relations with other companies, institutions, organizations, government bodies, citizens, foreign counterparties without the power of attorney.
- disposing of the Company's property and funds within the limits determined by the General Meeting of the Company's Participants.
- issuing powers of attorney to perform any actions on behalf of the Company, signing the financial documents, receiving goods, services and other actions.
- opening the current and other bank accounts.
- have the right to sign the Company's financial documents.
- substantiate the procedure for distribution of profit, dividends, loss recovery funds.
- performing other actions aimed at achieving the Company's goal within the rights granted to the Company's Director by the General Meeting of Participants.

The Company's Director or the person replacing the Company's Director, without the prior written permission of the General Meeting of the Company's Participants, may not:

- enter into agreements on behalf of the Company, which one-time amount exceeds UAH 500,000 (five hundred thousand hryvnias).
- conclude on behalf of the Company and terminate contracts on the Company's providing of guarantees or sureties and on transfer of the Company's property as collateral.
- conclude on behalf of the Company and terminate loan agreements, credit agreements, lease agreements for real estate items (premises, rooms, structures, buildings, land plots, etc.) for a period exceeding two (2) years.

It is the General Meeting of the Company's Participants that controls the activities of the Company's Director.

II. BUSINESS PERFORMANCE

The Company's key performance indicators

Item	Year ended 31 December		Change, 2022 vs 2021	
	2022	2021	Absolute	Relative, %
Net revenue from sales of goods (merchandise, works, services), UAH'000	987,150	924,552	62,598	7%
Cost of goods sold, UAH'000	684,857	803,765	(118,908)	-15%
Gross profit, UAH'000	302,293	120,787	181,506	150%
Net profit (loss), UAH'000	(126,435)	43,578	(170,013)	-390%

III. LIQUIDITY AND LIABILITIES

Aggregated structure of the Company's assets as at 31 December:

Item	2022	2021	Absolute change	Relative change, %
Property, plant and equipment and capital investments in progress	2,227,264	1,718,726	508,537	30%
Investment property	419,420	313,915	105,505	34%
Other non-current assets	16,435	12,344	4,091	32%
Total non-current assets	2,663,029	2,044,985	618,044	30%
Inventories	512,444	385,118	127,326	33%
Accounts receivable for goods, works, services	97,369	99,441	(2,072)	-2%
Cash and cash equivalents	352,792	8,208	344,584	4,198%
Accounts receivable on prepayments made	29,813	20,100	9,713	48%
Accounts receivable on settlements with budget	23,135	86,105	(62,970)	-73%
Other current assets	16,856	63,621	(46,765)	-74%
Total current assets	1,032,409	662,593	369,816	56%
Total assets	3,695,438	2,707,578	987,860	36%

Aggregated structure of the Company's liabilities as at 31 December:

Item	2022	2021	Absolute change	Relative change, %
Other non-current liabilities	609	2,889	(2,280)	-79%
Total long-term liabilities	609	2,889	(2,280)	-79%
Current liabilities for current portion of non-current liabilities	2,722	5,489	(2,767)	-50%
Current liabilities for goods, works and services	84,393	87,425	(3,032)	-3%
Current liabilities for advances received	35,775	33,291	2,484	7%
Wages	2,626	3,847	(1,221)	-32%
Other current liabilities	3,716,334	2,477,000	1,239,334	50%
Total current liabilities	3,841,850	2,607,052	1,234,798	47%
Total liabilities	3,842,459	2,609,941	1,232,518	47%

Ratio analysis of the Company's liquidity:

Ratio	As at the end of 2022	As at the end of 2021	Change
Current liquidity ratio (debt settlement)	0.269	0.254	Positive
Absolute liquidity ratio (money reserves ratio)	0.092	0.003	Positive
Quick (acid) liquidity ratio	0.135	0.106	Positive

IV. ENVIRONMENTAL ASPECTS

The Company is a business entity that emits pollutants into the atmosphere on the basis of Emission Permits: No.1810700000-116 and No.1810700000 - 116a in observance of the established maximum allowable emissions.

The Pollutants originate from:

- HOLTEC lumber accepting and grading line.
- LINCK sawing line.
- Rudnick&Enners waste removal and chips and sawdust transportation line.
- Springer grading line with a packing function.
- Mühlböck kilns.
- Boiler house with Urbas hot water boilers where 2 units are operating on biofuel.

According to the report on the inventory of pollutant emissions, the Company has 31 sources of pollutant emissions, including: 19 stationary organized and 12 stationary unorganized.

The main pollutants generated in the process of production activities are:

- Substances in the form of suspended solid particles (fiber microparticles) - amounted to 7.632 tons in 2022.
- Nitrogen compounds - amounted to 16.652 tons in 2022.
- Sulphur dioxide and other sulphur compounds - amounted to 0.008 tons in 2022.
- Carbon monoxide - amounted to 29.493 tons in 2022.
- Methane - which amounted to 0.757 tons for 2022.
- In addition, carbon dioxide - amounted to 4,254.526 tons in 2022.

During 2022, according to the agreement with Municipal Enterprise "Vodokanal", 10.3 thousand cubic meters of wastewater were discharged into the city network; the concentrations of pollutants (total iron, sulfates, chlorides, ammonium nitrogen, BOD₅, COD, suspended solids, dry residue, phosphates) do not exceed the established maximum allowable emissions.

The Company takes measures to reduce the use of water for domestic and industrial needs by improving and adjusting the existing water treatment system and further using the treated wastewater for its own needs (for filling fire tanks, irrigation of the territory and green spaces watering). The analysis of water volumes used for business and production needs shows that there is no significant difference compared to 2021.

During 2022, in the process of its production activities, the Company generated and transferred the following waste for disposal:

- Plastic packaging materials spoiled, used or contaminated - 1.760 tons.
- Tires spoiled before the start of operation, used, damaged or contaminated during operation - 2.100 tons.
- Filtering materials spoiled, used or contaminated - 0.347 tons.
- Liquid aqueous waste containing adhesives and sealants - 8.710 tons.
- Oily rags - 0.17 tons.
- Protective clothing spoiled, used or contaminated - 0.047 tons.
- Wood and wood products spoiled or used - 0.007 tons.
- Wiping materials spoiled, used or contaminated - 0.17 tons.
- Substandard abrasive products - 1.300 tons.
- Adhesives spoiled, contaminated or unidentified, its residues that cannot be used for their intended purpose (adhesive residues in plastic containers) - 0.82 tons.

and delivered to the waste landfill in the village of Grozino to the place of disposal and burial:

- Fuel slag - 232.000 tons.
- Municipal (urban) mixed waste, including garbage from bins - 578.320 tons.

The Company's environmental activities are aimed at preserving the quality of the environment at a level that ensures the biosphere sustainability. The payment for environmental pollution (environmental tax) for 2022 is UAH 124 thousand.

Water resources protection and rational use

Improvement of production processes and equipment, ensuring annual maintenance of wastewater treatment facilities, creation of recycling systems of industrial water supply, introduction of energy and resource-saving technologies, control of wastewater treatment efficiency through constant monitoring of wastewater quality, etc., are implemented by the Company.

Ambient air protection

The Company ensures uninterrupted efficient operation and maintains the good condition of buildings, equipment and facilities for cleaning emissions and reducing the effect of physical and biological factors:

- controls the volume and composition of pollutants emitted into the atmosphere and the levels of physical impact and keeps their continuous accounting.
- develops special measures to protect the ambient air in case of man-made and natural emergency situations.
- ensures instrumental and laboratory measurements for the parameters of pollutants emitted by stationary and mobile sources and for the efficiency of gas treatment plants.
- uses metrologically certified measurement methods and calibrated meters to determine the parameters of the gas and dust flow and concentrations of pollutants in the ambient air and in emissions of stationary and mobile sources.
- controls over the design, construction and operation of facilities, equipment and apparatus for cleaning of gas and dust flow from pollutants and reducing the impact of physical and biological factors, equipping them with measuring equipment necessary for continuous monitoring of the cleaning efficiency, compliance with the standards of maximum allowable emissions of pollutants and levels of exposure to physical and biological factors and other requirements of the ambient air protection law.

Waste management at the Company

- The Company develops and implements plans and programs to reduce waste generation.
- ensures acceptance and disposal of used packaging materials and containers, in which the Company's products are packed, by concluding agreements with the appropriate organizations for their collection and disposal.
- determines the composition and properties of the generated waste, as well as the level of potential danger of waste to the natural environment and human health in accordance with the regulations approved by the central executive body, which ensures making the state policy for sanitary and epidemic welfare of the population, as agreed with the central executive body that ensures making the state policy for the natural environment protection.
- relying upon the resource and raw material balances of manufacture, identifies and keeps primary current records of the amount, type and composition of the waste generated, collected, transported, stored, processed, disposed of, neutralized and removed, and submits statistical reports as applicable.
- ensures complete collection, proper storage and prevention of destruction and deterioration of the waste, for which disposal there is an appropriate technology in Ukraine that meets the environmental safety requirements.
- takes organizational, scientific, technical and technological measures to maximize the waste disposal, to sell or transfer the waste to other consumers or companies, institutions and organizations engaged in collection, processing and disposal of waste, and provides at its own expense for the environmentally sound removal of the wastes not subject to disposal.
- does not allow waste mixing.
- does not allow storage and disposal of waste in unauthorized places or facilities.
- pays the environmental tax for waste disposal in a timely manner as applicable.
- provides information on waste and related activities to local executive bodies and local self-government authorities and the authorized executive bodies for environmental protection.
- has specially assigned people responsible for waste management who are appointed on a mandatory basis.
- has plans in place outlining the waste management steps to take, which are prepared and followed as applicable.
- provides for professional and advanced training and certification of waste management specialists.
- agrees an action plan with the authorized executive bodies, which is to be followed in the event of an emergency related to hazardous waste treatment.

Measures are taken to ensure environmental monitoring in the sanitary protection zone. To reduce the harmful impact on the environment, the Company uses only certified raw and auxiliary materials.

The Company, within its competence, implements and supports a unified state policy in the area of environmental protection and rational use of resources.

The Company adheres to the principles of rational environmental management, which allows to develop environmental protection measures, restore disturbed relationships in ecosystems, and prevent the aggravation of environmental situations.

To prevent a negative impact on the environment, the Company takes the following measures:

- ensures uninterrupted efficient operation and maintains the good condition of buildings, equipment and facilities for cleaning emissions and reducing the effect of physical and biological factors.
- controls the volume and composition of pollutants emitted into the atmosphere and the levels of physical impact and keeps their continuous accounting.
- makes instrumental and laboratory measurements for the parameters of pollutants emitted by stationary and mobile sources and for the efficiency of gas treatment plants under agreements with organizations that have the right to operate in this area, in accordance with the effective permits and industry-specific documents.
- ensures technical training of engineering, technical and maintenance personnel involved in the operation of gas purification.
- controls the design, construction and operation of facilities, equipment and apparatus for cleaning of gas and dust flow from pollutants and reducing the impact of physical and biological factors, carries out works to furnish them with the measuring equipment necessary for continuous monitoring of the cleaning efficiency, compliance with the standards of maximum allowable emissions of pollutants and levels of exposure to physical and biological factors and other requirements of the ambient air protection law.
- pays the environmental tax on time and in full.
- in case of changes in raw materials or gas purification parameters, makes an inventory of pollutant emissions into the atmosphere, with the appropriate amendments to the existing permits.
- develops special measures to protect the ambient air in case of man-made and natural emergency situations.

V. SOCIAL ASPECTS AND HR POLICY

As at 31 December 2022, the total number of employees was 570, of which 70 employees are in managerial positions, including 18 women, which is 26% of all managers. In 2022, payroll expenses amounted to UAH 105,034 thousand (2021: UAH 62,492 thousand).

The educational level of the Company's personnel is presented in the table below:

Type of education	Managers, professionals and specialists	Workers	Total
Complete and basic higher education	84	47	131
Incomplete higher education	36	98	134
Vocational and technical education	11	163	174
General secondary education and other	2	129	131
TOTAL	133	437	570

Encouragement and motivation of the Company's employees

Material incentives are:

During 2022 bonuses to employees for the high-quality performance of their functional duties were paid to 400 employees in total amount of UAH 2,796 thousand.

