Sustainability Report 2025

Warmeston

Mait Kaup
Warmeston CEO

Message from our CEO

As we publish our sixth Sustainability Report, I reflect on a year marked by strong operational performance, continued progress in sustainability, and recognition of our long-term efforts.
2025 was a defining year for Warmeston.
Our Sauga and Purila factories achieved record production volumes, contributing to the highest overall output in the group's history. At the same time, we successfully rebuilt our Järvere factory, which is now fully focused on the production of high-quality premium pellets, strengthening our position in higher-value market segments.

We also took important steps to improve operational efficiency. In Latvia, we merged the operations of the Brocēni pellet plant and CHP facility, creating a more integrated and efficient production system. Across the group, we continued to streamline processes and strengthen our operational foundation.

In an increasingly uncertain global environment, we remained focused on operational excellence. We continued to enable the local use of renewable biofuels and to supply European CHP plants, supporting efficient energy generation at a time when it is needed more than ever. In doing so, we contribute to Europe's energy security by utilising local energy sources and reducing dependence on imported fossil fuels.

Our commitment to sustainability was further recognised externally. Warmeston was named Sustainability Champion at the Argus Biomass Awards, highlighting our consistent efforts in responsible biomass production. In Estonia, we were also selected among the top five companies in the "Industry Digitaliser" category at the 2025 Estonian Business Awards, reflecting our focus on digital development and process optimisation.

Environmental performance remained a key priority. In 2025, total pellet emissions decreased to 7.9 gCO_2e/MJ, down from 8.6 the previous year, reflecting improvements in energy use, process efficiency, and emission management. Beyond operations, we continued to invest in our people, safety, and organisational capability, while maintaining strong cooperation with our partners and stakeholders. Looking ahead, demand for secure and sustainable energy remains strong. Warmeston is well positioned to respond—through efficient production, responsible sourcing, and continued investment in renewable integration and digitalisation.

To everyone contributing to this journey—our employees, partners, customers, and communities—thank you for your continued trust and commitment.

Together, we continue to build a more sustainable and resilient energy system.

Group's year 2025 in numbers

Environmental

7.9
gCO2e/MJ average GHG emissions from our pellets

8.8% ↓
reduction of our pellets' GHG emissions per MJ from 2024

Social

272
employees in our companies

1%
fewer employees than in 2024

Governance and finances

152M €
our revenue

16% ↑
revenue growth from 2024

Table of contents

General information

Our journey

Warmeston OÜ's journey began with its founding in 2003 and accelerated in 2010 with the establishment of its first pellet factory in Sauga. This was followed by the openings of facilities in Sõmeru (Ardor), Järvere, and Purila between 2010 and 2016. Committed to biomass as a sustainable feedstock solution, Warmeston was among the first ten companies globally to achieve certification under the Sustainable Biomass Program (SBP) standards in 2016. In 2018, the company implemented an ISO 50001-certified energy management system, promoting continuous improvement and enhanced energy efficiency. Starting in 2020, Warmeston began conducting annual carbon footprint assessments to accurately measure and transparently report the environmental impact of its pellets. The years 2023 and 2024 marked significant milestones in the Group's expansion. In 2023, Warmeston acquired Raja KT OÜ, one of Estonia's largest wood-chipping companies, along with its Latvian subsidiary, Raja KT SIA. Later that year, the company purchased the Brocēni pellet factory and its on-site CHP plant. In 2024, Warmeston broadened its product range by introducing wood chips to its export portfolio, entering the European biomass market with an additional efficient and practical biomass fuel option.

In 2025 the focus was on integration, specialization and creating new synergies within the group.

Our focus areas

Pellet production
Production of wood pellets

Warmeston OÜ
Owns and operates three pellet factories in Estonia: Sauga, Purila and Järvere.

Ardor OÜ
Produces premium pellets in its Sõmeru factory in Estonia.

Warmeston SIA
Produces premium- and industrial-class pellets in the Brocēni factory in Latvia.

Energy generation
Combined heat and power (CHP) plant operation

Technological Solutions SIA
Technological Solutions is responsible for managing the CHP plant providing heat for the Brocēni pellet factory.

Chipping and transportation
Transportation of feedstock and pellets

Combitrans OÜ
Combitrans is responsible for the logistics and transport of input materials from the supplier to Warmeston's factories and pellet transportation to the ports. Combitrans is also providing harvesting, chipping and forestation services.

Forest management and wood chips production
Sourcing of forest based materials

Raja KT OÜ
Raja KT is active in forest management, wood chip production, and sales to boiler houses in Estonia.

Raja KT SIA
Latvian subsidiary of Raja KT OÜ acting in the same forest management and wood chip production business.

Timberstock OÜ
Timberstock's purpose is managing Warmeston's forest portfolio as well as sourcing forest-based biomass for dryer fuel and pellet production. Timberstock is also supplying wood industry with saw logs and CHP plants with wood chips produced from forest residues.

Basis for preparation

This sustainability report covers the financial year from January 1, 2025, to December 31, 2025. It has been prepared in accordance with the EFRAG Voluntary Sustainability Reporting Standard for non-listed small and medium enterprises (VSME), utilizing the Basic Module of the standard. The report has been prepared on a consolidated basis, including Warmeston OÜ (unconsolidated), Warmeston SIA, Technological Solutions SIA, Ardor OÜ (including Ardor Energia OÜ) results. These companies operate Warmeston Group's pellet production and energy generation factories in Estonia and Latvia. Although Warmeston Group operates across the value chain of pellet production — from forest management and biomass sourcing to pellet production and distribution — current sustainability reporting focuses mainly on the pellet production units. In coming years, we will be developing sustainability data collection and management process to cover the full Warmeston group.

There are no disclosures that are omitted due to their classification as sensitive information.

	Group wide overview	Overview within the reporting scope
Size of the balance sheet (in million Euro)	**120**	**134***
Turnover (in million Euro)	**152**	**128**
Number of employees in headcount or full-time equivalents	**272**	**136**

*including Timberstock OÜ, Raja KT OÜ and Raja KT SIA equity

Our pellet factories

SAUGA FACTORY

Entry into operation: 2010
Maximum capacity: 220 kT
Quality: I2, EN*plus*® A2
Products: 6 mm industrial pellets
Employees: 27
Input for production:
Forest biomass (34%)
Industry residues (66%)

SÕMERU FACTORY

Entry into operation: 2013
Maximum capacity: 90 kT
Quality: EN*plus*® A1, DIN*plus*
Products: 6 mm Premium-class pellets
Employees: 18
Input for production:
Industry residues (100%)

JÄRVERE FACTORY

Entry into operation: 2014
Maximum capacity: 70 kT
Quality: I1, EN*plus*® A1, DIN*plus*
Products: 6 mm industrial and Premium-class pellets
Employees: 16
Input for production:
Industry residues (100%)

PURILA FACTORY

Entry into operation: 2015
Maximum capacity: 100 kT
Quality: I2, EN*plus*® A2
Products: 6 mm industrial pellet
Employees: 19
Input for production:
Forest biomass (49%)
Industry residues (51%)

BROCĒNI FACTORY

Entry into operation: 2016
Maximum capacity: 160 kT
Quality: I1, EN*plus*® A1, DIN*plus*
Products: 6 mm industrial and Premium-class pellets
Employees: 39
Input for production:
Forest biomass (79%)
Industry residues (21%)

Warmeston Group operates five pellet production facilities: four of which are located across Estonia and one — our newest acquisition — in the western region of Latvia.

Our largest factory — Sauga — with its 220 thousand metric tonne annual production capacity is located in southwestern Estonia in Pärnumaa. Purila factory is located in central Estonia, in Raplamaa, while Järvere and Sõmeru factories are in southern and northern part of the country, respectively.

The location advantage of Sauga and Sõmeru factories is their proximity to the port, whereas Järvere factory is close to its raw material. Purila balances both of these aspects.

Purila and Sauga factories produce industrial-class pellets while Sõmeru manufactures exclusively premium pellets. Järvere and Brocēni factories are unique, as they are equipped with a pellet bagging line and also have the capacity to produce both, industrial and premium pellets.

This provides additional production reliability for long-term offtake contracts and the possibility to supply pellets to our home markets.

Our Latvian pellet factory in Brocēni also includes a cogeneration plant in its complex. This enables efficient on-site energy generation — both electricity and heating — to be used in the factory´s manufacturing process.

Warmeston's year 2025 in numbers

Environmental

335
tCO2/eq per MEUR in Scope 1 and 2

100%
of the residual ash recycled into fertilizer

8.8% ↓
reduction of our pellets' GHG emissions per MJ from 2024

7.9 ↓
gCO2e/MJ average GHG emissions from our pellets

Social

3604
Hours of on-the-job trainings for newcomers

136
employees in our companies

18.3
Hours of trainings on average per employee

Pellet Business

21 ↑
international ports receiving our pellets

10%
production increased compared to 2024

62% ↑
of our feedstock from wood industry residues

158 ↑
number of suppliers

592 692t ↑
pellets produced

Sustainability Strategy

Our strategic directions on sustainability

We are environmentally conscious and pay attention to our resource efficiency, emissions and waste management.

We are resource efficient and committed to sustainable solutions starting from the use of green energy and the establishment of our own solar farm to paperless office. Conscious consumption and efficient resource use will lead to reduced emissions and carbon footprint.

We support the implementation of climate policy through production of wood-based biomass fuels.

Climate policy shapes our business environment and frames our long-term purpose. The European Union aims to be climate-neutral by 2050 - a future where we will be led by biofuels and technological innovation. Pellet production will help economies to move from fossil fuels to renewable sources and towards a balanced carbon cycle and even negative emissions. A vision that is in line with the EU´s Fit for 55 package.

We contribute to the competitiveness of the Estonian and Latvian forest and timber industry by processing the residues of these sectors.

