# C ONFIRMATION OF RESPONSIBLE PERSONS

Following the Law on Securities of the Republic of Lithuania and Rules on Preparation and Submission of Periodical and Additional Information of the Bank of Lithuania, we, Darius Zubas, Managing Director of AB Linas Agro Group and Tomas Tumėnas, Finance Director of AB Linas Agro Group, hereby confirm that, to the best of our knowledge, AB Linas Agro Group Audited Consolidated and Parent Company's Financial Statements for the financial year 2015/16 ended June 30, 2016, prepared in accordance with International Financial Reporting Standards as adopted by the European Union, give a true and fair view of assets, liabilities, financial position, profit or losses and cash flow of AB Linas Agro Group and the Group as well. We also confirm that review of the business development and activities, together with the description of the major risks and indeterminations incurred, are correctly revealed in the Consolidated Annual Report for the 2015/16 financial year.

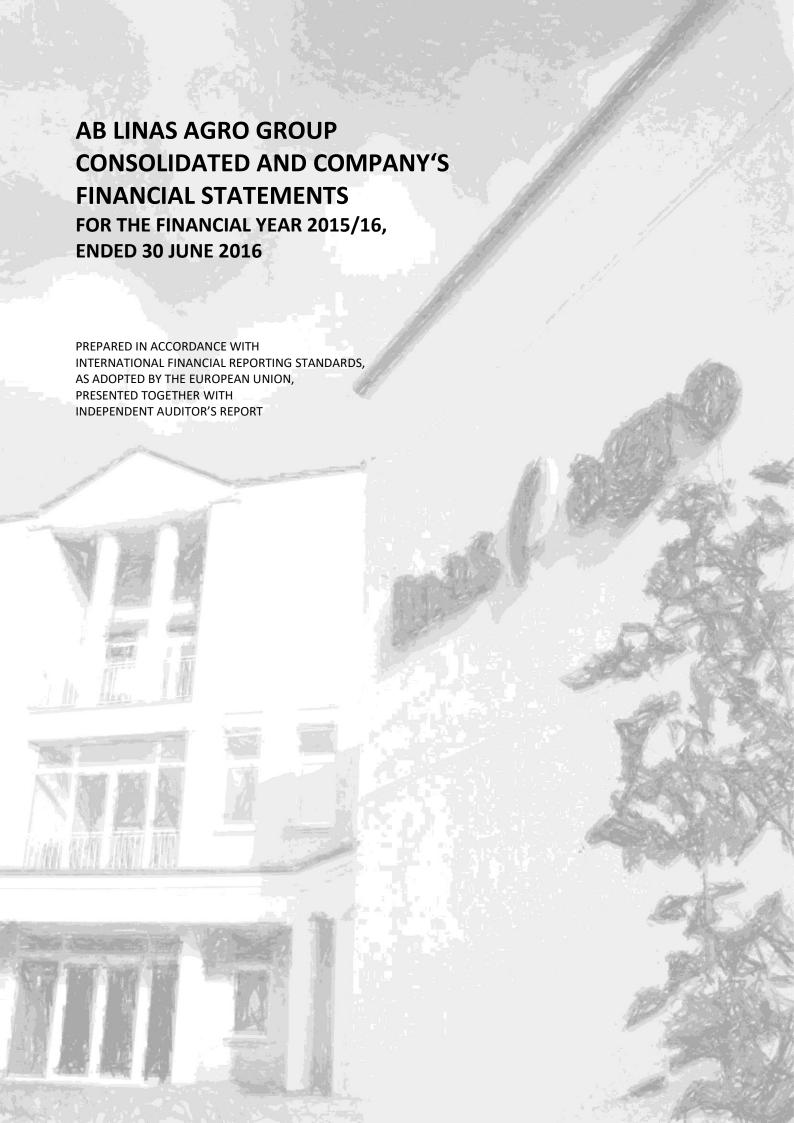
AB Linas Agro Group Managing Director Darius Zubas

4 October 2016

AB Linas Agro Group Finance Director

4 October 2016

Tomas Tumėnas





UAB "Ernst & Young Baltic" Subačiaus g. 7 LT-01302 Vilnius Lietuva

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Fax: +370 5 274 2333 Vilnius@lt.ey.com www.ey.com/lt Code of legal entity 110878442 VAT payer code LT108784411 Register of Legal Entities

## Independent auditor's report to the shareholders of AB Linas Agro Group

## Report on the Financial Statements

We have audited the accompanying financial statements of AB Linas Agro Group, a public limited liability company registered in the Republic of Lithuania (hereinafter the Company), and the consolidated financial statements of AB Linas Agro Group and subsidiaries (hereinafter the Group), which comprise the statements of financial position as at 30 June 2016, the statements of comprehensive income, changes in equity and cash flows for the year then ended, and notes (comprising a summary of significant accounting policies and other explanatory information).

### Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards as adopted by the European Union, 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.

## Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing as set forth by the International Federation of Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

## Opinion

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company and the Group as at 30 June 2016, and their financial performance and their cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union.

## Report on Other Legal and Regulatory Requirements

Furthermore, we have read the consolidated Annual Report for the year ended 30 June 2016 and have not noted any material inconsistencies between the financial information included in it and the financial statements for the year ended 30 June 2016.

UAB ERNST & YOUNG BALTIC

Audit company's licence No. 001335

Asta Štreimikienė Auditor's licence No. 000382

The audit was completed on 4 October 2016.

## STATEMENTS OF FINANCIAL POSITION

ASSETS	Notes	Gro	oup	Company		
		As at 30 June 2016	As at 30 June 2015	As at 30 June 2016	As at 30 June 2015	
Non-current assets						
Intangible assets	5	4,865	901	274	269	
Property, plant and equipment	6	109,438	104,213	_	_	
Investment property	7	1,359	1,523	128	124	
Animals, livestock and poultry	9	7,578	8,127	_	_	
Non-current financial assets						
Investments into subsidiaries	3	_	_	95,334	94,975	
Investments into associates	3	_	_	1,519	1,751	
Other investments and prepayments for financial assets		17	17	_	_	
Non-current receivables	8	3,987	903	1,108	647	
Non-current receivables from related parties	8, 31	800	1,175	9,514	6,468	
Total non-current financial assets		4,804	2,095	107,475	103,841	
Deferred income tax asset	27	2,137	1,955	8	_	
Total non-current assets		130,181	118,814	107,885	104,234	
Current assets						
Crops	9	13,813	15,436	_	_	
Poultry	9	1,758	1,997	_	_	
Inventories	10	71,952	56,415	_	_	
Prepayments	11	6,616	8,729	32	30	
Accounts receivable		.,.	-, -	-		
Trade receivables	12	93,420	96,700	3	_	
Receivables from related parties	31	18	19	2,969	3,830	
Income tax receivable		664	901	_	_	
Other accounts receivable	13	5,144	9,500	245	720	
Total accounts receivable		99,246	107,120	3,217	4,550	
Derivative financial instruments	14	711	79	_	_	
Other current financial assets	14	905	440	_	_	
Cash and cash equivalents	15	6,901	6,680	89	232	
Total current assets		201,902	196,896	3,338	4,812	
Total assets		•	•	•		
1044.400040		332,083	315,710	111,223	109,046	

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## **STATEMENTS OF FINANCIAL POSITION (CONT'D)**

EQUITY AND LIABILITIES		Notes	Gre	oup	Com	Company	
			As at 30 June 2016	As at 30 June 2015	As at 30 June 2016	As at 30 June 2015	
Equity attributable to equity ho	lders of the parent						
Share capital		1	46,093	46,032	46,093	46,032	
Share premium			23,038	23,038	23,038	23,038	
Legal reserve		16	2,936	2,704	2,936	2,704	
Reserve for own shares		16	_	1,819	_	1,819	
Own shares		16	(455)	(457)	(455)	(457)	
Foreign currency translation res	erve	16	(22)	(22)	-	-	
Cash flow hedge reserve		16	(153)	_	_	_	
Retained earnings			88,336	84,197	32,205	26,890	
Total equity attributable to equ	ity holders of the parent		159,773	157,311	103,817	100,026	
Non-controlling interest		32	2,214	1,826	_	_	
Total equity			161,987	159,137	103,817	100,026	
Liabilities							
Non-current liabilities							
Grants and subsidies		17	6,289	6,646		_	
Non-current borrowings		18, 31	16,741	22,729	4,928	2,654	
Finance lease obligations		19	1,228	1,789	_	_	
Non-current trade payables			1,553	183	-	175	
Non-current payables to related	parties	31	_		54	51	
Deferred income tax liability	•	27	1,139	1,157	_	2.	
Non-current employee benefits			353	266		3	
Derivative financial instruments		14	120	_	-	_	
Total non-current liabilities			27,423	32,770	4,982	2,883	
			27,125	32,	,,		
Current liabilities							
Current portion of non-current b		18	19,943	13,313	1,400	4,900	
Current portion of finance lease	obligations	19	933	803	-	-	
Current borrowings		18, 31	58,092	64,256	4	185	
Trade payables		21	43,239	28,179	47	188	
Payables to related parties		31	1,514	21	810	810	
Income tax payable			340	303	15	18	
Derivative financial instruments		14	60	581	_	-	
Other current liabilities		22	18,552	16,347	148	36	
Total current liabilities			142,673	123,803	2,424	6,137	
Total equity and liabilities			332,083	315,710	111,223	109,046	
The accompanying notes are an	integral part of these financi	ial stateme	ents				
Managing Director	Darius Zubas		(9)	7	4 Octo	ber 2016	
Finance Director	Tomas Tumėnas		-	net,	4 Octo	ber 2016	
Chief Accountant	Ramutė Masiokaitė		3/2	- (	4 Octo	ber 2016	
			7	0			

# CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Notes	Financial y	ear ended
		30 June 2016	30 June 2015
Sales	4	615,959	573,766
Cost of sales	23	(576,078)	(532,286)
Gross profit		39,881	41,480
Operating (expenses)	24	(33,574)	(30,887)
Other income	25	1,521	2,540
Other (expenses)	25	(596)	(796)
Operating profit		7,232	12,337
Income from financing activities	26	529	591
(Expenses) from financing activities	26	(2,445)	(2,568)
Profit before tax		5,316	10,360
Income tax	27	(1,372)	(1,166)
Net profit		3,944	9,194
Net profit attributable to:			
Equity holders of the parent		4,095	8,726
Non-controlling interest		(151) <b>3,944</b>	468 <b>9,194</b>
Basic and diluted earnings per share (EUR)	28	0.03	0.06
Other comprehensive income			
Other comprehensive income, to be reclassified to profit or loss in subsequent periods:			
Net (loss)/gain on cash flow hedges		(153)	_
Exchange differences on translation of foreign operations		_	22
Net other comprehensive income (loss) to be reclassified to profit		(152)	22
or loss in subsequent periods  Other comprehensive income not to be reclassified to profit or loss in subsequent periods:		(153)	22
Remeasurement gains (losses) on defined benefit plans		(51)	_
Net other comprehensive income (loss) not to be reclassified to profit or loss in subsequent periods		(51)	_
Other comprehensive income/ (loss) for the year, net of tax		(204)	22
Total comprehensive income, after tax		3,740	9,216
Total comprehensive income attributable to:			
The shareholders of the Company		3,891	0 740
Non-controlling interest		(151)	8,748
		3,740	468 <b>9,216</b>
		• -	- ,

## COMPANY'S STATEMENT OF COMPREHENSIVE INCOME

	Notes	Financial	year ended
		30 June 2016	30 June 2015
Income	4	5,093	5,212
Operating (expenses)	24	(457)	(778)
Operating profit		4,636	4,434
Income from financing activities	26	554	524
(Expenses) from financing activities	26	(174)	(227)
Profit before tax		5,016	4,731
Income tax		(23)	(80)
Net profit		4,993	4,651
Other comprehensive income		-	_
Total comprehensive income		4,993	4,651

The accompanying notes are an integral part of these financial statements.