Financial assistance for medical treatment and burial allowance was provided to 12 employees during the year.

In 2022 the average salary of the Company's employees is UAH 11,227.57.

The system of encouragement and motivation of the Company's employees involves financial and non-financial motivation. The Company has a first-aid post. The Company's employees have periodic medical examinations at the Korosten City Polyclinic at the expense of the Company.

During 2022, the Company decreased the average salary by 19% compared to 2021, which was due to the outbreak of the war and the factual downtime during the spring of 2022.

Item, UAH	2022	2021	Absolute change	Relative change %
Actual average monthly salary at the Company*	11,785.87	13,501.75	(2,274.18)	-19%
Average monthly salary in Zhytomyr oblast	12,123.00	11,633.33	489.67	4%

*As a result of the military invasion of Ukraine by the Russian Federation on 24 February 2022, the Company temporary suspended its operations at the end of February and during March 2022.

Health & Safety

Ensuring technological and occupational safety in all areas of production is one of the Company's key priorities. In 2022, the Company recorded no workplace accidents with disability, in 2021 - one accident with disability. During 2022, there was a change in the sickness rate of the Company's employees, as indicated below:

Item	2022	2021	Absolute change
Total number of sickness cases	1,414	586	828
Total number of calendar days of lost working capacity	770	4,461	(3,691)
Number of sickness cases per 100 employees	220	81	139

In 2022, no occupational diseases were registered at the Company (2021: 0 diseases).

The Company annually implements occupational health and safety measures, which include, in particular, maintaining sanitary and domestic facilities in proper condition, mandatory pre-employment medical examinations, narcological and psychiatric screenings of employees, preventive measures against viral infections, and occupational safety training (during 2022, occupational safety training was conducted for 341 employees (2021: 588 employees)).

VI. RISKS

Operating environment in Ukraine

On 24 February 2022, the Russian Federation (the "RF") launched a full-scale military invasion of Ukraine and started missile, ground and naval operations on several fronts. In the course of the invasion, numerous infrastructure and industrial facilities were damaged, part of the territory of Ukraine was occupied by Russian troops, and the entire territory of Ukraine is periodically subjected to missile attacks.

Significant changes in the operating environment and business conditions that occurred as a result of the military invasion of the Russian Federation, which has started on 24 February 2022 and is currently ongoing, are described in Notes 1 and 2 of the financial statements.

Company's operational risks and their management

Commercial risk

It arises in the process of selling goods and is associated with unfavorable changes in the price of manufactured products due to excess supply in the world lumber market and results in a decrease in the Company's revenues and profits. To minimize the impact of this risk, the Company concluded long-term agreements with fixed prices, constantly monitors markets to find niche markets with more favorable conditions. In addition, the Company constantly monitors the quality of its manufactured products and expands their range.

Risk of rising prices for energy resources and raw materials

Since raw materials and energy resources constitute a significant cost component, the impact of this risk is material. To diversify the risks, in addition to regular participation in auctions for the purchase of lumber, the Company monitors the price offers of the main Ukrainian suppliers, concludes agreements for the supply of significant volumes with trusted suppliers. The Company has implemented tender procedures in place, a tender commission is constantly operating, and this allows to ensure minimum purchase prices with proper quality of raw materials. The Company implements programs of production optimization, resource saving, and reduction of fixed costs to ensure the required profitability level.

Currency risk

The currency risk inherent in the Company's activities is the risk of potential losses arising from the available open positions in foreign currencies, as a result of unfavorable movements in exchange rates. The Company's currency risks are related to fluctuations in exchange rates of UAH to EUR and USD, in which the Company mostly operates and in which some of its financial instruments are denominated. The Company has not entered into any agreements to hedge these currency risks, and therefore the Company's primary method to manage its currency risk is to reduce the open-currency positions to an acceptable level

Credit risk

Credit risk is the risk that a counterparty may not fulfill its obligations to the Company in due time, which may result in financial losses for the Company. To prevent the impact of this risk, the Company makes most of its sales on a prepayment basis or cooperates with trusted counterparties with a constant monitoring of financial condition of the latter. The selection of servicing banks and the level of cooperation with them is based primarily on the reliability of the latter.

Liquidity risk

Liquidity risk, which is inherent in the Company's operations, arises in the event of insufficient liquid assets to fulfill the liabilities that fall due. To manage this risk, the Company analyzes its assets and liabilities by maturity and plans its cash flows depending on the expected due dates for the liabilities under the relevant instruments.

Subsequent to 31 December 2022, the management received confirmation from the Company's majority participant and the main lender that it does not intend to demand full settlement of the loan in 2025 and 2026 provided to the Company in the amount of UAH 3,561,774 thousand, as described in Notes 2 and 20 of the financial statements.

VII. RESEARCH AND INNOVATION

In its activities, the Company is guided by the following basic principles:

- compliance of the final product with customer requirements.
- compliance of the production technical level with the best world analogues.
- use of the results of modern world research and development.

The Company cooperates on a regular basis with leading experts - consultants of the EU countries in technology improvement and implementation of innovations in the industry at the European countries level.

The Company extensively introduces new production, energy and resource saving technologies.

VIII. FINANCIAL INVESTMENTS

The Company is the founder of the following entities:

BF ENGINEERING LLC - share in % and UAH - 10%, UAH 5 thousand.

LIGNOTEST LLC - share in % and UAH - 10%, UAH 0.1 thousand.

BF PROFILE LLC - share in % and UAH - 2.32%, UAH 26.1 thousand.

BF PARKET LLC - share in % and UAH - 1.623%, UAH 64.35 thousand.

IX. DEVELOPMENT PROSPECTS

Full-scale military invasion of Ukraine launched by the Russian Federation in February 2022, and the economic environment in Ukraine have a significant impact on the Company's development prospects. Measures taken by the Company's management to mitigate the adverse effects of these circumstances are described in Note 2 to the financial statements.

Company's strategy and plans

The Company's development strategy is aimed at strengthening the Company's position in the international lumber market by ensuring sustainable development of the Company's business and improving its efficiency. To minimize the impact of risks, considerable attention is paid to placing orders for the full cycle of lumber processing at related entities located at the production site.

The main goals of the Company are:

- increase in production and sales volumes, including through the sale of lumber to the entities located at the production site, in which UHLK has shares.
- improvement of product quality.
- increase in product competitiveness.
- operational efficiency by reducing production costs and optimizing expenses.
- increase in product margin by increasing the share of products with high added value.

Considering the undoubtedly favorable geographical location of the Company in the Zhytomyr oblast, where there are no active hostilities, as well as taking into account the proximity to the borders of EU countries (Poland, Slovakia, Romania, etc.), the Company successfully manages the risks and challenges arising in the course of its business activity. In the foreseeable future, the Company expects the results to be not lower than the results of previous years and continues to operate in a normal operating mode and takes the necessary measures for further effective work. After Ukraine's victory in the war, stabilization and further growth are expected.

Director
14 October 2025



Y.P. Sotnyk

Independent auditor's report

To the Participants of "Ukrainian Sawmill Holding Company" Limited Liability Company

Report on the audit of the financial statements

Opinion

We have audited the financial statements of "Ukrainian Sawmill Holding Company" Limited Liability Company (the Company), which are presented on pages 1 to 32 and comprise the Statement of financial position as at 31 December 2022, and the Statement of comprehensive income, Statement of cash flows and Equity statement for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at 31 December 2022 and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS), and comply with the requirements for the preparation of financial statements established by Law of Ukraine "On accounting and financial statements in Ukraine" No. 996-XIV.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the financial statements* section of our report. We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' (IESBA) International Code of Ethics for Professional Accountants (including International Independence Standards) (IESBA Code) together with the ethical requirements that are relevant to our audit of the financial statements in Ukraine, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Material Uncertainty Related to Going Concern

We draw attention to Note 2 in the financial statements, which indicates that the Company's operations have been negatively affected by the Russian Federation's military invasion of Ukraine. The Company incurred a net loss of UAH 126,435 thousand during the year ended 31 December 2022. As stated in Note 2, these events or conditions, along with other matters as set forth in Note 2, indicate that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Key audit matters incorporating the most significant risks of material misstatements, including assessed risk of material misstatements due to fraud

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. In addition to the matter described in the section *Material Uncertainty Related to Going Concern*, we have determined that the matters described below are a key audit matters that should be reflected in our report. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our

opinion thereon, and we do not provide a separate opinion on these matters. For the matters below, our description of how our audit addressed these matters are provided in that context.

We have fulfilled the responsibilities described in the *Auditor's responsibilities for the audit of the financial statements* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying financial statements.

Key audit matter

How our audit addressed the key audit matter

Revenue recognition

We identified revenue recognition as one of the matters of most significance in our audit because the amount of revenue is significant to the financial statements and due to the risk that revenue may be overstated because of the pressure on management to achieve performance targets. Revenue is also an important element of how the Company measures its performance.

We examined the revenue recognition process and tested controls over the capturing of data used in the recognition of revenue from sales.

We analyzed the Company's accounting policy in respect of revenue recognition against the requirements of IFRS 15 "Revenue from contracts with customers", including the criteria for revenue recognition.

Information about accounting policy on revenue recognition is disclosed in Note 4 to the financial statements and disclosures related to revenue are included into Note 22 to the financial statements.

We analyzed sales contracts terms in respect of transfer of control over goods. On a sample basis, we compared the date of transfer of control with the date of revenue recognition.

We performed analytical procedures in respect of revenue that included, among others, the analysis of monthly sales to detect unusual fluctuations and trends by type of goods and services, analysis and reconciliation with comparative information for prior periods and anticipated results of the Company.

For the services rendered, we compared the period when revenue was recognized to the period where services were actually provided.

We compared revenue recognized in the accounting system with relevant supporting documentation.

We assessed the disclosure of revenue in the financial statements.

Key audit matter

Transactions with related parties

The Company has high volume of transactions with related parties and a major portion of the Company's revenue and purchases is generated from transactions with related parties.

Therefore, we identified transactions with related parties and dependence on prolongation and terms of financing by related parties as one of the matters of most significance to our audit.

Information about transactions with related parties is disclosed in Note 30 to the financial statements.

How our audit addressed the key audit matter

We obtained an understanding of the Company's policies and procedures in respect of recording related party transactions.

We analyzed sales and purchases agreements and conditions of sales and purchases to/from related parties. We analyzed the loan agreements with the related parties.

We obtained understanding of balances with related parties and assessed ageing structure of receivables and payables and subsequent cash receipts and payments.

We analyzed related party disclosures in the financial statements.

We obtained and analyzed documentary evidence of prolongation of financing by related parties during 2023 - 2025.

Other information included in the Company's Management report for 2022

Other information comprises the Management Report (but does not include the financial statements and our auditor's report thereon), which we obtained before the date of this auditor's report. Management is responsible for the other information.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of management and the Participants of the Company for the financial statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with IFRSs, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

The Participants are responsible for overseeing the Company's financial reporting process.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- ▶ identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- ▶ obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control;
- ▶ evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management;
- ▶ conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern;
- ▶ evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the Participants regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Participants with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied

From the matters communicated with the Participants, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters.

Report on other legal and regulatory requirements

Pursuant to the requirements of Article 14 paragraph 4 of Law of Ukraine "On audit of financial statements and auditing activity" No. 2258-VIII (the "Law No. 2258-VIII") we provide the following information in our Independent Auditor's Report:

Appointment of the auditor and period of engagement

We were first appointed as independent auditors to perform a statutory audit of the Company's financial statements on 1 June 2020 by the General meeting of the participants. Our appointment has been renewed annually by the Participants. The period of total uninterrupted engagement for performing the statutory audit of the Company is three years.

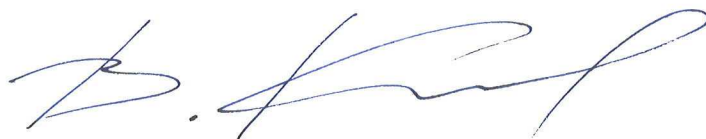
Consistency of the independent auditor's report with the additional report to the Participants of the Company

We confirm that our independent auditor's report is consistent with the additional report to the Participants of the Company, which we issued on 14 October 2025 in accordance with Article 35 of Law No. 2258-VIII.