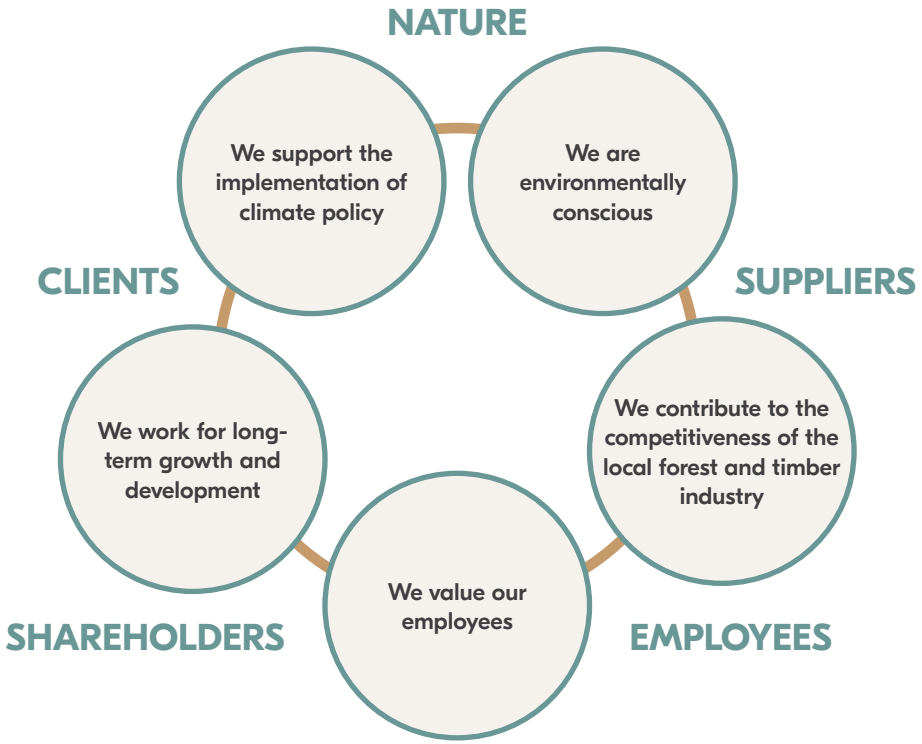
The pellet industry adds value to the residues from the forest and wood industry and provides an output for low-value wood-based materials.
The sale of their residues provides these industries additional income for growth, development and job creation in rural areas.

We work for long-term growth and development with economic sustainability in mind.

In order to move towards our strategic directions, economic capacity is an essential prerequisite. Maintaining our profitability allows us to ensure long-term operations, invest in innovation and safeguard the created jobs.

We value our employees by offering meaningful work and fair compensation.

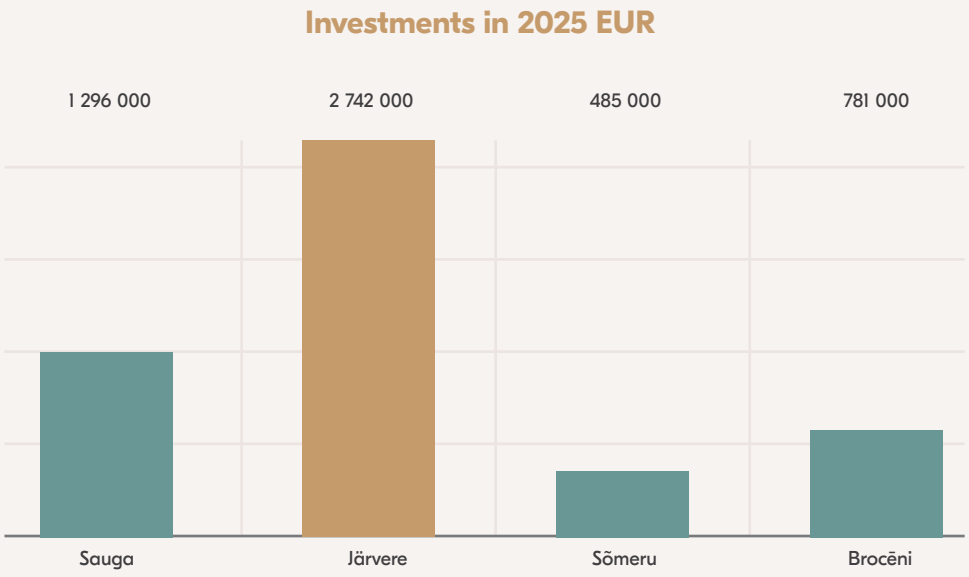
Skilled and motivated employees are a necessity for our success. Our employees have a meaningful and positively challenging job. We provide modern and secure work conditions, fair compensation, apply bonus programs, support participation in training programs and sports activities.



At Warmeston:

Our development in 2025

In recent years, several projects were undertaken to upgrade our pellet production capabilities. Consequently, in 2025, our primary focus shifted toward integrating diverse business operations, aiming for synergies and enhanced collaboration. Workplace risk assessments and safety guidelines were updated, and environmental permits renewed, ensuring ongoing adherence to environmental regulations. We proceeded with the integration of recently acquired business units under existing supply chain management certifications. Brocēni was incorporated into FSC and PEFC multi-site certificates, while SBP management was centralised within Warmeston.



Our business units were successfully reorganised to specialise in specific products. Notably, substantial investments enabled the Järvere factory to focus exclusively on the production of our premium pellet brand.

This was complemented by the construction of new office facilities, significantly improving working conditions at Järvere.

The transition of premium pellet production to Järvere allows Brocēni to concentrate solely on high quality industrial pellet production and optimise its output through the closure of the small package production line.

Multiple upgrades were implemented in Brocen's pellet mill and CHP, including the installation of a dust extraction system and filter. Additionally, a new operator room was completed and internal logistics processes were refined.

Throughout the year, the group migrated to version 2 of the SBP standards and proactively integrated the module for demonstrating RED-III compliance.

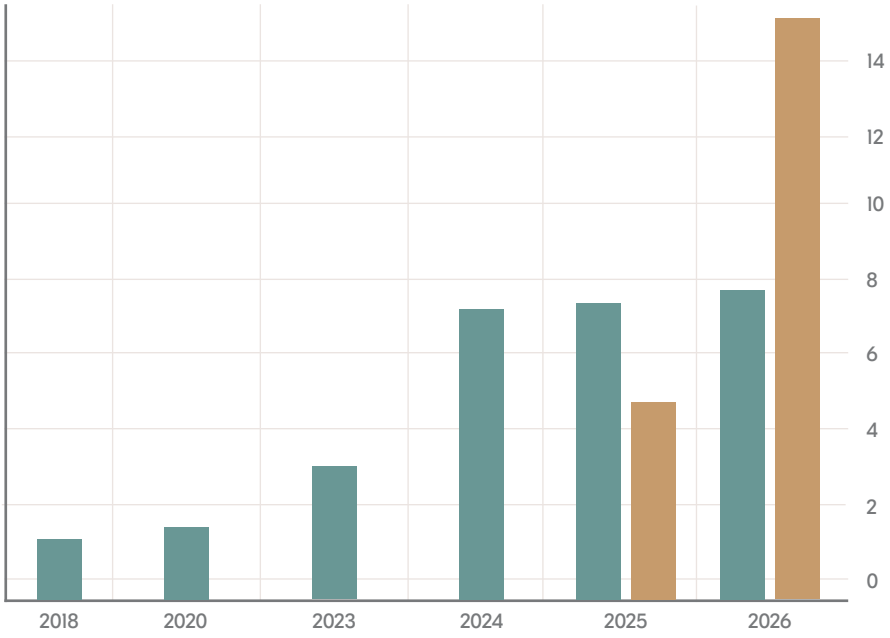
The effectiveness of our management systems was reinforced by targeted information system development in cooperation with the IT department.
Our continuous contribution to IT development was also acknowledged at the Enterprise of the Year 2025 contest where we were recognized as one of the TOP 5 "Industry Digitizers".

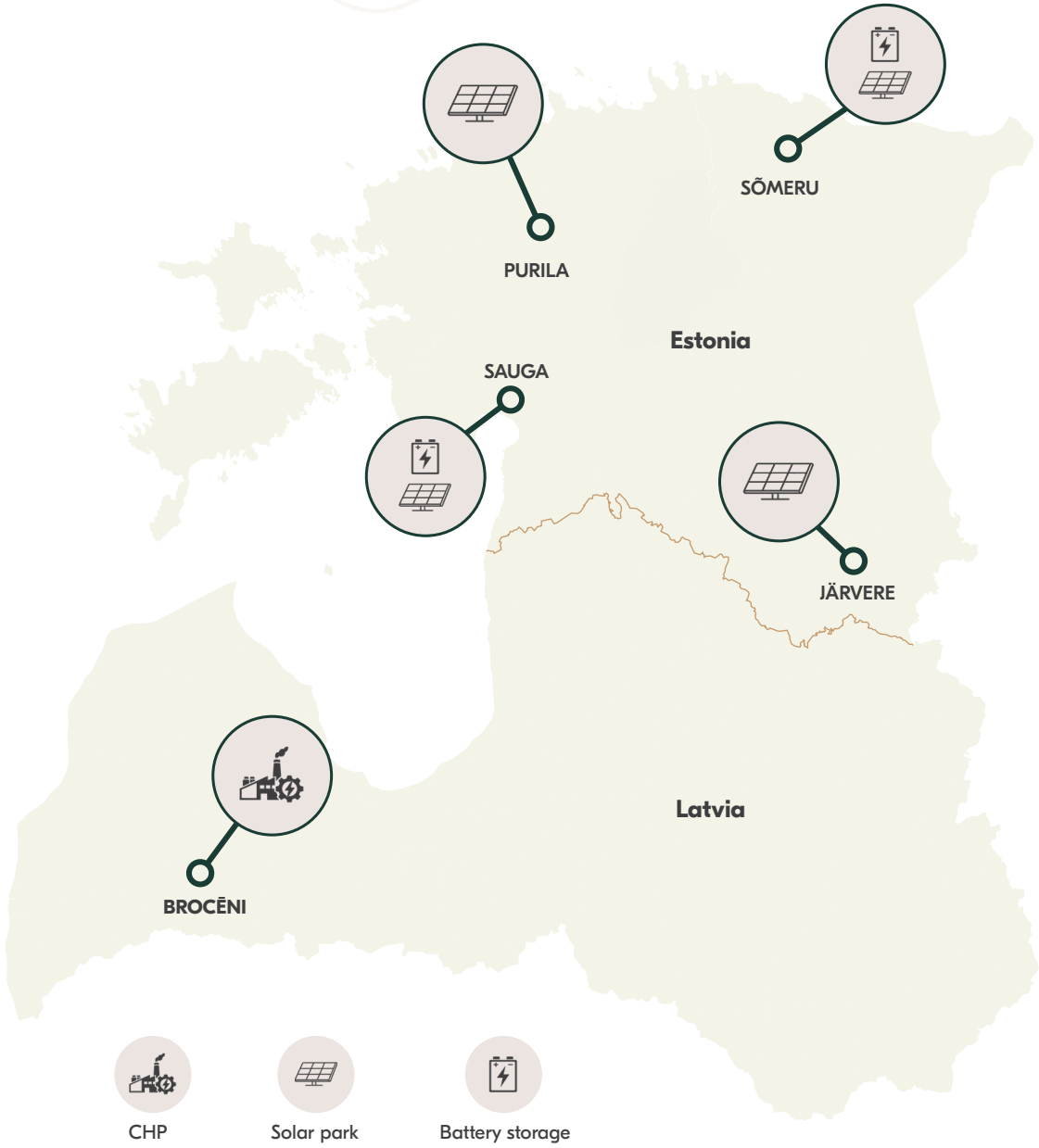
Renewable energy production

Investments continued in expanding renewable energy solutions, culminating in the completion of a 4,5 MWh battery storage unit at the Sõmeru factory.