Managing Director Darius Zubas 4 October 2016

Finance Director Tomas Tumėnas 4 October 2016

Chief Accountant Ramutė Masiokaitė 4 October 2016

## **CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**

## Equity attributable to equity holders of the parent

	Notes	Share capital	Own shares	Share premium	Legal reserve	Reserve for own shares	Foreign currency trans- lation reserve	Cash flow hedge reserve	Retained earnings	Subtotal	Non- control- ling interest	Total
Balance as at 1 July 2014		46,032	(458)	23,038	2,360	1,825	(44)	-	76,550	149,303	2,790	152,093
Net profit for the year		-	-	-	-	-	-	_	8,726	8,726	468	9,194
Other comprehensive income		_	_	_	_	_	22	_	_	22	-	22
Total comprehensive income		=	_	-	_	_	22	_	8,726	8,748	468	9,216
Disposal of own shares		_	1	-	_	_	_	_	(1)	-	-	_
Disposal of minority interest in subsidiaries		_	_	_	_	_	_	_	_	_	86	86
Declared dividends by Company	28	_	_	_	_		_	_	(1,447)	(1,447)	_	(1,447)
Declared dividends by subsidiaries		_	_	-	_	_	_	_	_	-	(10)	(10)
Transfer to reserves		_	_	_	344	(6)	_	_	(338)	-	_	_
Acquisition of minority interest	3	_	_	_	_	_	_	_	707	707	(1,508)	(801)
Balance as at 30 June 2015		46,032	(457)	23,038	2,704	1,819	(22)	-	84,197	157,311	1,826	159,137
Balance as at												
1 July 2015		46,032	(457)	23,038	2,704	1,819	(22)	-	84,197	157,311	1,826	159,137
Net profit for the year Other comprehensive		-	_	-	-	-	-	-	4,095	4,095	(151)	3,944
income Total comprehensive		-	-	-	-	-	-	(153)	(51)	(204)	-	(204)
income Share capital value		-	-	-	-	-	-	(153)	4,044	3,891	(151)	3,740
adjustment due to conversion to euro		61	_	_	_	_	_	_	(61)	_	_	_
Disposal of own shares		_	2	_	_		_	-	(2)	_	_	_
Disposal of minority interest in	3									(204)	652	250
subsidiaries Declared dividends by		_	-	_	-	_	_	_	(284)	(284)	652	368
Company Declared dividends by	28	-	-	_	-	_	_	-	(1,202)	(1,202)	_	(1,202)
subsidiaries Transfer from	46	_	-	-	_	_	_	-	_	-	(15)	(15)
reserves	16	-	-	-	-	(1,819)	-	_	1,819	-	-	-
Transfer to reserves Acquisition of	16	-	-	-	232	-	-	-	(232)	-	-	-
minority interest  Balance as at	3	-	-	-	-	-	-	-	57	57	(98)	(41)
30 June 2016		46,093	(455)	23,038	2,936	-	(22)	(153)	88,336	159,773	2,214	161,987

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## Company's statement of changes in equity

	Notes	Share capital	Own shares	Share premium	Legal reserve	Reserve for own shares	Retained earnings	Total
Balance as at 1 July 2014		46,032	(458)	23,038	2,360	1,825	24,025	96,822
Net profit for the year		-	-	-	_	_	4,651	4,651
Other comprehensive income		-	_	-	_		-	_
Total comprehensive income		_	-	-	_	_	4,651	4,651
Disposal of own shares		_	1	_	-	=	(1)	-
Declared dividends by the Company	28	-	2		-	_	(1,447)	(1,447)
Transfer to reserves		-	-	_	344	(6)	(338)	
Balance as at 30 June 2015		46,032	(457)	23,038	2,704	1,819	26,890	100,026
Balance as at 1 July 2015		46,032	(457)	23,038	2,704	1,819	26,890	100,026
Net profit for the year		_	_	_	_	_	4,993	4,993
Other comprehensive income		_	-	_	-	-	-	_
Total comprehensive income		_	-	_	_	_	4,993	4,993
Share capital value adjustment due to conversion to euro		61	_	-	-	-	(61)	-
Disposal of own shares		-	2	-	-	<u> </u>	(2)	_
Declared dividends by the Company	28	_	_	-		-	(1,202)	(1,202)
Transfer from reserves	16	_	-	_	_	(1,819)	1,819	-
Transfer to reserves	16	_	-	_	232	-	(232)	-
Balance as at 30 June 2016		46,093	(455)	23,038	2,936	_	32,205	103,817

Managing Director	Darius Zubas	(a)	4 October 2016
Finance Director	Tomas Tumènas	- Thurs	4 October 2016
Chief Accountant	Ramutė Masiokaitė	7/28	4 October 2016

## **CASH FLOW STATEMENTS**

	Notes	Group		Company		
		Financial y		Financial ye		
		30 June 2016	30 June 2015	30 June 2016	30 June 2015	
Cash flows from (to) operating activities						
Net profit		3,944	9,194	4,993	4,651	
Adjustments for non-cash items:						
Depreciation and amortisation	5, 6, 7	10,503	9,399	29	18	
Subsidies amortisation	17	(856)	(900)	_	_	
(Gain) on disposal of property, plant and equipment	25	(321)	(117)	_	_	
Change in impairment of property, plant and equipment and						
investment property	6, 7	(7)	(25)	_	-	
Group (gain) loss on acquisition of subsidiaries	3	_	_	_	-	
(Gain) on disposal of other investments	25	(3)	(359)	_	(285)	
Change in allowance and write-offs for receivables and	24	(251)	753			
prepayments Inventories write down to net realisable value		(251)	753	_	_	
Change in accrued expenses	10	976	302	102	-	
Change in fair value of biological assets	22	486	303	103	-	
Liabilities write off	23	160	(3,612)	_	-	
Change in deferred income tax	25	(4)	(24)	(12)	_	
Current income tax expenses	27	(173)	(142)	(12)	_	
Expenses (income) from change in fair value of financial	27	1,545	1,308	35	80	
instruments		(543)	272	_	_	
Dividend (income)		_	(45)	(4,882)	(4,200)	
Interest (income)	26	(529)	(591)	(554)	(524)	
Interest expenses	26	2,445	2,568	174	227	
		17,372	18,284	(114)	(33)	
Changes in working capital:				(== -,	(55)	
Decrease in biological assets		3,096	2,130	_	_	
(Increase) decrease in inventories		(15,098)	11,297	_	_	
Decrease (increase) in prepayments		2,147	(3,669)	(2)	(11)	
(Increase) decrease in trade and other accounts receivable		4,057	(8,146)	128	243	
(Increase) decrease in restricted cash	14	(449)	(2)	_	_	
Increase (decrease) in trade and other accounts payable	<u> </u>	13,020	(2,816)	45	7	
Income tax (paid)		(1,251)	(1,649)	(23)	_	
Net cash flows from (to) operating activities		22,894	15,429	34	206	
		• '-				