Provision of non-audit services

We declare that no prohibited non-audit services referred to in Article 6 paragraph 4 of Law No. 2258-VIII were provided. In addition, there are no other non-audit services which were provided by us to the Company.

The partner in charge of the audit resulting in this independent auditor's report is Viacheslav Kupriy.



Viacheslav Kupriy
Partner
for and on behalf of Ernst & Young Audit Services LLC

Kyiv, Ukraine

14 October 2025

Ukrainian Sawmill Holding Company Limited
STATEMENT OF FINANCIAL POSITION
(in thousands of Ukrainian hryvnia)

Entity: UKRAINIAN SAWMILL HOLDING COMPANY LIMITED
 Location: Kyiv, Ukraine
 Ownership: Limited liability company
 Type of activity: Sawmilling and planing production
 Average headcount: 627

Date (year, month, date)
 per EDRPOU
 per KOATUU
 per KOPFG
 per KVED

Codes		
2022	12	31
39325379		
8039100000		
240		
16.10		

Address: 38, Yaroslaviv Val, Kyiv, 01034, Ukraine

Units of measurement: UAH thousands (except for section IV of Statement of financial results (Statement of comprehensive income) (form #2), monetary measures in which are presented in UAH with kopecks)

Prepared in accordance with (mark with "v" in relevant box):

Provisions (standards) of accounting

International Financial Reporting Standards

v

Balance sheet

(Statement of financial position)

Form № 1 DKUD code 1801001

Assets	Line code	As at 31 December 2022	As at 31 December 2021	Notes
1	2	3	4	5
I. Non-current assets				
Intangible assets	1000	7,641	135	
historical cost	1001	8,125	336	
accumulated amortization	1002	(484)	(201)	
Capital investments in progress	1005	224,618	62,977	8
Property, plant and equipment:	1010	2,002,646	1,655,749	8
historical cost	1011	3,134,681	2,580,850	8
accumulated depreciation	1012	(1,132,035)	(925,101)	8
Investment property	1015	419,420	313,915	9
historical cost of investment property	1016	478,601	357,486	9
accumulated depreciation of investment property	1017	(59,181)	(43,571)	9
Other financial investments	1035	96	96	10
Long-term receivable	1040	4,037	680	
Other non-current assets	1090	4,571	11,433	
Total Section I	1095	2,663,029	2,044,985	
II. Current assets				
Inventories	1100	512,444	385,118	11
Raw materials	1101	116,659	93,757	11
Work in progress	1102	181,568	179,621	11
Finished goods	1103	209,907	111,740	11
Goods	1104	4,310	-	11
Accounts receivable for goods, works and services	1125	97,369	99,441	12
Accounts receivable on settlements:				
on prepayments made	1130	29,813	20,100	13
with budget	1135	23,135	86,105	14
including prepayments for income tax	1136	-	-	
Other accounts receivable	1155	16,842	63,364	12
Cash and cash equivalents	1165	352,792	8,208	15
Future expenses	1170	14	257	
Total Section II	1195	1,032,409	662,593	
III. Assets classified as held for sale and discontinued operations	1200	-	-	
Balance	1300	3,695,438	2,707,578	

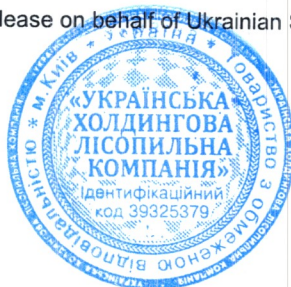
Ukrainian Sawmill Holding Company Limited
STATEMENT OF FINANCIAL POSITION
(in thousands of Ukrainian hryvnia)

Liabilities and equity	Line code	As at 31 December 2022	As at 31 December 2021	Notes
1	2	3	4	5
I. Equity				
Share capital	1400	953,673	943,673	16
Retained earnings (accumulated deficit)	1420	(1,100,694)	(846,036)	
Unpaid capital	1425	-	-	
Total Section I	1495	(147,021)	97,637	
II. Non-current liabilities and provisions				
Other non-current liabilities	1515	609	2,889	17
Total Section II	1595	609	2,889	
III. Current liabilities and provisions				
Current liabilities for:				
current portion of non-current liabilities	1610	2,722	5,489	17
for goods, works and services	1615	84,393	87,425	18
with budget	1620	1,331	948	
with Income tax	1621	-	-	
social insurance	1625	758	1,007	
Wages	1630	2,626	3,847	
Current liabilities for advances received	1635	35,775	33,291	19
Current provisions	1660	3,616	4,219	20
Other current liabilities	1690	3,710,629	2,470,826	21
Total Section III	1695	3,841,850	2,607,052	
Balance	1900	3,695,438	2,707,578	

Signed and authorized for release on behalf of Ukrainian Sawmill Holding Company Limited on 14 October 2025:

Director

Chief accountant



[Handwritten signature]
Y.P. Sotnyk

[Handwritten signature]
V.I. Paladchenko

Ukrainian Sawmill Holding Company Limited
STATEMENT OF COMPREHENSIVE INCOME
(in thousands of Ukrainian hryvnia)

Entity: UKRAINIAN SAWMILL HOLDING COMPANY LIMITED

Date (year, month, date) 2022 | 12 | 31
per
EDRPOU

Codes		
2022	12	31
39325379		

Statement of financial results

(Statement of comprehensive income)

for the year 2022

Form № 2 DKUD code

1801003

I. FINANCIAL RESULTS

Description	Line code	Current period	Preceding period	Notes
1	2	3	4	5
Net revenue from sales of goods (merchandise, works, services)*	2000	987,150	924,552	22
Cost of goods (merchandise, works, services) sold*	2050	(684,857)	(803,765)	23
Gross: profit	2090	302,293	120,787	
loss	2095	-	-	
Other operating income	2120	123,820	537,261	24
Administrative expenses	2130	(24,329)	(12,566)	25
Selling expenses	2150	(20,359)	(16,421)	26
Other operating expenses	2180	(68,835)	(225,878)	27
Financial results from operating activities: profit	2190	312,590	403,183	
loss	2195	-	-	
Other finance income	2220	893	576	28
Finance expenses	2250	(439,914)	(360,087)	28
Other expenses	2270	(4)	(94)	
Financial results from ordinary activities before taxation: profit	2290	-	43,578	
loss	2295	(126,435)	-	
Income tax on ordinary activities	2300	-	-	29
Net financial result: profit	2350	-	43,578	
loss	2355	(126,435)	-	

II. COMPREHENSIVE INCOME

Description	Line code	Current period	Preceding period	Notes
1	2	3	4	5
Revaluation (impairment) of non-current assets	2400	-	-	
Revaluation (impairment) of financial instruments	2405	-	-	
Accumulated translation differences	2410	-	-	
Share of other comprehensive income of associates and joint ventures	2415	-	-	
Other comprehensive income	2445	-	-	
Other comprehensive income before tax	2450	-	-	
Income tax related to other comprehensive income	2455	-	-	
Other comprehensive income, net of tax	2460	-	-	
Comprehensive profit (sum lines 2350, 2355 and 2460)	2465	(126,435)	43,578	

Ukrainian Sawmill Holding Company Limited
STATEMENT OF COMPREHENSIVE INCOME
(in thousands of Ukrainian hryvnia)

III. ELEMENTS OF OPERATING EXPENSES

Description	Line code	Current period	Preceding period	Notes
1	2	3	4	5
Cost of materials	2500	447,398	592,290	
Labour costs	2505	54,151	51,143	
Social security charges	2510	10,724	10,832	
Depreciation and amortization	2515	193,776	217,230	
Other operating expenses	2520	92,331	187,135	
Total	2550	798,380	1,058,630	

IV. CALCULATION OF EARNINGS PER SHARE

Description	Line code	Current period	Preceding period	Notes
1	2	3	4	5
Annual average number of ordinary shares	2600	--	--	
Adjusted annual average number of ordinary shares	2605	--	--	
Net income per ordinary share	2610	--	--	
Adjusted net income per ordinary share	2615	--	--	
Dividends per ordinary share	2650	--	--	

Director

Chief accountant



(Handwritten signatures in blue ink)

Y.P. Sotnyk

V.I. Paladchenko

Ukrainian Sawmill Holding Company Limited
EQUITY STATEMENT
(in thousands of Ukrainian hryvnia)

Entity: UKRAINIAN SAWMILL HOLDING COMPANY LIMITED

Date (year, month, date) per EDRPOU

Codes		
2022	12	31
39325379		

Statement of cash flows
 (direct method)
for the year 2022

Form № 3

DKUD code

1801006

Description	Line code	Reporting period	Preceding period
I. Cash flows from operating activities			
Cash inflow from:			
Revenue from sales of goods (merchandise, works, services)	3000	1,184,479	1,222,257
Refund of taxes and compulsory payments including refund of VAT	3005	110,054	—
	3006	110,053	—
Special purpose financing	3010	—	—
Receipts of advances from buyers and customers	3015	569	37
Receipts from return of prepayments	3020	2,225	62,547
Receipts of interests on outstanding balances on current bank accounts	3025	596	305
Receipts from operating lease	3040	82,978	75,532
Other receipts	3095	5,633	4,080
Cash disbursements for settlement of liability for:			
Goods (works, services)	3100	(732,791)	(1,381,930)
Salary	3105	(70,321)	(38,647)
Deductions for social security charges	3110	(18,648)	(10,115)
Tax liabilities and charges	3115	(18,523)	(12,302)
Disbursements for prepayments paid	3135	(4,143)	(6,137)
Return of advances received	3140	(58)	(30,229)
Disbursements for target contributions paid	3145	(419)	(1,216)
Other payments	3190	(12,699)	(2,422)
Net cash flow from operating activities	3195	528,931	(118,240)
II. Cash flows from investing activities			
Proceeds from sale of: financial investments			
non-current assets	3205	24,390	255,739
Receipt of: Repayment of loans	3230	58,000	—
Cash disbursement for the purchase of: financial investments			
non-current assets	3260	(69,969)	(299,534)
Cash disbursement on loans granted	3275	—	(151,000)
Net cash flows from investing activities	3295	12,421	(194,795)
III. Cash flows from financing activities			
Proceeds from: own equity			
Borrowings	3305	312,240	1,341,337
Cash disbursements on: repurchase of own stock			
repayment of borrowings	3350	(114,640)	(313,172)
Interest paid	3360	(397,174)	(771,576)
Disbursements related to finance lease	3365	(2,197)	(923)
Net cash flows from financing activities	3395	(201,771)	255,666
Net cash flows for the reporting period	3400	339,581	(57,369)
Cash balance at the beginning of the year	3405	8,208	67,171
Net foreign exchange difference	3410	5,003	(1,594)
Cash balance at the end of the year	3415	352,792	8,208

Director

Chief accountant



Y.P. Sotnyk

V.I. Paladchenko

Ukrainian Sawmill Holding Company Limited
EQUITY STATEMENT
(in thousands of Ukrainian hryvnia)

Entity: UKRAINIAN SAWMILL HOLDING COMPANY LIMITED

Date (year, month, date)
per EDRPOU

Codes		
2022	12	31
39325379		

Equity statement
for the year 2022

Form № 4

DKUD code

1801005

Description	Line code	Share capital	Contributed capital	Additional capital	Reserve fund	Retained earnings	Unpaid Capital	Withdrawn capital	Total
1	2	3	4	5	6	7	8	9	10
Balance at the beginning of the year	4000	943,673	-	-	-	(846,036)	-	-	97,637
Adjustments: Changes in accounting policies	4005	-	-	-	-	-	-	-	-
Correction of errors	4010	-	-	-	-	-	-	-	-
Other adjustments	4090	-	-	-	-	-	-	-	-
Adjusted balance at the beginning of the year	4095	943,673	-	-	-	(846,036)	-	-	97,637
Net profit (loss) for the reporting period	4100	-	-	-	-	(126,435)	-	-	(126,435)
Other comprehensive income for the period	4110	-	-	-	-	-	-	-	-
Withdrawal of a share in the capital	4275	-	-	-	-	-	-	-	-
Contributions by participants:									
Contributions to capital	4240	-	-	-	-	-	-	-	-
Other changes in equity	4290	10,000	-	-	-	(128,223)	-	-	(118,223)
Total changes in equity	4295	10,000	-	-	-	(254,658)	-	-	(244,658)
Balance at the end of the year	4300	953,673	-	-	-	(1,100,694)	-	-	(147,021)

Line 4290 includes differences totaling UAH 171,193 thousand, arising from the merger with entities that were related parties of the Company (Note 7).