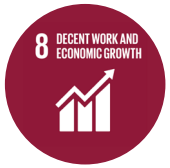
The installation of a 0,75 MW solar panel at the Sauga factory has commenced, together with a 6 MWh battery bank scheduled for commissioning in Q1 2026. Upon completion, all facilities in Estonia will benefit from solar plants to supply renewable energy. Plans are underway to extend this capacity by an additional 5 MWh in 2026.

RENEWABLE ENERGY CAPACITY DEVELOPMENT





Our commitment to Sustainable Development Goals of the UN

Goal	Our contribution
	With the remodelling of Järvere factory our 5 pellet mills have a combined production capacity of 620 000 mt. We have directed our focus toward supplying combined heat and power (CHP) plants to ensure that the pellets are used in energy-efficient production. Furthermore, we prioritize local consumption and provide our premium pellet brand A-pellet to our Estonian and Latvian private customers even during the overall market shortage.
	Workplace safety remains our highest priority. In 2025, we reviewed and updated the HSE risk assessments and all safety guidelines across our Estonian factories. We also expanded our leadership model to our Latvian companies, enhancing information flow and reporting efficiency. In addition, we reviewed and harmonized the benefit packages across our production units in Estonia and Latvia.
	The company continues to advance its sustainability efforts and adapt to evolving industry trends. Focus on renewable energy production and consumption (solar, CHP) and energy efficiency (ISO 50001). We utilize all incoming biomass either in pellet production or as fuel in our dryers and CHP.
	The acquisition of the Brocēni cogeneration plant in Latvia has further expanded our renewable energy production profile and portfolio. With the CHP we added a maximum thermal output of 16MW and a maximum electrical output of 4MW to our renewable energy production. We have further made the investment decision to expand the electricity storage capacity in our Sõmeru factory and started construction of the solar power park and storage capacity in Sauga factory.
	Nature's health and well-being are of high importance to Warmeston. Besides having strict rules in place to refrain from sourcing our material from high conservative value areas we also give our best effort to ensure the continuation and good health of the forest ecosystems by actively participating in post-harvest regeneration.

Double materiality

Double Materiality Assessment (Impacts, Risks, and Opportunities)

In 2024, Warmeston OÜ carried out a double materiality assessment in line with the European Sustainability Reporting Standards (ESRS), focusing on both impact and financial materiality throughout its value chain. The objective was to pinpoint sustainability issues that could have significant effects on people, the environment, or the company's financial outlook and performance.

The assessment began with a thorough mapping of Warmeston OÜ's value chain, including upstream, operational, and downstream activities—covering production, energy use, logistics, support functions, product utilization, and by-product management. This approach helped identify areas where the company may create, contribute to, or be associated with sustainability impacts, risks, and opportunities.

Findings from the double materiality assessment complemented the prior impact evaluation based on the UN Sustainable Development Goals (SDGs), confirming that commitment to these goals aligns with addressing the company's most significant impacts, risks, and opportunities.

Warmeston OÜ's key impacts, risks, and opportunities according to ESRS topical areas are:

Material topics	Material impacts, risks and opportunities (IROs)
Climate change	Renewable energy production and use; greenhouse gas (GHG) emissions; energy efficiency investments; climate-related risks
Biodiversity and ecosystems	Use of certified raw materials; dependency on ecosystems; risks related to environmental compliance
Resource use and circular economy	Use of wood and production residues; reuse of by-products (e.g. ash)
Own workforce	Working conditions and occupational health and safety; training and development; equal opportunities
Affected communities	Impacts on local communities; contribution to energy security
Business conduct	Supplier ESG requirements; ethical governance; risk management

Policies

General

We have established policies and guiding principles designed to steer and support our sustainable operations, as well as to manage material environmental, social, and governance-related impacts, risks, and opportunities.

These policies provide a framework for our daily decision-making, help ensure compliance with applicable requirements, and contribute to achieving our strategic objectives. When implementing and harmonising these policies, we consider the operational specificities and maturity levels across our various group entities. We develop and expand these policies throughout the group in a phased manner.

E-topics

We operate on the principle that our activities help facilitate the shift from fossil fuels to renewable energy sources and support the implementation of climate policy through the production of wood-based biomass fuels. Our environmental policies give us a framework for managing significant climate-related impacts, risks, and opportunities, including those related to greenhouse gas emissions, energy efficiency, and the use of renewable energy. In doing so, we consider both physical climate risks and risks associated with the transition to a low-carbon economy.

We address the protection of biodiversity and ecosystems by sourcing responsibly and managing our supply chain carefully. We do not source raw materials from areas with high conservation value, nor do we work with suppliers who fail to meet relevant sustainability requirements, as this helps us avoid negative impacts on biodiversity and ecosystems throughout our value chain.

From a resource use and circular economy perspective, we focus on making use of residues from the forest and wood industry, and on using raw materials from certified and carefully controlled sources. We manage waste and by-products according to the waste hierarchy and adhere to all applicable legal requirements.

S-topics

We address social issues within our company through clear policies, organisational practices and processes that guide how we deal with matters involving our employees, local communities, and other stakeholders.

For our employees, we focus on occupational health and safety, respect for human and labour rights, and equal treatment for everyone. We value transparency in our working conditions, encourage employee engagement and professional growth, and promote open communication between staff and management. We also make sure there are opportunities for employees to share concerns or offer suggestions.

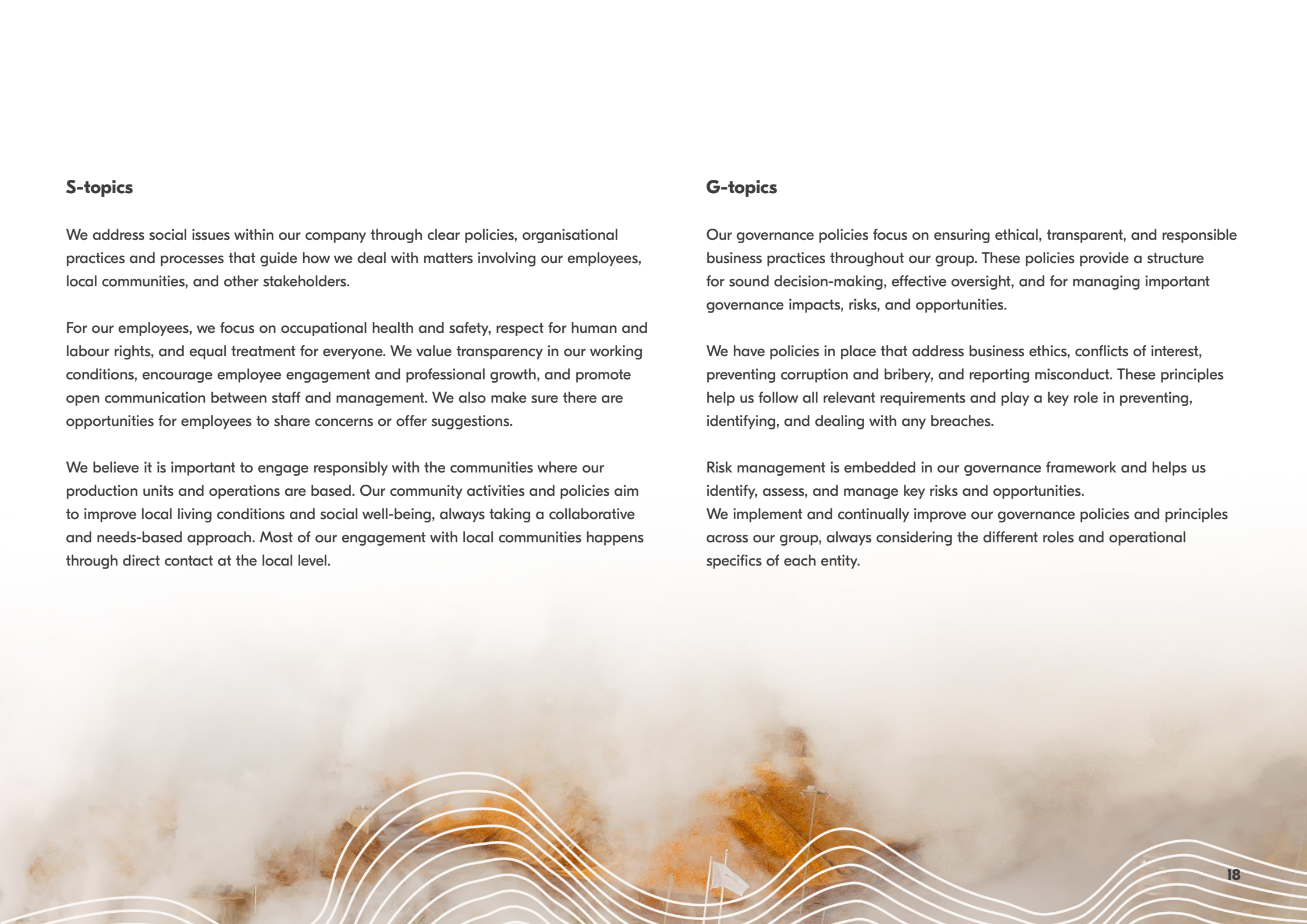
We believe it is important to engage responsibly with the communities where our production units and operations are based. Our community activities and policies aim to improve local living conditions and social well-being, always taking a collaborative and needs-based approach. Most of our engagement with local communities happens through direct contact at the local level.

