

Dear Partners,

2024-11-22

For the past 15 years, we have been very successful. And it's not like kicking the ball from the centre of the pitch and scoring a goal. It's like starting in the lowest league: playing every match, giving maximum effort, winning, becoming league champions, moving up to the next league, and repeating this process over and over until reaching the top league. Such success requires the right long-term strategy and dedicated teamwork. Thanks to this success, we have climbed to the top league – becoming one of the largest and, dare I say, the best office furniture manufacturers in Europe. But we have set ourselves the goal of becoming not just one of the largest and best, but the largest and best office furniture manufacturer in Europe. Not only have we set this goal, but we are also working consistently and moving purposefully towards it.

Once we surpassed a turnover of 100 million euros, we realised that we could no longer rely solely on the dedication, enthusiasm, commitment and immense efforts of our employees. We need to organise, standardise, and maximise the automation of our processes, as well as implement the latest manufacturing and IT technologies. This is not an easy job, but I believe we will succeed in accomplishing it.

Of course, there are various problems in making it work. First of all, the workload increases, because we have to do what we have always done and are doing, while also preparing for and implementing changes. Secondly, when implementing changes, there are always additional, unforeseen problems. Currently, while implementing the new warehouse management system Equinox, we did not manage to control the process – the warehouses got stuck. We had already aligned production and warehousing, and planned to reach record volumes in November, but we could not manage the transition, and the process has stalled.

I want to apologise to you for this – both for not managing the situation and for failing to notify you, as we believed we could handle it. Now, everyone is making tremendous efforts to restore smooth operations and return to fulfilling our commitments efficiently. Some of you will not experience these inconveniences, some of you will experience them slightly, while for others, unfortunately, it will be significantly more challenging. I kindly ask for your understanding.

We would like to draw your attention to another significant positive change in our business processes – the transition to a new resource planning system. We are moving from our current business management system, Microsoft Dynamics, to its new online version, Dynamics 365 (D365). We have been preparing and working towards this transition for two years. We are confident that the transition will go smoothly, our work will not be affected and you will not experience any disruption. However, in view of the situation that arose with the implementation of the warehouse management system, I think it is necessary to warn you about it.

Next year, we will continue working on process documentation, standardisation, and automation. At the same time, I want to emphasise that we cannot establish and maintain orderly processes if our partners do not adhere to these processes as well. From our partners, we expect two things to be handled properly: firstly, orders, and secondly, payments. If we don't receive

these things in an orderly manner, it disrupts all our procedures and , hindering the smooth operation of our activities and the fulfilment of commitments to our partners. A new project, which we will be presenting to you shortly, will be linked to this. I have every confidence that we will implement it smoothly.

We are also working intensively on a factory expansion project in Lithuania, which we plan to implement next to the existing factory. The new technological capabilities in the production process will allow us to be efficient, flexible and even better able to manage the whole process and meet our commitments.

Looking ahead, I believe our main task as a large manufacturer is to not only leverage the advantages of being a major producer – such as the ability to maintain a vast and balanced product portfolio, develop and implement new products, offer competitive prices, and handle large orders – but also to preserve what I see as another key competitive advantage: flexibility. However, this is not the kind of flexibility that results in chaos, with no defined processes or systems. It is the flexibility that comes from having processes designed to account for various scenarios, enabling us to respond quickly to situations and adapt to market changes effectively.

Despite all the threats related to the geopolitical situation in the world, I am very optimistic about the future. We are a great team and we have a huge number of good partners. Together, we will become champions.

Sincerely,

Petras Narbutas
President of UAB Narbutas International