Ukrainian Sawmill Holding Company Limited
EQUITY STATEMENT
(in thousands of Ukrainian hryvnia)

Equity statement
for the year 2021

Form № 4

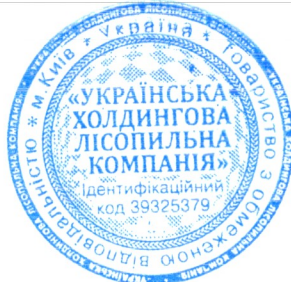
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1801005

Description	Line code	Share capital	Contributed capital	Additional capital	Reserve fund	Retained earnings	Unpaid Capital	Withdrawn capital	Total
1	2	3	4	5	6	7	8	9	10
Balance at the beginning of the year	4000	943,673	-	-	-	(889,614)	-	-	54,059
Adjustments: Changes in accounting policies	4005	-	-	-	-	-	-	-	-
Correction of errors	4010	-	-	-	-	-	-	-	-
Other adjustments	4090	-	-	-	-	-	-	-	-
Adjusted balance at the beginning of the year	4095	943,673	-	-	-	(889,614)	-	-	54,059
Net profit (loss) for the reporting period	4100	-	-	-	-	43,578	-	-	43,578
Withdrawal of a share in the capital	4275	-	-	-	-	-	-	-	-
Other changes in equity	4290	-	-	-	-	-	-	-	-
Total changes in equity	4295	-	-	-	-	43,578	-	-	43,578
Balance at the end of the year	4300	943,673	-	-	-	(846,036)	-	-	97,637

Director

Chief accountant



Y.P. Sotnyk

V.I. Paladchenko

1. General information about the Company

Corporate information

Ukrainian Sawmill Holding Company Limited (hereinafter referred to as “the Company”) was incorporated at 2014 under the laws of Ukraine. The principal activity of the Company is primary woodworking and preparation of lumber for further production of wood products.

The legal address of the Company is: 38 Yaroslaviv Val str., Kyiv, Ukraine.

The production facilities of the Company are located on: 11 t, Sergiy Kemskyi str., Korosten, Zhytomyr region, Ukraine.

In 2022 the average headcount was 627 people (2021: 365 people).

The Company’s ultimate beneficial owners are:

Giourousef Leonidas, a citizen of Greece

Yurusheva Nataliya Dmytrivna, a citizen of Ukraine

Zholynska Anastasiya Leonidivna, a citizen of Ukraine

Yurusheva Yelizaveta Leonidivna, a citizen of Ukraine

Operating environment in Ukraine

On 24 February 2022, the Russian Federation (the “RF”) launched a full-scale military invasion of Ukraine and started missile, ground and naval operations on several fronts. In the course of the invasion, numerous infrastructure and industrial facilities were damaged, part of the territory of Ukraine was occupied by Russian troops, and the entire territory of Ukraine is periodically subjected to missile attacks.

The hostilities have resulted, and continue to result, in numerous casualties among the population. A significant part of the population has left the country. The hostilities also led to the migration of residents between the regions of Ukraine. Martial law has been introduced in the country. General mobilization to the Armed Forces of Ukraine has been announced and is ongoing. The government authorities are taking a range of measures to ensure the social and economic functioning of the country in wartime and the uninterrupted operation of critical infrastructure facilities.

In the second half of 2022, the Russian Federation started massive missile attacks on infrastructure, including energy infrastructure. This caused the destruction of electricity generation and transmission facilities, which in turn necessitated periodic power outages in most of Ukraine, thus causing further negative impact on the country’s economy. At the same time, the ground fighting was localized mainly in the eastern and southern regions of Ukraine.

As a result of the negative impact of the war, Ukraine’s economy is currently characterized by high inflation and a significant amount of external and internal public debt.

According to official statistics, in 2022, real GDP declined sharply (by 30% year-on-year), inflation increased (by 26% year-on-year), and the hryvnia devalued against major currencies (by 24%-26%).

To ensure reliable operation of the banking system, the National Bank of Ukraine (the “NBU”) introduced temporary monetary restrictions and switched from a flexible to a fixed official exchange rate, which was set on 21 June 2022 at UAH 36.57 per US dollar (“USD”) for a long time (before July 2022 – UAH 29.25 per USD). Starting from 2 October 2023, the NBU switched to a managed exchange rate flexibility regime. As at the date of authorization of these financial statements, the official exchange rate of UAH to USD was UAH 41.6102 per USD. From January 2023 to November 2024 the NBU discount rate was gradually decreased from 25% per annum to 13% per annum respectively, from December 2024 to September 2025 the NBU discount rate was gradually increased to 15.5% .

The NBU imposed restrictions on foreign currency transfers by businesses and individuals to outside Ukraine. In particular, payments for non-critical imports are prohibited.

As the war is ongoing, it is not practicable to make an accurate estimate of the losses to the Ukrainian economy. In preparing these financial statements, the Company’s Management has taken into account the known and probable effects of the above factors on operating environment and business conditions as discussed in Note 2.

2. Basis of preparation

The financial statements have been prepared on a historical cost basis. The financial statements are presented in the Ukrainian hryvnia and all values are rounded to the nearest thousand, except when stated otherwise. The financial statements as at 31 December 2022 and for the year then ended were authorized for issue on 14 October 2025.

Statement of compliance

The financial statements of the Company have been prepared in accordance with International Financial Reporting Standards ("IFRS"), as issued by the International Accounting Standard Board ("IASB") and the requirements of the Law of Ukraine "On accounting and financial statements in Ukraine" No. 996-XIV.

Going concern

Full-scale military invasion of Ukraine launched by the Russian Federation in February 2022 led, inter alia, to a significant decline of business activity, considerable damage to infrastructure and disruption of logistics. The war, which is ongoing, caused significant damage to the Ukrainian economy, and the hostilities led to a severe contraction of GDP.

Management has assessed the impact of the current circumstances on the Company's business and has concluded that the main risks to maintaining liquidity and profitability at a sufficient level are the following:

- physical loss or damage to inventories and property, plant and equipment as a result of hostilities.
- disruption of transport infrastructure (seaports and port's infrastructure), making it impossible to deliver inputs from suppliers and goods to customers by sea.
- destruction of the energy infrastructure, which leads to an increase in the cost of energy resources and support of uninterrupted operations of the Company.
- reduction of demand for the Company's goods.
- credit losses on trade receivables.
- liquidity gaps due to delayed payments from customers.
- market risks related to changes of prices for goods and services.
- lack of personnel or high level of mobilization to the Armed Forces of Ukraine.

The Company's responses to abovementioned risks are:

- restructured transport routes, in particular the Company switched to new logistic routes through Romania and to road transportation using leased trucks.
- formation of prices for the Company's goods based on the price level in European Union countries where the majority of customers of the Company are located.
- implementation of the policy of sales on prepayment basis for certain groups of goods in order to avoid liquidity gaps.
- retaining the majority of personnel during the state of martial law to ensure maintaining of production activities at the pre-war level.

The Company's approach to liquidity management is to ensure, as far as possible, the continuous availability of liquid funds of the Company received from sales of goods, which are sufficient not only to settle its obligations on time, both in normal and stressed conditions, minimizing losses and risks for the Company's business, but also for the timely purchase of the required volumes of raw materials, other materials and energy resources.

As at the date of approval of these financial statements, the Company uninterruptedly conducts commercial activity, the Company's inventories and other assets have not been damaged and are not located in areas of active hostilities.

The supply routes of spare parts and materials by automotive transport remain stable. The cost of transportation did not increase significantly in 2023-2024, as well as the delivery terms comparing to 2022.

Considering the existing agreements with buyers and the status of negotiations on new contracts, as well as the market conditions for lumber and more marginal products and actual sales during 2023-2024, the Management expects that in 2025 the Company will generate revenue from sales at least at the pre-war level. At the same time, in order to minimize potential credit losses, the Company continues to implement the policy of sales on prepayment terms for certain groups of goods.

2. Basis of preparation (continued)

Management received expressed intention from the Company's majority shareholder and the main lender about providing of financial support to the Company if necessary to enable the Company to meet its obligations as they fall due and to carry on its business without significant curtailments of operations for a period of 12 months from the date of approval of these financial statements and commitment regarding waiver for full settlement of the loan in 2025 and 2026 provided to the Company (Note 21).

The Company incurred a net loss of UAH 126,435 thousand during the year ended 31 December 2022. As at 31 December 2022 the Company has accumulated deficit of UAH 1,100,694 thousand (2021: UAH 846,036 thousand) and as of this date current liabilities of the Company exceeded current assets by UAH 2,809,441 thousand, in 2021 the Company's current liabilities exceeded current assets by UAH 1,944,459 thousand, mainly because of the short-term loan from related party in amount of UAH 3,634,325 thousand.

Management has prepared its sales forecasts and cash flow estimates for 2025-2026 incorporating changes in the operating environment described above. Based on the analysis performed, the management concluded that subject to the material uncertainty posed by the risks discussed above, the Company would have sufficient operating cash flow to settle its liabilities in the ordinary course of business in the foreseeable future provided that the Company will be able to prolong or restructure the loan from the related party. Therefore, the management believes that the going concern basis is appropriate for the preparation of these financial statements. However, the scale and impact of the abovementioned factors on the significant assumptions underlying management plans are currently unpredictable. The timing of the termination of the military invasion and its impact remains uncertain. Therefore, the management believes that there is a material uncertainty that may cast a significant doubt on the Company's ability to continue as a going concern and, therefore, the Company may be unable to realize its assets and discharge its liabilities in the normal course of business.

3. Significant accounting judgments, estimates and assumptions

The preparation of financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts. These estimates are based on information available as at the date of the statement of financial position. Actual results could differ from these estimates.

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

Useful lives of property, plant and equipment

The Company assesses the remaining useful lives of items of property, plant and equipment at least at each financial year end on the basis of expectations of their future usage taking into consideration technological developments, competition, market conditions and other factors. If expectations differ from previous estimate, the changes are accounted for as changes in accounting estimates in accordance with IAS 8 *Accounting policies, Changes in Accounting Estimates and Errors*. These estimates may have an impact on the amount of the carrying values of property, plant and equipment in the statement of financial position and depreciation recognized in the statement of comprehensive income.

Litigations

The Company exercises considerable judgment in measuring and recognizing provisions and the exposure to contingent liabilities related to pending litigations or other outstanding claims subject to negotiated settlement, mediation or arbitration, as well as other contingent liabilities. Judgement is necessary in assessing the likelihood that a pending claim will succeed, or a liability will arise, as well as in determining a possible range of any final settlement. Because of the inherent uncertainties in this evaluation process, actual losses may be different from the originally estimated provision. These estimates are subject to change as any new information becomes available, primarily with the support of, as appropriate, internal specialists or outside consultants, such as legal counsel.

Estimation of net realizable value for inventory

Inventory is stated at the lower of cost and net realizable value ("NRV"). NRV is assessed with reference to market conditions and prices existing at the statement of financial position date and is determined by the Company having taken suitable external advice and in the light of recent market transactions.

3. Significant accounting judgments, estimates and assumptions (continued)

Allowance for expected credit losses

The Company uses the provision matrix to calculate expected credit losses for trade receivables. Allowance rates are based on the receivables ageing and on historical information related to the debtors' default rates, adjusted for expected factors that are specific to the debtors and the economic environment. At each reporting date, default rates are reviewed and changes in forecast estimates are analyzed.

The expected credit losses for related parties are calculated individually taking into account the terms of the agreements, the expected repayment period, internally assessed credit risks for significant debtors based on financial indicators and taking into account the external credit rating, if any.

Deferred tax assets

Deferred tax assets are reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilized. The estimation of that probability requires the management's judgments based on the expected performance (Note 29).

4. Summary of significant accounting policies

Foreign currency translation

The financial statements are presented in the Ukrainian hryvnia that is the functional currency and the presentation currency of the Company. Transactions denominated in currencies other than the relevant functional currency (foreign currencies) are initially recorded in the functional currency at the rate in effect as at the date of transaction.

Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency spot rate of exchange at the reporting date. The resulting gains and losses are recognized in statement of comprehensive income.

Property, plant and equipment

Initial recognition

Property, plant and equipment is accounted for at cost, net of accumulated depreciation and/or accumulated impairment losses, if any. Such cost includes the cost of replacing part of the plant and equipment and borrowing costs for long-term construction projects if the recognition criteria are met. Other subsequent expenditure is capitalized only when it increases the future economic benefits embodied in the item of property, plant and equipment and can be measured reliably. Expenditures for current repair and maintenance are expensed as incurred. Construction in progress represents plant and properties under construction and is stated at cost less any impairment in value. This includes cost of plant and properties construction and other direct costs.

Depreciation

Construction in progress is not depreciated until the relevant assets are completed and are available for use.

Where an item of property, plant and equipment comprises major components having different useful lives, they are accounted for as separate items of property, plant and equipment.

Depreciation is charged to statement of comprehensive income on a straight-line basis over the estimated useful lives of the individual assets. Depreciation of an asset begins when it is available for use, i.e. when it is in the location and condition necessary for it to be capable of operating in the manner intended by management. Land is not depreciated.

The estimated useful lives are as follows:

Group	Useful lives, years
Freehold buildings	20
Machinery and equipment	2-15
Vehicle	5
Tools and instruments	2-5
Office and computer equipment	4
Other	10

The useful life of an asset is defined in terms of the asset's expected utility to the Company.

4. Summary of significant accounting policies (continued)

Property, plant and equipment (continued)

Derecognition

An item of property, plant and equipment and any significant part initially recognized is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in statement of comprehensive income when the asset is derecognized.

The residual value, useful lives and methods of depreciation of property, plant and equipment are reviewed at each financial year end and adjusted prospectively, if appropriate.

Investment property

Investment property is property held by the Company to earn rental income or for capital appreciation, or both and which is not occupied by the Company. The Company's investment property is formed by existing property as a result of a change in its use, and transfer from owner-occupied property to investment property.

Investment property is initially recognized at cost. Subsequently, investment property is carried at cost less accumulated depreciation and impairment allowance (if any).

Investment property consists of buildings with a useful life of 10 to 20 years. Depreciation is recognized in the statement of comprehensive income within other operating expenses on a straight-line basis over the estimated useful lives of investment property.

Operating income earned on operating leases is recognized in profit or loss for the year within other operating income. Gains or losses on disposal of investment property are calculated as proceeds from disposal, net of its carrying amount.

If an investment property becomes owner-occupied, it is reclassified to property, plant and equipment, and its carrying amount at the date of reclassification becomes its deemed cost for accounting purposes.

Impairment of non-financial assets

The Company assesses at each reporting date whether there is an indication that an asset may be impaired. If any indication exists or if an annual impairment test of the asset is required, the Company estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets.

Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs to sell, an appropriate valuation model is used. These calculations are supported by valuation ratios, quotations of the prices of shares of subsidiaries freely circulating in the market, or other available fair value indicators. The Company bases its impairment calculation on detailed budgets and forecast calculations, which are prepared separately for each of the Company's CGUs (Cash Generating Units) to which the individual assets are allocated.

An assessment is made by the Company for assets at each reporting date whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased, except for goodwill. If such indication exists, the Company estimates the asset's or cash-generating unit's recoverable amount. A previously recognized impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognized. In such a case, the carrying amount of the asset is increased to its recoverable amount. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, not exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in profit or loss.

4. Summary of significant accounting policies (continued)

Financial instruments – initial recognition and subsequent measurement

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

(i) Financial assets

Initial recognition and measurement

Financial assets are classified, at initial recognition, as subsequently measured at amortized cost, fair value through other comprehensive income (OCI), and fair value through profit or loss.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Company's business model for managing them. With the exception of trade receivables that do not contain a significant financing component or for which the Company has applied the practical expedient, the Company initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs. Trade receivables that do not contain a significant financing component or for which the Company has applied the practical expedient are measured at the transaction price determined under IFRS 15 as described in the section *Revenue from contracts with customers* below.

In order for a financial asset to be classified and measured at amortized cost or fair value through OCI, it needs to give rise to cash flows that are solely payments of principal and interest (SPPI) on the principal amount outstanding. This assessment is referred to as the SPPI-test and is performed at an instrument level.

The Company's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both.

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the market place (regular way trades) are recognized on the trade date, i.e., the date that the Company commits to purchase or sell the asset.

Subsequent measurement

For purposes of subsequent measurement, financial assets are classified in four categories:

- Financial assets at amortized cost (debt instruments).
- Financial assets at fair value through OCI with recycling of cumulative gains and losses (debt instruments).
- Financial assets designated at fair value through OCI with no recycling of cumulative gains and losses upon derecognition (equity instruments).
- Financial assets at fair value through profit or loss.

As at 31 December 2022 and 2021, the Company had no financial assets at fair value through OCI with recycling of cumulative gains and losses, nor financial assets designated at fair value through profit or loss.

Financial assets at amortized cost

The Company measures financial assets at amortized cost if both of the following conditions are met:

- The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows; and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Loss on initial recognition of loans granted to related parties is recognized as capital distribution directly within retained earnings (accumulated losses).

Financial assets at amortized cost are subsequently measured using the effective interest (EIR) method and are subject to impairment. Gains and losses are recognized in profit or loss when the asset is derecognized, modified or impaired.

4. Summary of significant accounting policies (continued)

(i) Financial assets (continued)

Financial assets at amortized cost (continued)

The Company's financial assets at amortized cost include trade and other receivables, and loans granted to related parties.

Derecognition

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognized (i.e., removed from the Company's statement of financial position) when:

- the rights to receive cash flows from the asset have expired; or
- the Company has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) the Company has transferred substantially all the risks and rewards of the asset, or (b) the Company has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Company has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if, and to what extent, it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the Company continues to recognize the transferred asset to the extent of its continuing involvement. In that case, the Company also recognizes an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Company has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Company could be required to repay.

Impairment of financial assets

The Company recognizes an allowance for expected credit losses ("ECLs") for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Company expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

For trade receivables, the Company applies a simplified approach in calculating ECLs. Therefore, the Company does not track changes in credit risk, but instead recognizes a loss allowance based on lifetime ECLs at each reporting date. The Company has established a provision matrix (Note 12) that is based on its historical credit loss experience, adjusted for forward looking factors specific to the debtors and the economic environment.

(ii) Financial liabilities

Initial recognition and measurement

All financial liabilities are recognized initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

The Company's financial liabilities include trade and other payables and loans and borrowings. The Company has not designated any financial liability as at fair value through profit or loss or as derivatives designated as hedging instruments in an effective hedge.

Subsequent measurement

The subsequent measurement of financial liabilities depends on their classification.

Trade and other accounts payable, loans and borrowings

After initial recognition, accounts payable, interest-bearing loans and borrowings are subsequently measured at amortized cost using the EIR method. Gains and losses are recognized in profit or loss when the liabilities are derecognized as well as through the EIR amortization process.

4. Summary of significant accounting policies (continued)

(ii) Financial liabilities (continued)

Trade and other accounts payable, loans and borrowings (continued)

Gain on initial recognition from loans received from the related parties is recognized as capital contribution directly within retained earnings (accumulated losses).

Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR.

The Company recognized loan principal liabilities in the loans from banks and accrued interests liabilities in other current liabilities.

Derecognition

A financial liability is derecognized when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognized in the statement of profit or loss.

(iii) Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position if there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, to realize the assets and settle the liabilities simultaneously.

Inventories

Inventories are valued at the lower of cost and net realizable value. Costs incurred in bringing each product to its present location and condition are accounted for as follows:

- Raw materials: purchase cost on a weighted average basis.
- Finished goods and work in progress: cost of direct materials and labor and a proportion of manufacturing overheads based on the normal operating capacity.

Net realizable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses.

Cash and cash equivalents

Cash and cash equivalents in the statement of financial position comprise cash at banks and in transit and short-term deposits with a maturity of three months or less, which are subject to an insignificant risk of changes in value. For the purpose of the cash flow statement, cash and cash equivalents consist of cash and cash equivalents as defined above, net of outstanding bank overdrafts.

Revenue from contracts with customers

Revenue from contracts with customers is recognized when control of the goods or services are transferred to the customer at an amount that reflects the consideration to which the Company expects to be entitled in exchange for those goods or services. The Company has generally concluded that it is the principal in its revenue arrangements, because it typically controls the goods or services before transferring them to the customer.

Revenue from sale of finished goods is recognized at the point in time when control of the asset is transferred to the customer, generally on dispatch or delivery of the products.

The Company considers whether there are other promises in the contract that are separate performance obligations to which a portion of the transaction price needs to be allocated (e.g., warranties). In determining the transaction price for the sale of finished goods, the Company considers the effects of variable consideration, the existence of significant financing components, non-cash consideration, and consideration payable to the customer (if any).

(i) Variable consideration

If the consideration in a contract includes a variable amount, the Company estimates the amount of consideration to which it will be entitled in exchange for transferring the goods to the customer.

4. Summary of significant accounting policies (continued)

Revenue from contracts with customers (continued)

(i) Variable consideration (continued)

The variable consideration is estimated at contract inception and constrained until it is highly probable that a significant revenue reversal in the amount of cumulative revenue recognized will not occur when the associated uncertainty with the variable consideration is subsequently resolved. The existing contracts for the sale of finished goods do not provide customers with a right of return of the products of good quality and do not include volume rebates, therefore do not result in variable consideration.

(ii) Significant financing component

Generally, the Company receives short-term advances from its customers. Using the practical expedient in IFRS 15, the Company does not adjust the promised amount of consideration for the effects of a significant financing component if it expects, at contract inception, that the period between the transfer of the promised good or service to the customer and when the customer pays for that good or service will be one year or less.

(iii) Contract balances

Receivables under the contracts with customers are recognized within trade and other accounts receivable, the accounting principles of which are set out in the section "*Financial instruments – initial recognition and subsequent measurement*" above. A contract liability to transfer goods or services to a customer for which the Company has received consideration from the customer is recognized within current liabilities for advances received. Contract liabilities are recognized as revenue when the Company performs under the contract.

Cost of sales

Cost of revenue that relates to the same transaction is recognized simultaneously with respective revenue.

Share capital

The Company's share capital is stated at the nominal amount of the issued shares. Foreign currency translation effect from contributions in foreign currency is recognized within additional capital.

Provisions

Provisions are recognized when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

Where the Company expects some or all of a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognized as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the statement of comprehensive income net of any reimbursement. If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognized as a finance cost.

Contingent assets and liabilities

A contingent asset is not recognized in the financial statements but disclosed when an inflow of economic benefits is probable.

Contingent liabilities are not recognized in the financial statements unless it is probable that an outflow of economic resources will be required to settle the obligation and it can be reasonably estimated. They are disclosed unless the possibility of an outflow of resources embodying economic benefits is remote.

Business combinations and acquisition of non-controlling interests

For business combinations among entities under common control, in particular those representing legal merge of the existing business without a change in reporting entity, the Company elected to apply pooling of interest method. Under this method assets and liabilities after the merge are recognized at the same carrying amounts as before the merge with the remaining differences, if any, recognized directly in equity. The financial information in the financial statements is not restated for periods prior to the business combination under common control. The receiving entity accounts for the merge prospectively from the date on which it occurred.

4. Summary of significant accounting policies (continued)

Taxes

Current income tax

Current income tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The income tax rates and tax legislation in effect on the reporting date are used for the calculation.

Deferred income tax

Deferred income tax is provided using the liability method on all temporary differences at the statement of financial position date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognized for all taxable temporary differences.

Deferred income tax assets are recognized for all deductible temporary differences, carry-forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry-forward of unused tax credits and unused tax losses can be utilized.

The carrying amount of deferred income tax assets is reviewed at each statement of financial position date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilized.

Unrecognized deferred income tax assets are reassessed at each statement of financial position date and are recognized to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the statement of financial position date.

Deferred tax relating to items recognized outside profit or loss is recognized outside profit or loss. Deferred tax items are recognized in correlation to the underlying transaction either in other comprehensive income or directly in equity.