G-topics

Our governance policies focus on ensuring ethical, transparent, and responsible business practices throughout our group. These policies provide a structure for sound decision-making, effective oversight, and for managing important governance impacts, risks, and opportunities.

We have policies in place that address business ethics, conflicts of interest, preventing corruption and bribery, and reporting misconduct. These principles help us follow all relevant requirements and play a key role in preventing, identifying, and dealing with any breaches.

Risk management is embedded in our governance framework and helps us identify, assess, and manage key risks and opportunities.
We implement and continually improve our governance policies and principles across our group, always considering the different roles and operational specifics of each entity.



Environment metrics

Energy and greenhouse gas emissions

Warmeston, committed to renewable energy generation, recognizes its greatest positive impact and future growth opportunities lie in addressing climate change. However, it is equally important for us to monitor and control our internal energy use and greenhouse gas emissions. From 2025, we started to measure and disclosing Scope 1 and 2 emissions, as well as continue evaluating the life-cycle emissions of our products—a process we began in 2020.

Energy Consumption

Our most significant contribution to climate change arises from our energy use, which includes both purchased electricity and fuels. As a result, enhancing the energy efficiency of our production facilities and equipment is recognized as a critical medium-term priority. Therefore, our energy management system has been certified with ISO 50001 certificate. In 2025, we generated 3,158 MWh of renewable energy through solar plants for internal use, accounting for approximately 4% of our total electricity consumption. Additionally, the majority of the fuels we utilize consist of renewable biomass, representing about 99% of our overall fuel consumption. Altogether, renewable sources comprise 83% of our total energy consumption.

2025	Renewable (MWh)	Non-Renewable (MWh)	Total (MWh)
Electricity	3 158	68 100	71 258
Fuels	356 840	4 756	361 596
Total	359 998	72 856	432 854

Energy and greenhouse gas emissions

Greenhouse Gas Emissions scope 1 and 2

We acknowledge that majority of our climate impact comes from the production phase of our pellet products. Therefore, in addition to life-cycle emissions, we have started to collect and calculate also Scope 1 and 2 emissions in 2025. Emission calculations have been carried out in compliance with GHG Protocol Corporate Standard and using calculation model developed by the Estonian Ministry of Climate.

Warmeston has decided to use 2025 results as the base year. Flue gas emissions from our heat and energy production correspond with the biomass volume processed. We comply with environmental permits by submitting quarterly emissions reports and performing regular maintenance on furnaces and emission control systems. Additional details regarding permits are available on page 27.

Scope 1 and 2 emissions include direct emissions from sources owned and controlled by Warmeston and emissions from purchased electricity. In addition, we are reporting in scope 1 biogenic emissions from the combustion of biomass which in 2025 was 143 878 tCO2eq.

	2025
Gross Scope 1 GHG emissions	1 377 tCO2eq
Gross location-based Scope 2 GHG emissions	41 553 tCO2eq
GHG intensity (Scope 1 and 2)	335 tCO2eq / MEUR

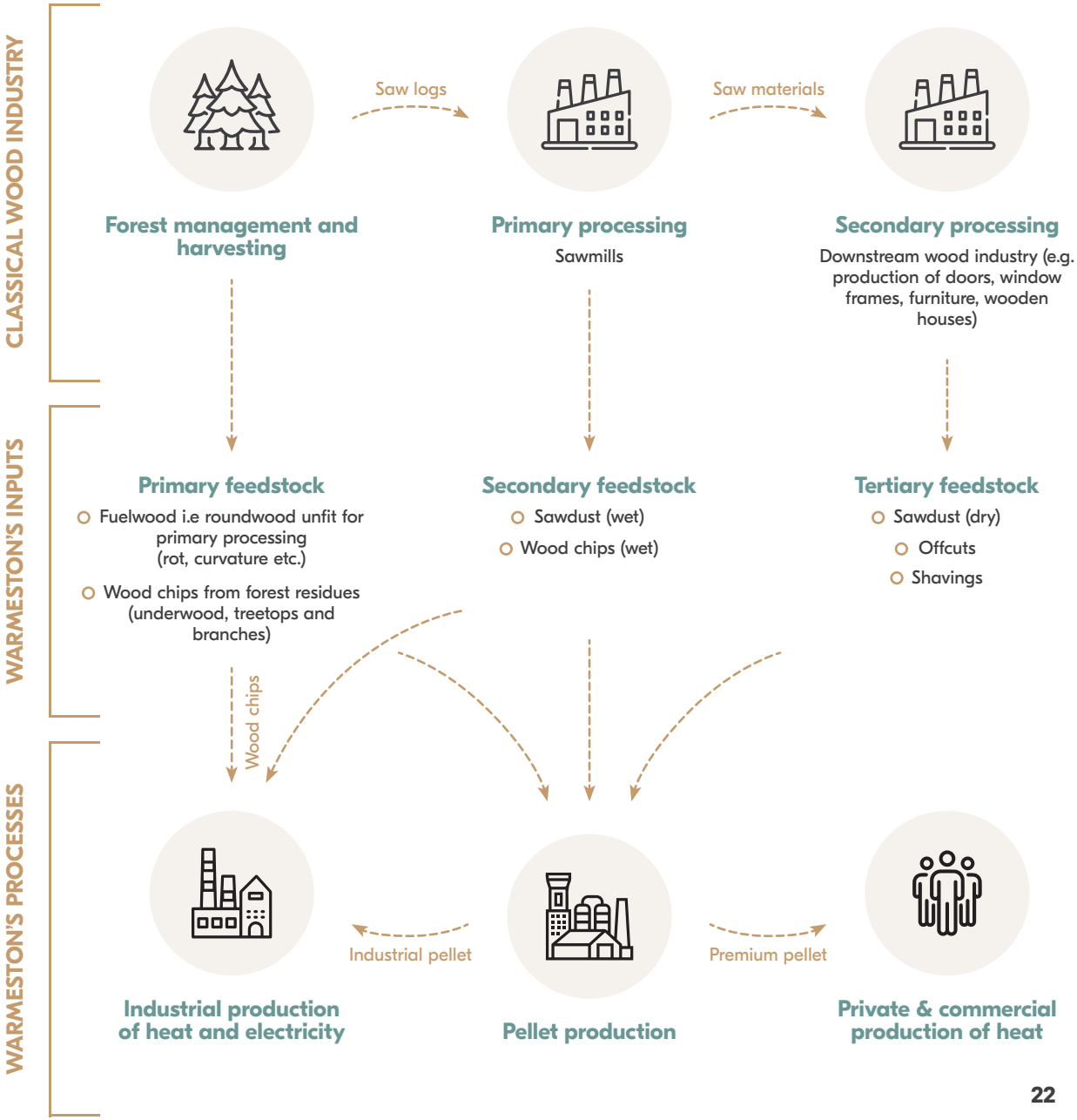
Warmeston's biomass fuels production

Warmeston produces pellets and wood chips by converting both forest and wood industry residues into energy efficient biofuel. The part of our feedstock that comes directly from the forest (forest residues) consist of low grade and low-value forest-based biomass which is unfit for primary processing due to reasons such as defects, diseases or curvature. The wood industry provides us their residues such as sawdust, wood chips, shavings, and offcuts.

As these feedstock groups do not have any other major application in our supply base, we enable our suppliers to commercialize their residues, thereby contributing to the competitiveness of the local forest and wood industry as well as to job creation in rural areas.

Two different categories of pellets are produced from the feedstock. Premium pellets have a lower ash content and a lighter color and are intended for private and commercial heat production. Industrial pellets are sent to large-scale power plants for electricity production or to combined heat and power (CHP) plants for electricity and heat co-generation.

The use of wood chips and pellets displaces fossil fuels with renewable energy sources and helps combating climate change.