Deferred tax assets and deferred tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

Value-added tax

Revenues, expenses and assets are recognized net of the amount of value-added tax ("VAT") except:

- where VAT incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case VAT is recognized as part of the cost of acquisition of the asset or as part of expense item as applicable; and
- receivables and payables are stated with the amount of VAT included.

The net amount of VAT recoverable from, or payable to, the taxation authority is disclosed in the face of the statement of financial position.

Leases

The Company assesses at the commencement date of the contract whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

Company as a lessee

The Company applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Company recognizes lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

4. Summary of significant accounting policies (continued)

Leases (continued)

Company as a lessee (continued)

Right-of-use assets

The Company recognizes right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognized, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease term and the estimated useful lives of the assets.

Lease liabilities

At the commencement date of the lease, the Company recognizes lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments, included into measurement of lease liability, comprise the following payments for the right to use the underlying assets during lease term:

- fixed payments (including in substance fixed payments) less any lease incentives receivable.
- variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees.
- price of a purchase option reasonably certain to be exercised by the Company.
- payments of penalties for terminating a lease, if the lease term reflects the Company exercising the option to terminate.

The variable lease payments that do not depend on an index or a rate are recognized as expense in the period on which the event or condition that triggers the payment occurs. In calculating the present value of lease payments, the Company uses the rate implicit in the lease if that can be readily determined. If that rate cannot be readily determined, the lessee uses incremental borrowing rate.

After the commencement date, the amount of lease liabilities is increased to reflect the accrued interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the in-substance fixed lease payments or a change in the assessment to purchase the underlying asset.

Short-term leases and leases of low-value assets

The Company applies the short-term lease recognition exemption to its short-term leases (i.e. those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the lease of low-value assets recognition exemption to leases of assets that are considered of low value. Lease payments on short-term leases and leases of low-value assets are recognized as expense on a straight-line basis over the lease term.

Company as a lessor

Leases in which the Company does not transfer substantially all the risks and rewards incidental to ownership of an underlying asset are classified as operating leases. Lease income arising is accounted for on a straight-line basis over the lease terms and is included in revenue in the statement of profit or loss due to its operating nature. Initial direct costs incurred in obtaining an operating lease are added to the carrying amount of the underlying asset and recognized over the lease term on the same basis as the lease income. Contingent rents are recognized as revenue in the period in which they are earned.

Events after the statement of financial position date

Events after the statement of financial position date that provide additional information on the Company's position at the statement of financial position date (adjusting events) are reflected in the financial statements. Events after the statement of financial position date that are not adjusting events are disclosed in the notes when material.

5. Effect of implementation of new standards

The accounting policies adopted in 2022 are consistent with those of the previous financial year, except for new interpretations, amendments and improvements effective from 1 January 2022 as described below. The Company has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

The following new interpretations, amendments and improvements have been adopted by the Company for the first time to the financial reporting periods commencing or after 1 January 2022:

- Amendments to IFRS 3 - “Reference to the Conceptual Framework”
- Amendments to IAS 16 - “Property, Plant and Equipment: Proceeds before Intended Use”
- Amendments to IAS 37 - “Onerous Contracts - Costs of Fulfilling a Contract”
- Amendments to IFRS 1 - “First-time Adoption of International Financial Reporting Standards” - Subsidiary as a first-time adopter
- Amendments to IFRS 9 - “Financial Instruments” - Fees in the ‘10 per cent’ test for derecognition of financial liabilities
- Amendments to IAS 41 - “Agriculture” - Taxation in fair value measurements

The adoption of the interpretations, amendments and improvements has no material impact on the consolidated financial statements of the Company.

6. Standards issued, but not yet effective

The standards and interpretations that are issued, but not yet effective, up to the date of issuance of the Company’s financial statements are disclosed below. The Company does not expect any significant impact of the amendments on the financial statements and plans to adopt the amendments at the date they become effective.

<i>New pronouncement</i>	<i>Effective date</i>
IFRS 17 Insurance Contracts	1 January 2023
Classification of Liabilities as Current or Non-current - Amendments to IAS 1	1 January 2023
Definition of Accounting Estimates - Amendments to IAS 8	1 January 2023
Disclosure of Accounting Policies - Amendments to IAS 1 and IFRS Practice Statement 2	1 January 2023
Deferred Tax related to Assets and Liabilities arising from a Single Transaction – Amendments to IAS 12	1 January 2023
IFRS 16 Lease Liability in a Sale and Leaseback	1 January 2024
Classification of Liabilities as Current or Non-current - Amendments to IAS 1	1 January 2024
Supplier Finance Arrangements - Amendments to IAS 7 and IFRS 7	1 January 2024
Lack of exchangeability - Amendments to IAS 21	1 January 2025
IFRS 18 Presentation and Disclosure in Financial Statements	1 January 2027
IFRS 19 Subsidiaries without Public Accountability: Disclosures	1 January 2027

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7. Business combinations and acquisition of non-controlling interests

In August 2022 and October 2022, the Company has been merged with Result House LLC and BF Project LTD (Ukraine), before the merge date the related parties of the Company, with merge effect taken directly to equity. The Company accounted the merge applying pooling of interest method prospectively from the date on which it occurred. Assets and liabilities of Result House LLC and BF Project LTD at their carrying amounts as of the date of merge were as follows (UAH thousand):

	Result House LLC	BF Project LTD	Total
Non-current assets			
Intangible assets	2,851	283	3,134
Capital investments in progress	69,588	66,427	136,015
Property, plant and equipment	361,223	52,102	413,325
Investment property	121,403	123,296	244,699
Current assets			
Inventories	21,783	2	21,785
Accounts receivable for goods, works and services	1,611	17,256	18,868
Accounts receivable on prepayments made	769	180	948
Cash and cash equivalents	5	5	11
Total assets	579,233	259,551	838,785
Retained earnings (accumulated deficit) (*)	(287,886)	169,689	(118,197)
Total equity	(287,886)	169,689	(118,197)
Non-current liabilities and provisions			
Other non-current liabilities	-	-	-
Current liabilities and provisions			
Current liabilities for goods, works and services	5,145	23,511	28,657
Current liabilities for advances received	-	369	369
Current provisions	-	-	-
Other current liabilities	861,974	65,982	927,956
Total liabilities and provisions	867,119	89,862	956,982

(*) As a result of the business combination, the participants of the Company decided to increase the Company's registered (share) capital by UAH 10,000 thousand through retained earnings.

8. Property, plant and equipment (lines 1005, 1010, 1011, 1012,1090)

	31 December 2022	31 December 2021
Property, plant and equipment, cost – line 1010 (i)	2,002,646	1,655,749
Construction in progress and uninstalled equipment – line 1005 (i)	224,618	62,977
Right-of-use assets – line 1090 (i)	4,571	11,433
Total	2,231,835	1,730,159

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8. Property, plant and equipment (lines 1005, 1010, 1011, 1012,1090) (continued)

(i) Property, plant and equipment

	Freehold land	Freehold buildings	Machinery and equipment	Vehicles	Tools, devices, inventory	Office equipment, furniture	Other fixed assets	Construction in progress and uninstalled equipment	Total
Cost:									
At 1 January 2021	22,362	621,522	1,580,929	53,992	7,191	2,044	6,738	307,897	2,602,675
Additions	–	–	–	–	–	–	–	340,105	340,105
Putting into operations	567	281,473	243,778	4,023	1,791	62	906	(532,600)	–
Transfer to investment property	–	(133,518)	–	–	–	–	–	–	(133,518)
Transfer from investment property	–	147,705	–	–	–	–	–	–	147,705
Disposals	–	–	(260,530)	(21)	(150)	(14)	–	(52,425)	(313,140)
At 31 December 2021	22,929	917,182	1,564,177	57,994	8,832	2,092	7,644	62,977	2,643,827
Additions	–	–	–	–	–	–	–	59,629	59,629
Acquisition from business combinations (Note 7)	250	15,238	396,091	78	780	715	173	136,015	549,340
Putting into operations	–	3	16,491	277	186	552	31	(17,540)	–
Transfer to investment property	–	(9,934)	–	–	–	–	–	–	(9,934)
Transfer from investment property	–	133,518	–	–	–	–	–	–	133,518
Disposals	–	–	(56)	–	(8)	–	(554)	(16,463)	(17,081)
At 31 December 2022	23,179	1,056,007	1,976,703	58,349	9,790	3,359	7,294	224,618	3,359,299
Accumulated depreciation and impairment									
At 1 January 2021	–	(124,292)	(611,859)	(38,570)	(4,974)	(1,982)	(1,875)	–	(783,552)
Depreciation charge for the year	–	(44,087)	(145,210)	(6,734)	(1,296)	(104)	(1,498)	–	(198,929)
Transfer to investment property	–	1,772	–	–	–	–	–	–	1,772
Transfer from investment property	–	(18,803)	–	–	–	–	–	–	(18,803)
Disposals	–	–	74,275	20	102	14	–	–	74,411
At 31 December 2021	–	(185,410)	(682,794)	(45,284)	(6,168)	(2,072)	(3,373)	–	(925,101)
Depreciation charge for the year	–	(47,668)	(149,274)	(7,182)	(1,008)	(1,271)	(829)	–	(207,232)
Transfer to investment property	–	1,733	–	–	–	–	–	–	1,733
Transfer from investment property	–	(1,733)	–	–	–	–	–	–	(1,733)
Disposals	–	–	56	–	8	–	234	–	298
At 31 December 2022	–	(233,078)	(832,012)	(52,466)	(7,168)	(3,343)	(3,968)	–	(1,132,035)
Net book value:									
At 31 December 2021	22,929	731,772	881,383	12,710	2,664	20	4,271	62,977	1,718,726
At 31 December 2022	23,179	822,929	1,144,691	5,882	2,622	16	3,326	224,618	2,227,264

8. Property, plant and equipment (lines 1005, 1010, 1011, 1012,1090) (continued)

(i) Property, plant and equipment (continued)

As at 31 December 2022, the property, plant and equipment with cost of UAH 59,293 thousand were fully depreciated, but remain in use (31 December 2021: UAH 11,399 thousand).

The carrying amount of temporarily idle property, plant and equipment as at 31 December 2022 was UAH 308,677 thousand (31 December 2021: UAH 85,935 thousand).

(ii) Right-of-use assets

	Lease of land	Lease of real estate	Lease of vehicles and equipment	Total
At 1 January 2021	524	4,632	11,457	16,613
Additions	–	3,735	–	3,735
Depreciation charge for the year	(200)	(5,081)	(3,634)	(8,915)
Disposals	–	–	–	–
At 31 December 2021	324	3,286	7,823	11,433
Additions	–	102	–	102
Depreciation charge for the year	(170)	(3,168)	(3,626)	(6,964)
Disposals	–	–	–	–
At 31 December 2022	154	220	4,197	4,571

The Company rents office space, land and vehicles. Lease agreements are usually concluded for fixed periods up to 5 years.

A lease is recognized as an asset in the form of a right of use reflecting the related obligation from the date on which the leased asset is available for use by the Company.

9. Investment property (lines 1015, 1016, 1017)

	Total
Cost	
At 1 January 2021	368,692
Transfer to property, plant and equipment	(147,705)
Transfer from property, plant and equipment	133,518
Additions	2,981
At 31 December 2021	357,486
Transfer to property, plant and equipment	(133,518)
Transfer from property, plant and equipment	9,934
Additions from business combinations (Note 7)	244,699
At 31 December 2022	478,601
Accumulated depreciation and impairment	
At 1 January 2021	(48,645)
Transfer to property, plant and equipment	18,803
Transfer from property, plant and equipment	(1,772)
Depreciation charge for the year	(11,957)
At 31 December 2021	(43,571)
Transfer to property, plant and equipment	1,773
Transfer from property, plant and equipment	(1,773)
Depreciation charge for the year	(15,610)
At 31 December 2022	(59,181)
Net book value	
At 31 December 2021	313,915
At 31 December 2022	419,420

Investment property includes real estate that has been leased to related parties: production plants and a transit warehouse.