Greenhouse gas emissions per product

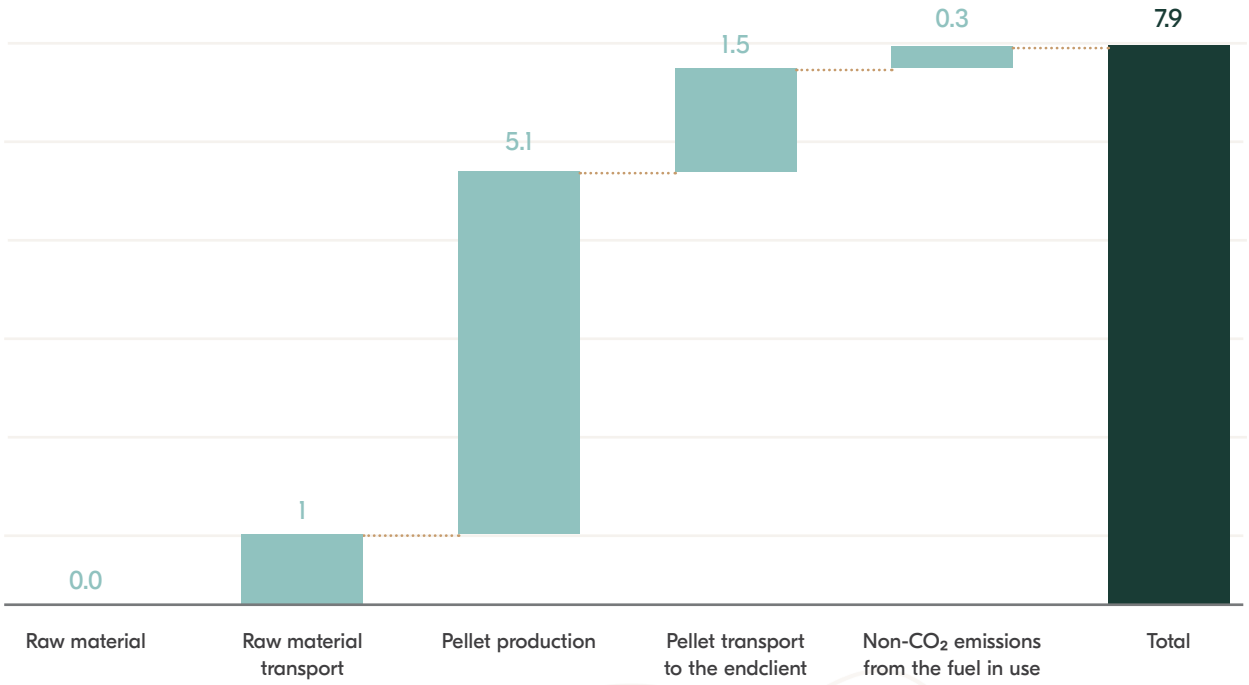
The carbon footprint of our product has been calculated by considering the entire pellet life-cycle, from raw material sourcing to distribution. The calculations were conducted by following the principles of Life Cycle Assessment (LCA), adhering to two generally accepted international ISO standards - ISO 14040: 2006 and ISO 14044: 2006. The analysis is aligned with Directive (EU) 2018/2001 on the promotion of the use of energy from renewable sources (RED-II), as amended by Directive (EU) 2023/2413 (RED-III). In 2025, the total emissions for pellets amounted to 7,9 gCO2e/MJ. The production phase is the largest contributor, accounting roughly two-thirds of the total emissions per product. Notably, compared to 2024, we have reduced production emissions by 7,1% mostly due to the increase in production volume, reduced moisture content of our feedstock and larger share of sawdust, which does not need to be fine-chipped.

The carbon footprint analysis of the production phase encompasses chipping and pellet manufacturing, where the most energy intense processes are drying, grinding and pelletizing. Pelletizing alone represents approximately half of the total emissions during production.

Transportation of raw materials to production sites (upstream) and the delivery of finished products from production facilities to ports and end-users (downstream) accounts for 22% of the product's total carbon emissions.

Per the Renewable Energy Directive, the use of residues as feedstock results in zero emissions attributed to the sourcing phase of the pellet life-cycle. Nonetheless, emissions from other sourcing activities such as in forest chipping contribute the remaining 12% of total product emissions.

WARMESTON PELLET´S CARBON FOOTPRINT OVERVIEW BY PRODUCTION STAGES, gCO_2e/MJ, 2025



FOREST INDUSTRY RESIDUES

Primary feedstock

Fuelwood

Fuelwood is also known as low-quality roundwood. It is defective roundwood, e.g., with rot, splits or curves, that would not be used outside of energy production.

Fuelwood chips

Fuelwood can also be delivered in the form of wood chips.

WOOD INDUSTRY RESIDUES

Secondary and tertiary feedstock

Shavings

Residues from the plaining process, consisting of fine wood particles.

Industry wood chips

Residues from the wood industry in the form of small pieces of wood with particle size less than 50mm. Can be in both dry (moisture level approx. 10%) and wet (approx. 45%) form.

Sawdust

Residues of wood processing (sawing, drilling, grinding, etc.) with a particle size less than 20 mm. Both dry and wet sawdust are used for pellet production. The moisture level of the latter is almost six times higher, which requires proper drying.

Offcuts

Dry pieces of wood from the wood industry (e.g., finger jointed wood production).

Greenhouse gas emissions per factory

Examining the factory-specific data, the premium pellet factory in Sõmeru continues to have the lowest emission intensity per MJ in 2025, at 6,4 gCO2e. This is primarily due to the use of dry feedstock, which requires less processing. Compared to the previous year, both the Järvere and Sauga factories have notably reduced their greenhouse gas emissions per MJ.

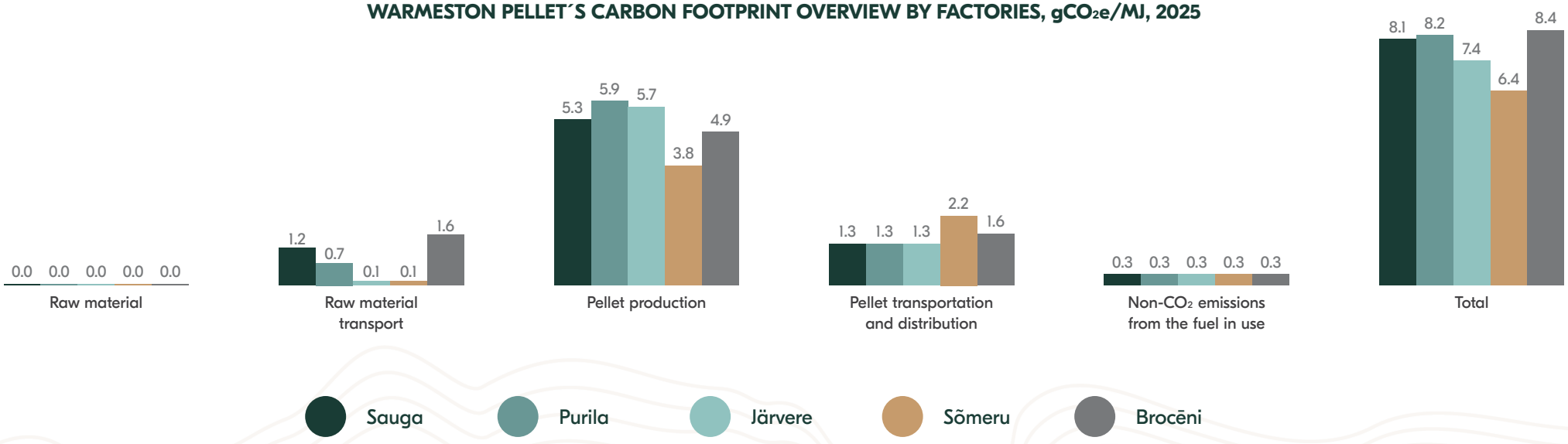
The reduction at Järvere is largely attributed to production reorganization, including the introduction of more efficient equipment, and an increased proportion of dry sawdust in the feedstock, which requires no drying or chipping. Meanwhile, the Sauga factory has boosted its production volume by 16% compared to 2024, improving overall production efficiency.

By replacing coal, our 2025 pellet output had the potential to avoid:

More than 400 kt of coal being burned

More than 1,2 million t of CO_2e emissions being emitted

WARMESTON PELLET´S CARBON FOOTPRINT OVERVIEW BY FACTORIES, gCO_2e/MJ, 2025



Introduction to pellet production process

Debarking of roundwood

Electricity

At the Brocēni site, roundwood is debarked using a stationary, electrically powered debarker. This process removes bark from logs prior to chipping, improving feedstock quality and reducing ash content in the final product. The use of a stationary system ensures consistent performance, energy efficiency, and integration into the on-site processing flow.

Chipping of roundwood

Electricity/Diesel fuel

Diesel powered mobile chippers or stationary chippers powered by electricity are used to processes fuelwood to wood chips with a fraction size of up to 50 mm. While stationary chippers are used on site (Brocēni) mobile chippers can be used either at the harvesting site or at the factories.

Fine Chipping

Electricity

All different input groups besides sawdust are processed in stationary fine chippers to achieve a particle size of less than 20 mm. This results in a fine homogenous biomass ready for thermal drying.

Thermal Drying

Biomass

All feedstock with a moisture level above 15% (forest and industry wood chips, wet sawdust) is dried either in a drum dryers or in the case of Brocēni with a belt dryer to achieve the moisture level of ca. 10%.

Grinding

Electricity

After drying, the feedstock enters a hammer mill for grinding which further reduces particle size.

Pressing

Electricity

Having achieved the desired particle size, the biomass is ready to be compressed into pellets.

Cooling

Electricity

As the pellets are very hot from the compression process, they need to be cooled. This is done in counter flow air coolers where the cooling medium is the outdoor air.

Pollution of air, water and soil

Although the pollution of air, water and soil is not considered material from a double-materiality perspective, ensuring full compliance with applicable environmental laws and regulations remains a priority for Warmeston.

All production sites operate under valid environmental permits, which set out strict conditions for managing emissions and monitoring environmental performance.

Disclosures related to pollutants released to air, water and soil are provided by reference to the publicly available permit documentation listed below, ensuring transparency and ongoing alignment with regulatory requirements:

Sauga factory

Purila factory

Järvere factory

Sõmeru factory

Brocēni factory

Biodiversity

Biodiversity remains an important consideration for Warmeston, as the resilience of natural ecosystems directly underpins the availability and quality of certified raw materials used in our operations.

Our business depends on functioning ecosystems that provide essential services such as soil fertility, water regulation and landscape stability. By maintaining a focus on biodiversity through responsible forest management, we also proactively manage risks related to environmental compliance, ensuring that sourcing practices and site operations align with relevant regulatory requirements and support long-term ecological sustainability.

Forest management in Estonia and Latvia is guided by long-term objectives aimed at cultivating forests that meet future needs. Even in these sustainably managed forests, natural by-products are continually generated, offering valuable local raw materials that can be utilized efficiently and responsibly.

However, in the short term, the most significant biodiversity-related risks arise from the ongoing changes in environmental policies and regulatory ambition at both the national and international levels.

Reliability of our supply chain

Our supply chain maintains robustness and transparency, adhering to all requisite legal and sustainability criteria.
Yearly, this compliance is verified by the external audits of the three most recognized chain of custody certification systems for wood and wood-based products.

Early in 2025 Warmeston transitioned to SBP Standards v2.0 which marks a significant advancement, featuring stronger alignment with EU RED requirements, enhanced clarity and robustness, and improved stakeholder engagement.

Furthermore, later in 2025 we successfully passed the SBP scope extension audit adding RED-III compliance to our certificates.

These efforts reflect our commitment to continuous improvement and responsible sourcing, ensuring that our biomass products meet the highest international standards today—and in the future.