	2022	2021
Rental income derived from investment properties (Note 24)	66,011	97,178
Direct operating expenses (including repairs and maintenance) arising from investment properties that generate rental income (included in other operating expenses) (Note 27)	(15,610)	(11,957)
Profit from investment properties	50,401	85,221

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10. Financial investments (line 1035)

Name	Country of registration	Type of activity	Share in capital, %	31 December 2022	31 December 2021
BF Parket LLC	Ukraine	Parquet production	1.62	64	64
BF Profil LLC	Ukraine	Manufacture of wooden building structures and joinery	2.32	26	26
BF Inzhyniring LLC	Ukraine	Production of plywood, wood boards and panels, veneer	10.00	5	5
Lignotest LLC	Ukraine	Consultancy	10.00	1	1
Total				96	96

11. Inventories (lines 1100, 1101, 1102, 1103, 1104)

	31 December 2022	31 December 2021
Raw materials:		
Spare parts (at cost)	78,830	68,647
Fuel (at cost)	11,566	1,436
Raw materials (at cost or net realizable value)	9,333	16,498
Recoverable materials for sale (at cost)	8,911	1,311
Packaging materials (at cost)	4,351	1,425
Other inventories (at cost)	3,668	4,440
	116,659	93,757
Work in progress		
Semi-finished products (at cost or net realizable value)	181,568	179,621
	181,568	179,621
Finished goods (at cost or at net realizable value)	209,907	111,740
Goods		
Goods held on consignment	4,310	–
Total	512,444	385,118

In 2022, the amount of write-down of inventories recognized within other operating expenses is UAH 231 thousand (2021: UAH 1,149 thousand) (Note 27).

12. Trade and other receivables (lines 1125, 1155)

	31 December 2022	31 December 2021
Trade receivables for goods, works and services	114,569	116,641
Other receivables	16,842	63,364
Expected credit losses	(17,200)	(17,200)
Total receivables	114,211	162,805

Trade and other receivables are non-interest bearing and are repayable in the normal course of business.

Other receivables as at 31 December 2021 include financial assistance provided to the related party in the amount of UAH 58,000 thousand.

The current part of long-term receivables in the amount of UAH 577 thousand is accounted for under Other receivables and represents receivables from the sale of bonds to the related party (2021: UAH 3,636 thousand).

Analysis of net trade receivables by maturity is as follows:

At 31 December 2022

	ECL, %	Gross book value	ECL
Current (not overdue)	0.02%	11,430	2
Overdue for 1-30 days	0.11%	23,576	26
Overdue for 31-90 days	0.73%	44,920	327
Overdue for 91-180 days	6.51%	5,602	365
Overdue for 181-365 days	54.25%	12,362	6,707
Overdue for more than 365 days	59.24%	16,499	9,773
Total		114,569	17,200

12. Trade and other receivables (lines 1125, 1155) (continued)

At 31 December 2021

	ECL, %	Gross book value	ECL
Current (not overdue)	4.99%	42,712	2,131
Overdue for 1-30 days	7.99%	56,343	4,502
Overdue for 31-90 days	14.23%	6,003	854
Overdue for 91-180 days	69.54%	999	695
Overdue for 181-365 days	79.70%	4,584	3,653
Overdue for more than 365 days	89.41%	6,000	5,365
Total		116,641	17,200

Movements in the allowance for expected credit losses of trade and other receivable are as follows:

	2022	2021
At 1 January	(17,200)	(17,200)
Charge for the year	(17,200)	(17,200)
Reversed or used	17,200	17,200
At 31 December	(17,200)	(17,200)

13. Prepayments (line 1130)

	31 December 2022	31 December 2021
Prepayments for goods and services to domestic suppliers	26,823	19,486
Prepayments for goods and services to foreign suppliers	2,990	614
Total	29,813	20,100

14. Taxes recoverable, other than income tax (line 1135)

	31 December 2022	31 December 2021
Settlements for VAT	23,098	86,105
Other taxes	37	–
Total	23,135	86,105

15. Cash and cash equivalents (line 1165)

	31 December 2022	31 December 2021
Cash in banks in foreign currency	350,237	8,048
Cash in banks in national currency	2,555	160
Total	352,792	8,208

Cash at banks earned interest at floating rates based on daily bank deposit rates.

16. Equity (lines 1400, 1410, 1425)

The Company's participants are the following persons:

	Share 2022, %	31 December 2022	Share 2021, %	31 December 2021
PJSC VCENCI FUND UNIBUDINVEST	80.0771%	763,674	79.8661%	753,675
Zholynska Anastasia Leonidivna	4.9807%	47,500	5.0335%	47,500
Yurushev Leonid Leonidovich	4.9805%	47,498	5.0334%	47,498
Yurusheva Elizaveta Leonidivna	4.9807%	47,500	5.0335%	47,500
Yurusheva Natalia Dmytrivna	4.9807%	47,500	5.0335%	47,500
Rezult Ukraine LLC	0.0001%	1	–	–
Total	100%	953,673	100%	943,673

17. Lease liability (lines 1515, 1610)

The Company leases premises, vehicles and land in accordance with lease agreements for up to 5 years (Note 8).

The movement of lease obligations was as follows:

Year	Balance at the beginning of the year	Additions	Interest expenses	Repaid	Balance at the end of the year	incl. current part
2021	12,862	4,173	1,795	(5,889)	12,941	5,489
2022	12,941	102	1,281	(10,933)	3,331	2,722

17. Lease liability (lines 1515, 1610) (continued)

The following are the amounts recognized in the statement of financial position in respect of leases:

	2022	2021
Depreciation of assets in the form of the right of use *	3,626	3,462
Financial costs under lease obligations	1,281	1,795
Short-term lease costs	402	331
The total amount recognized in the income statement	5,309	5,588

* Depreciation of assets in the form of the right of use is allocated to cost of sales, administrative and other operating expenses based on the functional use of leased assets.

The analysis of changes in lease obligations due to the Company's financial activities is provided in Note 21.

18. Trade and other payables (line 1615)

	31 December 2022	31 December 2021
Trade payables for property, plant and equipment	70,185	50,547
Trade payables for materials and services	14,208	36,878
Total	84,393	87,425

19. Current liabilities for advances received (line 1635)

Current liabilities on advances received include contractual obligations under contracts with customers. All advances are short-term for which the delivery of finished products must take place no more than 12 months from the date of receipt.

In 2022, the Company recognized net revenue from sales in the amount of UAH 35,775 thousand in respect of advances received at the beginning of the year (2021: UAH 33,291 thousand).

20. Current provisions (line 1660)

	Provision for vacations	Provision for other payments	Total
At 1 January 2021	2,537	939	3,476
Accrued	4,101	–	4,101
Used or utilized	(3,358)	–	(3,358)
At 31 December 2021	3,280	939	4,219
Accrued	7,743	–	7,743
Used or utilized	(8,346)	–	(8,346)
At 31 December 2022	2,677	939	3,616

21. Other current liabilities (line 1690)

As at 31 December 2022 and 2021, other current liabilities comprised short-term loans from related parties and interest payable on these loans in the total amount of UAH 3,634,325 thousand (2021: UAH 2,466,294 thousand) and other current liabilities in amount of UAH 76,304 thousand (2021: UAH 4,622 thousands).

Short-term loans from related parties and interest payable on these loans are presented below:

	Effective interest rate	31 December 2022		31 December 2021	
		Maturity	Amount	Maturity	Amount
<i>Interest-bearing loans in Ukrainian hryvnia from related parties</i>					
Loan 1	18%	30/04/2023*	81,154	30/04/2022	187,460
Loan 2	18%	16/05/2023**	2,549,118	17/05/2022	2,213,225
Loan 3	18%	17/05/2023***	69,531	–	–
Loan 4	18%	17/05/2023***	862,003	–	–
Loan 5	10%	13/09/2023****	7,000	–	–
Loan 6	15.3-16.4%	31/12/2023*****	519	31/12/2022	519
Loan 7	15.69%	08/11/2023*****	65,000	08/11/2022	65,000
Total			3,634,325		2,466,204
<i>incl.: interest liability</i>			73,681		27,194

21. Other current liabilities (line 1690) (continued)

* The Company has prolonged the short-term loan from the related party annually as follows:

- Maturity of the loan as of the date of the approval of this financial statement is 29 April 2026.
- Maturity of the loan as at 31 December 2022 is 30 April 2023.
- Maturity of the loan as at 31 December 2021 is 31 April 2022.

** The Company has prolonged the short-term loan from the related party annually as follows:

- Maturity of the loan as of the date of the approval of this financial statement is 16 May 2026.
- Maturity of the loan as at 31 December 2022 is 16 May 2023.
- Maturity of the loan as at 31 December 2021 is 17 May 2022.

*** The Company has prolonged the short-term loan from the related party annually as follows:

- Maturity of the loan as of the date of the approval of this financial statement is 17 May 2026.
- Maturity of the loan as at 31 December 2022 is 17 May 2023.

**** The Company has prolonged the short-term loan from the related party annually as follows:

- As of the date of the approval of this financial statement the Company had repaid the loan to the related party.
- Maturity of the loan as at 31 December 2022 is 13 September 2023.

***** The Company has prolonged the short-term loan from the related party annually as follows:

- Maturity of the loan as of the date of the approval of this financial statement is 31 December 2025.
- Maturity of the loan as at 31 December 2022 is 31 December 2023.
- Maturity of the loan as at 31 December 2021 is 31 December 2022.

***** The Company has prolonged the short-term loan from the related party annually as follows:

- Maturity of the loan as of the date of the approval of this financial statement is 11 August 2026.
- Maturity of the loan as at 31 December 2022 is 11 August 2023.
- Maturity of the loan as at 31 December 2021 is 11 August 2022.

As at 31 December 2022 and 2021 loans were unsecured.

The analysis of changes in liabilities due to financial activities during 2021-2022 is given in the tables below:

	Borrowings from related parties	Lease obligations	Total
Debt as at 1 January 2021	2,244,323	12,862	2,257,185
Additions	948,337	4,173	952,110
Payment of borrowings	(313,172)	(4,094)	(317,266)
Payment of lease obligations	–	(1,795)	(1,795)
Payment of interests	(771,576)	–	(771,576)
Net cash flow from financing activities	(136,411)	(1,716)	(138,127)
Accrual of interest	358,292	1,795	360,087
Debt as at 31 December 2021	2,466,204	12,941	2,479,145
Additions	312,240	–	312,240
Additions from business combinations (Note 7)	924,003	–	924,003
Payment of borrowings	(114,640)	(2,182)	(116,822)
Payment of lease obligations	–	(1,282)	(1,282)
Payment of interests	(397,174)	–	(397,174)
Net cash flow from financing activities	724,429	(3,464)	720,965
Amortization of discount	–	(7,427)	(7,427)
Accrual of interest	439,739	1,282	441,021
Accrual of interest of accrued interest from business combinations (Note 7)	3,953	–	3,953
Debt as at 31 December 2022	3,634,325	3,332	3,637,657

Ukrainian Sawmill Holding Company Limited
NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 December 2022
(in thousands of Ukrainian hryvnia)

22. Revenue (line 2000)

	2022	2021
Revenue from the sale of lumber	967,467	600,289
Revenue from sale of semi-finished goods	17,478	312,810
Revenue from the sale of pallets	2,205	11,453
Total	987,150	924,552

Revenue from sales by regions was as follows:

Regions	2022	2021
Central and Eastern Europe	386,381	141,650
Western Europe	374,064	68,112
Ukraine	172,474	538,401
Asia	34,531	139,499
Middle East	19,700	26,049
North America	–	10,841
Total	987,150	924,552

Sale of goods for export is carried out under a commission agreement with related party and accounts in 2022 for 84% (2021: 63%) of the total revenue from the supply of finished goods.