Biodiversity

Certified since 2014

FSC® (Forest Stewardship Council®) was founded in 1993 and stands for responsible forest management around the world. The FSC Principles and Criteria provide a foundation for all global forest management standards and the FSC chain of custody certification enables a credible assurance that products which are sold with an FSC claim originate from well-managed forests, controlled sources, or reclaimed materials.

Certified since 2016

SBP (Sustainable Biomass Program) was established in 2013 and its certification scheme provides assurance that biomass, whether used for energy, industry, or beyond, is both legally and sustainably sourced. As a minimum, SBP Standards allow companies in the biomass sector to demonstrate their compliance with regulatory requirements.

Certified since 2018

PEFC (Programme for the Endorsement of Forest Certification) was founded in 1999 in response to the specific requirements of small- and family forest owners providin independent assessment, endorsement and recognition of national forest certification systems. The PEFC chain of custody certification provides an independently verified assurance that the certified forest-based material contained in a product originates from sustainably managed forests.

Our efforts have been noticed in the sector and Warmeston was honored with the Sustainability Champion Award at the Argus Biomass Industry Awards.

This prestigious award recognizes individuals who have made outstanding contributions to enhancing the sustainability of biomass production and usage—through life cycle analysis, improved resource efficiency, and helping drive the global transition to renewable energy.

Resource use, circular economy and waste management

Warmeston's key contribution to resource efficiency and the circular economy stems from its use of raw materials primarily derived from forest industry residues. These include fuelwood, fuelwood chips, and by-products from the wood industry. By transforming these residues into pellets, Warmeston standardizes the material and enhances its energy density, facilitating convenient bioenergy production for consumers while reducing reliance on fossil fuels. Although exclusively utilizing residues supports circular practices within the forest sector, we recognize the potential for increased competition due to tightening regulations emphasizing circular economy principles.

Our pellet factories source the vast majority of raw materials locally from Estonia and Latvia, reducing transport-related impacts and reinforcing the sustainability of Warmeston's products. Forests in both countries are managed to maintain biodiversity, productivity and long-term regenerative capacity, supporting responsible use of forest resources. More than half of all forest areas in Estonia and Latvia are certified by independent third-party schemes such as FSC and PEFC, providing additional assurance of sustainable forest management.

Our production processes produce two primary types of waste: ash and flue gas emissions. In 2025, our combined operations generated over 1,917 metric tonnes of ash, all of which was recycled into lime fertilizer to counteract soil acidification and provide essential micronutrients to plants. Ash handling is managed by licensed external contractors.

Resource use, circular economy and waste management

As mentioned previously, our main material inflow is wooden biomass which in 2025 increased 10,8% from 944 kt to 1 046 kt. The increase is proportional to our final product output.

Waste

The total waste generated in 2025 was 2,5 kt, consisting mainly of abovementioned ash which is the main residual from the pellet production process. From the total waste, 89% was diverted to recycling and managed by a licensed external contractors. Recycled waste streams consist of ash, metals, paper and cardboard, plastic packaging and electric motors. Other waste streams are construction waste, mixed waste, waste water and hazardous waste.

	2025
Total annual generation of waste	2 534 t
Incl non hazardous	2 528 t
Incl hazardous	6 t
Total annual waste diverted to recycling or reuse	2 263 t
Material flows	1 045 838 t

Inspired by nature

Second year in a row Warmeston group hosted a flower arrangement competition.

Participants from Ardor, Brocēni, Järvere, Purila and Sauga factories as well as from Tallinn office and Combitrans competed for the Flower Trophy.

This years' winner was team Combitrans with their "very logical and precise composition and colours, clean lines and happiness". Runner up was Järvere and third place went to Brocēni. The competition was inspired by the need to find practical use for the compost generated by the facilities.

So why not grow flowers and make arrangements!

Social metrics

General characteristics

Our double materiality assessment identified two key important aspects related to our own workforce: good working conditions, and equal treatment and equal opportunities for all. These topics cover our most significant workforce-related impacts, risks and opportunities, which arise from the nature of the work organisation and the working environment in our production facilities.

Within working conditions, the most significant actual impact identified relates to employee health and safety, which is directly linked to the use of machinery, equipment and the physical nature of work in our production units, and was further addressed in 2025 through the reorganisation and modernisation of the Järvere factory, including investments that improved everyday working conditions for employees. We ensure the consistent implementation of occupational health and safety requirements, the prevention of risks and the continuous raising of employee awareness. Maintaining good working conditions also includes the management of workload and working time, which affects both employee well-being and production capacity, particularly in situations where the workload fluctuates seasonally or where work is organised in shifts.

Another significant actual impact relates to fair and transparent remuneration, which influences employee satisfaction and our ability to retain our workforce. Employee training and skills development are also important for safe working practices and for ensuring the quality and efficiency of our production processes.

The aspect of equal treatment and equal opportunities for all includes non-discrimination and fair, transparent practices in everyday interactions with employees. We ensure that employees are treated consistently and fairly in matters related to employment.

General characteristics

During the reporting period, a total of 136 employees were employed across the companies included in the reporting scope of this sustainability report. The distribution of employees by contract type, gender and country is presented in the table below. Our workforce consisted mainly of permanent employees (135), reflecting the stable and continuous labour needs of our production activities, while only one employee was employed on a temporary contract as a pellet blower truck driver supporting internal deliveries in Estonia during the winter period.

Most of our employees worked in Estonia during the reporting period, with a small proportion based in Latvia.

Our workforce profile reflects the nature of our operations, where most employees work in production roles.

During the reporting period, 27 employees left the company, resulting in an employee turnover rate of 20%. Turnover reflects the natural dynamics of our workforce; however, the higher turnover rate in 2025 was mainly related to one-off structural changes, including workforce reductions associated with the modernisation of the Järvere factory and the integration of the CHP plant and the suspension of the small packaging line at the Brocēni factory.

Together, these one-time changes accounted for approximately half of the total employee turnover during the reporting period. Despite these structural changes, our workforce remains experienced, with an average employment length of seven years and several employees having more than ten years of experience at our production units.

	2025
Information on Employee by Contract Type	136
Number of temporary employees	1
Number of permanent employees	135
Total number of employees	136
of which Women	19
of which Men	117
Total number of employees by country	136
of which Estonia	97
of which Latvia	39

Health and safety

Employee health and safety is important to us due to the physical nature of our production work and the use of machinery and equipment in our facilities. We follow occupational health and safety requirements, regularly assess workplace risks and update work instructions and practices to ensure a safe working environment.

During the reporting period, one work-related accident occurred, classified as a minor injury. The root cause analysis indicated that the incident was related to a momentary loss of attention while performing the task.

Following the incident, we reviewed the work task and similar operations and implemented corrective measures, including additional instruction on safe working practices. These measures aim to reduce the likelihood of similar incidents and strengthen overall workplace safety.

There were no fatalities resulting from work-related accidents or work-related ill health during the reporting period.

	2025
The number and rate of recordable work-related accidents	1
The number of fatalities as a result of work-related injuries and work-related ill health	0

Remuneration, collective bargaining and training

Remuneration
All employees receive remuneration above the applicable national minimum wage set by national legislation. Fair and transparent remuneration practices are an important part of our approach, with compliance with legal requirements forming a fundamental baseline. Although the right to collective bargaining is protected by law, collective bargaining agreements are not common practice in Estonia or Latvia, and no such agreements are currently in place at Warmeston.

Training and development of our people
Warmeston provides a range of training opportunities to support employees in performing their tasks safely and effectively. We distinguish between regular internal and external trainings and the on-the-job training delivered to new production employees.

Regular training
Regular training includes both internal sessions and external courses aimed at supporting safe, efficient and high-quality work. These trainings cover areas such as occupational health and safety, quality procedures, production-related instructions and selected technical topics relevant to our operations. The purpose of these trainings is to maintain employees' competencies, ensure safe working practices and support the effective performance of daily tasks.
The average number of annual training hours per employee was 18.7 hours for male employees and 21.3 hours for female employees which indicates well our dedication to providing our employees time and opportunities for self-development.

On-the-job training
In addition to regular trainings, new production employees undergo on-the-job training, which typically lasts several months and is tailored to the specific tasks of each role. This includes practical onboarding and supervised instruction for equipment. On-the-job training ensures that employees acquire the necessary practical skills and safe working practices before transitioning to independent work.

In 2025, six new factory employees received on-the-job training, amounting to a total of 3,604 hours. This corresponds to an average of approximately 600 hours of training per employee, reflecting the extensive practical preparation required before independent work in the production environment.

The average number of annual training hours per employee	2025
Regular trainings	18.3
Incl women	21.3
Incl men	18.7

Inspiring people

Our people in action

At Warmeston, commitment, discipline, focus and respect are reflected not only in daily work but also in how our people choose to challenge themselves outside their core roles. In 2025, colleagues across different roles and levels actively participated in various sports and skills-based activities, representing both themselves and the company.

These included sector-specific equipment operators' competitions, adventure forest rallies and cross-country skiing marathons, highlighting a culture of perseverance, active engagement and continuous self-development. Individual achievements, such as a senior colleague winning a gold medal at the Kimura Shukokai Karate World Championships, serve as examples of a broader mindset where dedication and personal growth are valued.

Warmeston team actively participated in one of the largest educational events in Latvia, "Forest ABC".

In May 2025, the Warmeston team participated in "Forest ABC", one of the largest forestry-focused educational events in Latvia. The event welcomed children, young people and families from across the country and aimed to raise awareness of forests, sustainability and responsible resource use. At its educational stand, Warmeston introduced the pellet production process—from raw material sourcing to the final product—through interactive activities and practical demonstrations. By engaging with young audiences, Warmeston contributed to increasing awareness of sustainable biomass use and the role of the forest sector in the energy transition.

Affected communities

In 2025, Warmeston continued to support local communities through practical and locally driven initiatives. The Sauga factory contributed to improving community safety by providing reflective safety vests to children at the Jänesselja kindergarten, following an initiative proposed by an employee. This action helped increase children's visibility and safety in traffic and outdoor environments.

In addition, the Purila pellet factory supported local community life by sponsoring the Krusensterni Run, a long-standing local sports event organised by the Rapla Running Club. Through financial support, Warmeston helped promote physical activity and bring together participants of different ages from the surrounding region.