23. Cost of sales (line 2050)

	2022	2021
Materials	438,608	532,403
Depreciation	150,973	168,375
Utilities, energy and other services	42,387	42,921
Payroll and related charges	49,698	59,040
Other	3,191	1,025
Total	684,857	803,765

24. Other operating income (line 2120)

	2022	2021
Operating rent income	66,011	97,178
Operating foreign exchange gains, net	38,974	–
Gain on foreign currency purchase and sale, net	5,187	–
Gain on sale of equipment	2,062	22,083
Gain on sale of transport services, net	2,040	3,905
Income from heat supply, net	1,619	15,708
Income from the write-off of accounts payable	85	499
Income from Non-refundable financial assistance from related parties (Note 30)	–	393,000
Gain on sale of miscellaneous goods, net	2	1,549
Other	7,840	3,339
Total	123,820	537,261

25. General and administrative expenses (line 2130)

	2022	2021
Salary expenses and related charges	12,131	7,337
Information and consulting services	7,560	2,272
Depreciation	922	740
Repairs and maintenance	891	186
Business trip expenses	699	353
Bank charges	617	536
Rent	486	24
Communication	461	287
Depreciation of rights of use	402	331
Other expenses	160	500
Total	24,329	12,566

26. Selling and distribution expenses (line 2150)

	2022	2021
Materials	8,790	4,610
Commission fees (Note 30)	7,389	4,976
Payroll and related expenses	3,046	1,950
Transportation	927	4,755
Other	207	130
Total	20,359	16,421

27. Other operating expenses (line 2180)

	2022	2021
Depreciation of other property, plant and equipment	25,869	85,985
Depreciation of investment property	15,610	11,957
Services of third-party organizations	11,362	10,167
Charity	10,000	–
Taxes	3,060	1,330
Non-refundable financial assistance (Note 30)	350	93,000
Maintenance of assets for rent	343	205
Fees and penalties	114	63
Forex loss, net	–	11,523
Inventories written-off	–	1,149
Loss on purchase and sale of foreign currency, net	–	275
Insurance	–	90
Other	2,127	10,134
Total	68,835	225,878

28. Finance costs and income (lines 2250, 2220)

	2022	2021
Finance costs on loan	438,633	358,292
Finance costs on rent	1,281	1,795
Total - finance costs (line 2250)	439,914	360,087

	2022	2021
Interest income on balances on current bank accounts	596	305
Finance income from amortization of the discount	297	271
Total - finance income (line 2220)	893	576

29. Income tax (line 2300)

The reconciliation between income tax expense and pre-tax loss multiplied by the standard tax rate for the year ended 31 December is as follows:

	2022	2021
Accounting gain/(loss) before tax	(126,435)	43,578
Income tax amount calculated at the statutory tax rate of 18%	22,758	(7,844)
Change in unrecognized deferred tax asset	(21,988)	5,999
Non-deductible income/(expenses) for tax purpose	(770)	1,845
Income tax expense	–	–

Deferred tax assets and liabilities relate to the following items::

	Statement of financial position		Statement of comprehensive income		Recognized directly in Equity statement	
	31 December 2022	31 December 2021	2022	2021	2022	2021
Deferred tax assets:						
Tax losses	228,937	153,059	21,988	(5,999)	53,890	–
Unrecognized part of deferred tax asset	(228,937)	(153,059)	(21,988)	5,999	(53,890)	–
Deferred tax asset	–	–	–	–	–	–

Deferred tax assets have not been recognized in respect of tax losses carry-forward as there is no evidence of the recoverability of the Company in the near future.

30. Related party disclosure

The outstanding balances due from / to related parties were as follows:

	31 December 2022	31 December 2021
Participants		
Short-term loans	3,568,775	2,400,685
Trade and other payables	–	26
Other related parties		
Trade and other receivables	50,109	69,838
Trade and other payables	6,939	43,692
Short-term loans	65,520	65,520
Lease liability	340	5,207

The Company's transactions with its related parties for the years ended 31 December were as follows:

	2022	2021
Participants		
Loans received	1,236,243	879,737
Loans repaid	(114,640)	(309,572)
Interests repaid	(397,174)	(771,576)
Finance costs	443,692	358,292
Other related parties		
Revenue from sales of goods	197,010	535,074
Revenue from rent and other services	42,231	60,100
Gain on sales of inventory	2	1,549
Gain on sales of property, plant and equipment	2,062	21,848
Commission fees	7,389	4,976
Purchases of property, plant and equipment	6,394	283,440
Purchases of goods and services	130,588	281,383
Irrevocable financial assistance granted	(350)	(93,000)
Income from amortization of the discount on issued loans	297	271
Receiving irrevocable financial assistance	–	393,000
Receiving recoverable financial assistance	–	68,600
Repayment of recoverable financial assistance provided	58,000	–
Loans repayment	–	(3,600)
Finance costs under the lease agreements	(170)	(810)

Revenue, trade and other receivables

Revenue and outstanding trade and other receivables relate to sales of goods and rent. Trade and other receivable balances are unsecured and settlements occurs in cash.

Purchases, trade and other payables

Purchases and outstanding trade and other payables relate to (i) supplies of raw and other materials, construction materials and services, and (ii) commission fees under the commission agreements to agents. The payables balances are non-interest bearing and are repayable in the normal course of business.

Loans from related party

Information on loans from related parties is provided in Note 21.

Loans to related party

The Company provided loans in the form of interest-free financial assistance to entities controlled by the shareholder during 2022. Such financial assets were carried at amortized cost at the date of initial recognition.

Compensation of key management personnel

In 2022, total compensation to key management personnel (3 persons) comprised UAH 1,813 thousand (2021: UAH 958 thousand). Compensation to the key management personnel mainly consists of salary and related charges, bonuses and short-term employee benefits.

31. Contingencies and commitments

Ukrainian legislations and regulations regarding taxation and other regulatory matters, including currency exchange control and custom regulations, continue to evolve. The legislations and regulations are not always clearly written and are subject to varying interpretations by local, regional and national authorities, and other governmental bodies. Instances of inconsistent interpretations continue to be not unusual.

Management believes that the Company has complied with all regulations and paid or accrued all taxes that are applicable. Where uncertainty exists, the Company accrues tax liabilities based on the management's best estimate. Management believes that the probability that the tax and other regulatory risks would materialize is not higher than for other entities in Ukraine, and their potential outcome will not have material impact on the financial position and performance of the Company.

The Company deals with lawsuits and claims in the normal course of business. Management believes that the maximum liability for liabilities arising from such claims or claims, if any, other than those already recognized in the financial statements will not have material impact on the Company's financial position or results of future operations.

Management estimates that contingent on existing lawsuits from tax and customs authorities and the risks of possible resources outflow arising from tax and other issues will not exceed UAH 62,000 thousand.

32. Financial risk management objectives and policies

The Company's principal financial instruments comprise trade receivables and payables, loans and borrowings and cash and cash equivalents. The main purpose of these financial liabilities is to provide funding for the Company's operations. The Company has various other financial assets and liabilities such as other receivables and other payables, which arise directly from its operations.

The Company do not have any transactions using derivative financial instruments. The Company's overall risk management program focuses on the unpredictability and inefficiency of the Ukrainian financial markets and seeks to minimize potential adverse effects on the financial performance of the Company. Risk management is carried out by the Company's financial department. The main risks arising from the Company's financial instruments are interest rate risk, credit risk, liquidity risk and foreign currency risk. The Company reviews and agrees policies for managing each of these risks and they are summarized below.

Interest rate risk

The exposure to the risk of changes in market interest rates relates primarily to an entity's loans with floating interest rates. During 2021-2022, the Company's loans and borrowings bear interests at the fixed rates and, accordingly, there is no interest rate risk exposure at the reporting date.

Credit risk

Credit risk is the risk that counterparty will not meet its obligations to the Company on contract terms, leading to a financial loss. The credit risk of the Company related to such financial assets as trade and other accounts receivable (Note 12), loans issued in the form of interest-free financial assistance, and cash and cash equivalents (Note 15).

The credit risk related to accounts receivable is limited as management constantly monitors the creditworthiness of customers. The Company does not require collateral for its financial assets. The Company's credit risk relates to the default of customers and other debtors on their liabilities and is limited to the carrying amount of receivables and cash and cash equivalents.

Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due because of limited liquid assets. The Company analyses the ageing of its assets and the maturity of its liabilities and plans its liquidity depending on the expected repayment of various instruments.

The table below summarizes the maturity profile of the Company's financial liabilities based on contractual undiscounted payments at 31 December 2022 and 2021:

32. Financial risk management objectives and policies (continued)

Liquidity risk (continued)

	Less 3 months	3 to 12 months	1 to 5 years	More 5 years	Total
31 December 2022					
Other current liabilities	73,681	3,560,644	–	–	3,634,325
Lease liability	–	2,722	609	–	3,331
Trade and other accounts payable	84,393	–	–	–	84,393
Total	158,074	3,563,366	609	–	3,722,049

	Less 3 months	3 to 12 months	1 to 5 years	More 5 years	Total
31 December 2021					
Other current liabilities	27,194	2,439,010	–	–	2,466,204
Lease liability	2,091	4,020	4,649	2,181	12,941
Trade and other accounts payable	87,425	–	–	–	87,425
Total	116,710	2,443,030	4,649	2,181	2,566,570

In order to manage liquidity risk under short-term loans, the management has agreed and received written confirmation from the Company's majority shareholder and the main lender regarding the lack of intention to require the Company to pay the debt in full on the loan in 2025 and 2026 (Note 2 and 21).

Foreign currency risk

The foreign currency risk is the risk of potential losses related to the outstanding balances denominated in foreign currency in case of unfavorable changes in foreign exchange rates. The foreign exchange risk of the Company related to fluctuations of Ukrainian hryvnia against US dollar ("USD") and Euro ("EUR"), in which the Company carried significant part of its transactions and in which certain financial instruments of the Company are denominated. The Company has not entered into transactions designed to hedge against these foreign currency risks. The main method of foreign currency risk management is decrease of outstanding balance of foreign currency positions to an acceptable level.

The following table demonstrates the official exchange rates for Ukrainian hryvnia against foreign currencies.

	USD	EUR
Average for 2021	27.2862	32.3076
31 December 2021	28.1929	34.1035
Average for 2022	32.3076	33.9954
31 December 2022	36.5686	38.9510

The following table demonstrates the sensitivity to a reasonably possible change in the foreign currency exchange rates, with all other variables held constant, of the Company's profit before tax.

	Change in exchange rates	Effect on the profit before tax
31 December 2022		
Increase in EUR exchange rate	+17%	(90,313)
Decrease in EUR exchange rate	-17%	90,313
Increase in USD exchange rate	+19%	2,990
Decrease in USD exchange rate	-19%	(2,990)
31 December 2021		
Increase in EUR exchange rate	+15%	(18,317)
Decrease in EUR exchange rate	-13%	15,875
Increase in USD exchange rate	+14%	2,852
Decrease in USD exchange rate	-11%	(2,241)

32. Financial risk management objectives and policies (continued)

Fair value

The Company's financial assets and liabilities comprise cash and cash equivalents, trade receivables and payables, financial investments (equity instruments). The accounting policies for their recognition and measurement are disclosed in the relevant sections of these Notes. All of the Company's financial instruments are Level 3 instruments of the source of fair value measurement of assets and liabilities the fair value of which has been determined from the initial data observed for the asset or liability directly (price) or indirectly (derived from prices). The current value of all of the Company's financial instruments is approximately equal to their fair value. During 2021-2022 there were no movements between the levels of the fair value measurement hierarchy.

33. Comparative information

In the financial statements for 2022, the Company revised the presentation of short-term loans from related parties to improve the quality and correct the information previously presented in the statement of financial position. Accordingly, comparative information was also reclassified. This restatement does not affect previously reported net profit.

The table below summarizes the changes for the line items affected in the statement of financial position:
2021

Description	Line code	As previously reported	Reclassification	After reclassification
III. Current liabilities and provisions				
Current liabilities on internal settlements	1645	2,466,204	(2,466,204)	–
Other current liabilities	1690	4,622	2,466,204	2,470,826

Certain comparative figures have been restated in order to correct amounts of cash inflow from special purpose financing and from other receipts to improve the quality and correct the information previously presented in the statement of cash flows. This restatement does not affect previously reported net profit.

The table below summarizes the changes for the line items affected in the statement of cash flows:
2021

Description	Line code	As previously reported	Reclassification	After reclassification
I. Cash flows from operating activities				
Cash inflow from:				
Special purpose financing	3010	1,194	(1,194)	–
Other receipts	3095	2,886	1,194	4,080

34. Events after the reporting date

Other than events described in notes above, there have been no events, subsequent to period end which require adjustment of or disclosure in the financial statements or notes thereto.