During the year, we supported a total of 10 community projects, including sports-related initiatives, local community events, animal shelters and volunteer rescue services. These initiatives reflect Warmeston's commitment to supporting the well-being, safety and cohesion of the communities in which it operates, while encouraging employee involvement and local engagement.

Forest planting in cooperation with Timberstock OÜ
From a biodiversity perspective, our most significant impact is related to forest management and forest regeneration.

At the group level, this is supported through Combitrans, which provides professional forest management and planting services. In 2025, a total of 231,200 trees were planted through these activities, contributing to forest renewal and long-term sustainability.

In addition, Warmeston employees contributed directly to environmental protection and community well-being by participating in a forest planting day in Pärnumaa. In cooperation with Timberstock, employees spent an active day in nature and planted approximately 5,000 spruce seedlings, providing a hands-on contribution to forest regeneration and giving back to the local environment and community. The planting day is not a one-off initiative but is developing into an annual tradition, with a new planting event already planned for 2026.

Contribution to society

We and our affiliates place great importance on giving back to local communities and society as a whole. Our charitable activities reflect the values and priorities of our team—we care about health, physical activity and creating opportunities for growth.

We believe in the positive influence of professional athletes and in the importance of giving young people the opportunity to challenge themselves and develop their skills.

Our primary support is directed toward Estonian sports, and over the years we have supported local teams and individual athletes across various disciplines.

In addition, we contribute to forestry-themed competitions to promote awareness of and interest in the forestry profession. In 2025, our support was focused on sports, community well-being and safety, as well as humanitarian initiatives. We also continued our support for Ukraine in cooperation with the Estonian Red Cross.

We remain committed to contributing in a meaningful and consistent way to the communities in which we operate and to being a responsible and trusted local partner.

Governance metrics

Good governance

Taking into consideration current geopolitical situation, renewable energy solutions are crucial to Europe's energy security. We help to reduce dependence on imported fossil fuels, diversifying energy sources, and increasing system resilience. Home-grown renewables such as biomass, lower exposure to external supply shocks, geopolitical risks, and price volatility linked to imported oil and gas.

By decentralising energy production and expanding domestic capacity, renewables support a more reliable and secure electricity supply across Europe, even during crises.

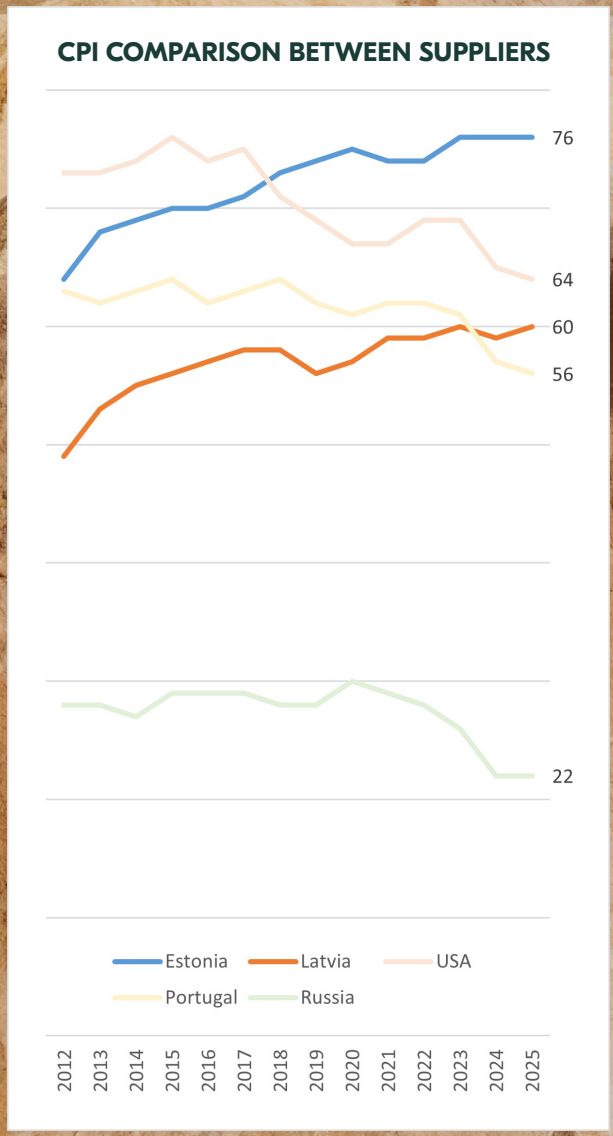
At the same time, business conduct is essential for our operations across the value chain—from sourcing materials to reliably delivering high-quality products. Our supplier selection process includes rigorous due diligence and regular audits to ensure compliance with business conduct standards.

We maintain high expectations for our suppliers, which has resulted in over 94% of our feedstock biomass being SBP-compliant. SBP-compliance ensures that our biomass feedstock meets rigorous sustainability and ethical sourcing standards, which is crucial for our environmental and social responsibility goals.

The environment in which we do business further supports our commitment to ethical practices. Compared to other major suppliers on global market, Estonia and Latvia have historically ranked high on the Transparency International Corruption Perceptions Index (see the graph on the right).

This gives us confidence that working with local suppliers means business is conducted fairly.

As a result of these efforts, there were no convictions or fines related to violations of anti-corruption and anti-bribery laws during the reporting period. Furthermore, providing high-quality alternative solutions to fossil fuels at scale, supported by robust storage facilities, offers a competitive advantage to our customers across Europe.



We set high standards and thoroughly evaluate suppliers

Our organization has implemented rigorous supplier selection protocols and enforces strict criteria to ensure that only compliant raw materials enter our value chain. We require all suppliers to fully understand our standards, sign our Supplier Code of Conduct, and successfully complete our vetting process in accordance with FSC, PEFC, and SBP requirements. Consequently, we can confidently affirm that all biomass sourced and supplied is legal, sustainable, and meets our principles of responsible business conduct.

Our feedstock sourcing policy guarantees that 100% of input materials are eligible for inclusion in our SBP-certified product groups, with more than 94% classified as SBP-Compliant biomass. The remainder is mainly allocated to local markets and private use, which may be subject to different certification requirements.

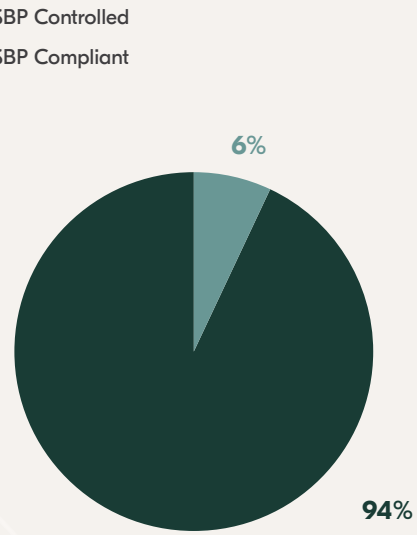
All suppliers either possess a recognized chain of custody certificate or undergo our internal supplier training and audit program, ensuring their processes effectively exclude wood from controversial sources. Although these volumes are relatively small, such partnerships enable suppliers to convert wood residues into supplemental income—supporting local businesses and fostering a more inclusive, circular bioeconomy.

Every feedstock delivery is inspected at the factory gate prior to acceptance.

Our control procedure consists of three principal stages designed to verify:
1. The supplier's presence on the approved list;
2. Alignment between delivery documentation and delivered material;
3. Verification that the material originates from a certified chain of custody or complies with required sustainability standards for supply chain entry.

Deliveries failing to meet any of these criteria are rejected. Our Code of Conduct aligns with the ten principles of the UN Global Compact, comprehensively addressing human rights, labor rights, environmental responsibility, and anti-corruption.

SHARE OF SBP CERTIFIED FEEDSTOCK, %, 2025



Practical insights into pellets and chips

Benefits of wood pellets.

Wood pellets offer a highly standardized and energy-dense fuel solution ideal for industrial power plants and CHP facilities supporting longer transportation distances. Pellets require significantly less storage space and enable lower maintenance due to consistent fuel quality and cleaner combustion. Investment in silos and automated feeding systems are required but offer in return long-term operational efficiency.

Benefits of wood chips.

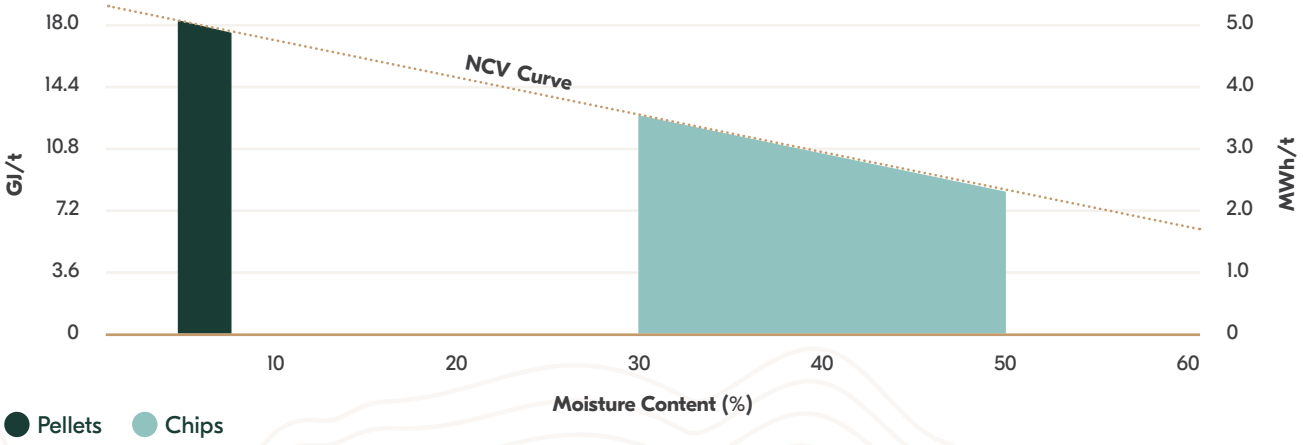
Wood chips provide a cost-effective and locally optimized solution for large-scale heat and power generation. Lower processing costs make chips an attractive option where logistics and storage conditions allow. Shorter supply chains allow for dynamic sourcing in response to market conditions. Chips are suitable for open storage but require more area and robust handling equipment. Sensitivity to weather conditions and risk of degradation must be considered during longer storage periods.

Choosing the right biomass fuel

Wood pellets and wood chips are both efficient biomass fuels used to replace fossil fuels in large-scale energy production. If sourced sustainably both can replace fossil fuels, but their physical properties and handling requirements differ significantly, making each suitable for specific applications.

Feature	Wood pellets	Wood chips
Form	Densified, cylindrical	Loose, irregular pieces
Moisture content	5-7%	30-50%
Energy density	~4.8-5.0 MWh/tonne	~2.0-3.0 MWh/tonne
Storage	Compact, easy to store	Requires large storage areas
Transport	Cost-efficient over long distances	Best for local/regional use
Automation	Highly compatible	Limited

HEATING VALUE AND MOISTURE OF WOODY BIOMASS FUELS



Our pellets

Pellet production has been at the core of Warmeston Group's operations for many years. We produce both industrial and premium-grade pellets that meet the highest sustainability and quality standards. Our pellets are supplied to a wide range of domestic and international customers, supporting renewable energy production in both large-scale facilities and private households.

Production of industrial pellets

Industrial pellets are mainly burned in large-scale power plants for electricity production or combined heat and power (CHP) plants for electricity and heat generation.

Factories: Sauga, Järvere, Purila, Brocēni

Clients: Power and CHP plants

Quality: I1, I2 and EN*plus*® A2

Ash content: < 1.2%

Moisture: 5-7%

Production of premium pellets

Premium pellets meet the highest quality requirements and are supplied with a consistently light color. They have a residential or commercial use where pellets are burned in pellet stoves or boilers for heating.

Factories: Sõmeru, Järvere, Brocēni

Clients: private consumers and commercial entities producing heat in pellet boilers

Quality: EN*plus*® A1, DIN*plus*

Ash content: < 0.3-0.7%

Moisture: 5-7%

Our chips

Wood chips in quality classes SM2 and SM3 complement our product portfolio as a versatile biomass fuel. While we have offered wood chips to our domestic customers for some time, 2024 marked an important milestone as we expanded into international markets with this product—broadening our export offering and reinforcing our position in the biomass sector.

Production of SM3 chips

SM3 chips are suited for larger industrial heating or CHP installations that can accommodate higher ash and moisture content, such as municipal or district heating networks. Chips may contain tree bark, both dry and non-dry leaves and needles.

Producers: Timberstock and Raja KT

Clients: Large scale CHPs

Quality: SM3 (Baltpool)

Ash content: < 5.0%

Moisture: 30-50%

Production of SM2 chips

SM2 chips are typically used in medium to large-scale heat and CHP plants, offering a balance between quality and efficiency. Chips may contain dry leaves and dry needles.

Producers: Timberstock and Raja KT

Clients: Small and medium size CHPs

Quality: SM2 (Baltpool)

Ash content: < 3.0%

Moisture: 30-50%

Finished product´s delivery to ports

Once the pellets are ready for storage, they are transported from the factories to one of the three Estonian and one Latvian ports Warmeston uses: Pärnu, Muuga, Kunda or Liepaja. From our Estonian factories, pellets are transported to ports by Warmeston's affiliate Combitrans OÜ.

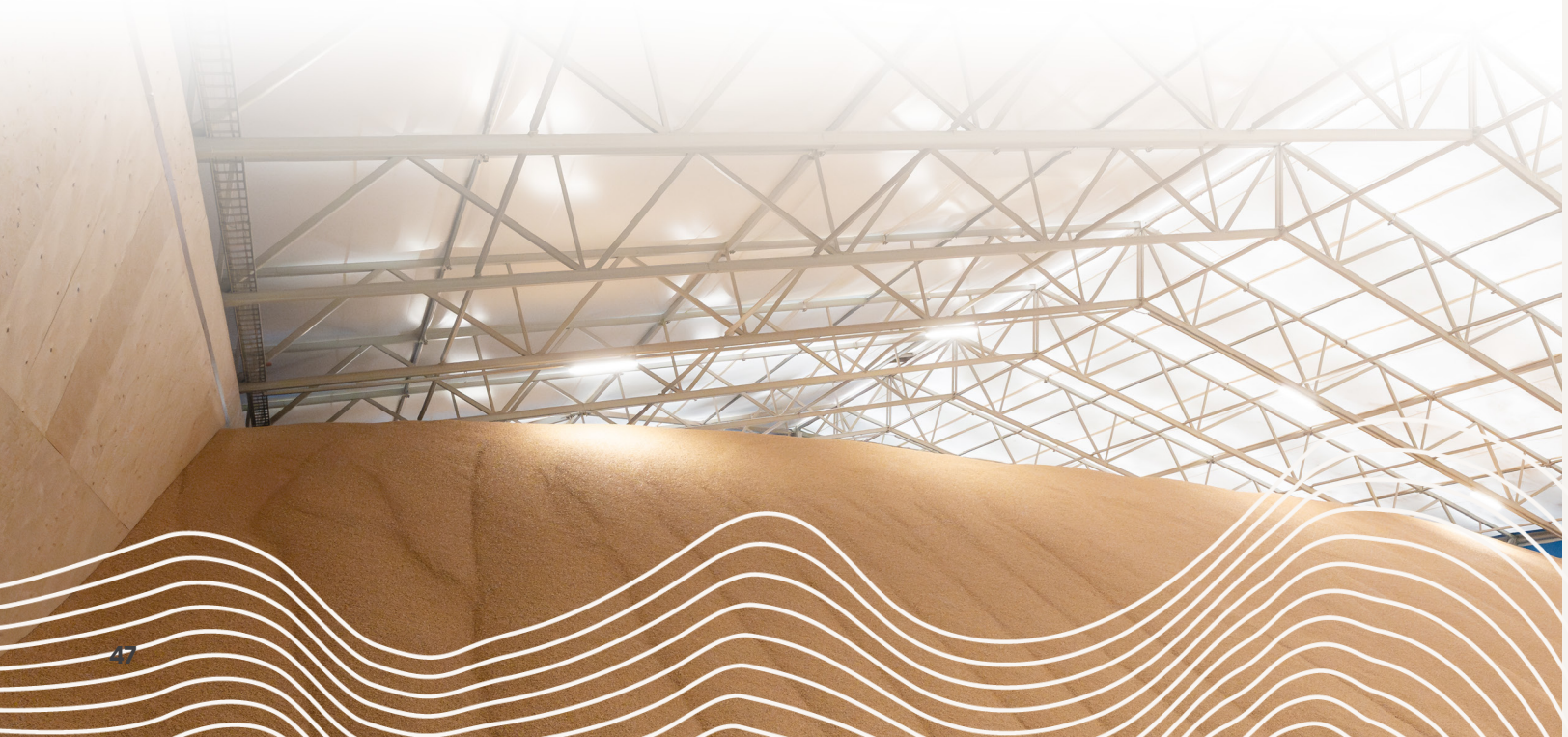
Our storage facilities

The demand for wood pellets is becoming increasingly volatile, moving from a constant base load to flexible coverage on peak demand, which requires pellet mills to operate efficiently throughout the year. This in turn creates a growing interest in storage capacity.

To adapt to these conditions and provide added value to our clients, we offer flexible storage options. These measures also serve as risk management tools, allowing us to produce pellets over the summer, maintain production efficiency, and guarantee reliable supply during the heating season.

We offer our clients a service where we store sold pellets over the summer months in the Baltic region which is more cost-effective than storing pellets elsewhere in Central European ports.

Currently we have storage facilities in various Estonian ports with a total capacity of 150,000 tonnes, with an option to increase storage volume by an additional 100,000 tonnes if needed.



In addition to maintaining high ethical standards, we also focus on operational excellence by investing in quality storage and transportation facilities to address market volatility and high peaks in customer demand.

Well-positioned and high-quality storage facilities, along with strategically located transportation hubs, are key to our success.

Our ports

Sauga factory

Pärnu port

Vessel size up to	9 500 tn
Maximum draft (depth limit):	6,8 m
Maximum LOA (length limit):	145 m
Maximum beam (width limit):	25 m

Estonia

Brocēni factory

Liepaja port

Vessel size up to	30 000 tn
Maximum draft (depth limit):	7,5 m
Maximum LOA (length limit):	130 m
Maximum beam (width limit):	30 m

Latvia

Purila factory

Muuga port

Vessel size up to	30 000 tn
Maximum draft (depth limit):	14,2 m
Maximum LOA (length limit):	310 m
Maximum beam (width limit):	35 m

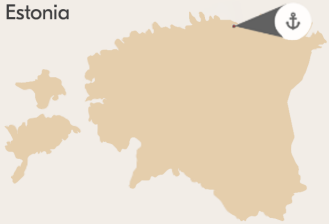
Estonia

Sõmeru factory

Kunda port

Vessel size up to	17 000 tn
Maximum draft (depth limit):	8,6 m
Maximum LOA (length limit):	150 m
Maximum beam (width limit):	30 m

Estonia



Inspiring business

The year 2025 was a record-setter in many respects. Both the Sauga and Purila plants achieved the highest production volumes in their history (217 562 tonnes and 100 640 tonnes respectively), and Warmeston as a whole also reached a new milestone in overall output.

This success did not come easily—we operated in a challenging raw materials market, and not everything went according to plan from a technical standpoint. These achievements were made possible only through dedication, teamwork, and professionalism.

Our achievements have been noticed also in Latvia where the Minister of Climate and Energy, Kaspars Melnis paid his visit to our Brocēni factory in January 2025.

The aim of the visit was to have a dialogue about sustainable solutions that help to mitigate climate change combined with regional development of energy sector in general.

The Minister showed his appreciation to our ambition for high quality standards for our materials and products and gave us the confidence that the Baltic region is supporting renewable energy solutions for climate change mitigation.

www.warmeston.ee

info@warmeston.ee

FSC
www.fsc.org
RECYCLED
Made from recycled material
FSC® C092678

NORDIC ECOLABEL
4041 0799
Printed matter