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## CASH FLOW STATEMENTS (CONT'D)

	Notes	Group Financial year ended		Company Financial year ended	
			30 June 2015	30 June 2016	
Cash flows from (to) investing activities					
(Acquisition) of intangible assets, property, plant and					
equipment and investment property	5, 6, 7	(14,055)	(13,709)	(38)	(114)
Proceeds from sale of intangible assets, property, plant		2.444	042		
and equipment and investment property  Acquisition of subsidiaries (less received cash balance in		2,144	812	_	_
the Group), including payments for subsidiaries					
acquired in prior periods	3	(3,491)	(200)	_	_
Increase of share capital of subsidiaries		_	_	(478)	(599)
Payment for previously unpaid financial assets		_	(1,510)	_	_
Proceeds from disposals of other investments	14	_	434	_	_
Loans (granted)		(1,293)	(3,911)	(5,291)	(5,030)
Repayment of granted loans		3,106	1,653	3,297	2,645
Interest received		273	350	232	208
Dividends received		_	45	4,882	4,200
Net cash flows from (to) investing activities		(13,316)	(16,036)	2,604	1,310
Cash flows from (to) financing activities					
Proceeds from loans		59,943	83,718	_	1,448
(Repayment) of loans		(65,465)	(80,154)	(1,400)	(1,656)
Finance lease (payments)		(1,028)	(1,039)	_	_
Grants received	17	620	626	_	_
Interest (paid)		(2,169)	(2,588)	(179)	(224)
Dividends (paid) to non-controlling shareholders		(15)	(10)	_	_
Dividends (paid)		(1,202)	(1,447)	(1,202)	(1,447)
Acquisition of non-controlling interest		(41)	(451)	_	_
Net cash flows from (to) financing activities		(9,357)	(1,345)	(2,781)	(1,879)
Net (decrease) increase in cash and cash equivalents		221	(1,952)	(143)	(363)
Cash and cash equivalents at the beginning of the year	15	6,680	8,632	232	595
Cash and cash equivalents at the end of the year	15	6,901	6,680	89	232

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## CASH FLOW STATEMENTS (CONT'D)

Supplemental information of cash flows:

Supplemental information of cash flows:					
		Gro	oup		pany
		Financial y	ear ended	Financial year ended	
		30 June 2016	30 June 2015	30 June 2016	30 June 2015
Non-cash operating activity:					
Income tax payable set off with VAT receivable		20	171	15	61
Non-cash investing activity:					
Property, plant and equipment acquisitions financed by finance lease		1,012	1,176	_	_
Property, plant and equipment acquisitions financed by working capital		1,619	_		-
Unpaid acquisition of subsidiaries and minority interest	3	3,090	350	777	350
Non-cash acquisition of subsidiaries (reclassified from prepayments for financial assets)	3	_	2,820	_	2,820
Non-cash disposal of minority interest	3	350	-	350	
Non-cash increase in share capital of subsidiaries and associates (set off with current and non-current loans					
granted to related parties, interest receivable)		_	1-1	-	1,425

The accompanying notes are an integral part of these financial statements.

**Managing Director** 

Darius Zubas

4 October 2016

Finance Director

Tomas Tumėnas

4 October 2016

Chief Accountant

Ramutė Masiokaitė

4 October 2016

## NOTES TO THE FINANCIAL STATEMENTS

## 1. GENERAL INFORMATION

AB Linas Agro Group (hereinafter the Company or the parent) is a public limited liability company registered in the Republic of Lithuania. The Company was registered on 27 November 1995.

The address of its registered office is as follows: Smėlynės Str. 2C, LT-35143 Panevėžys, Lithuania.

The principal activities of the Group are described in Note 4.

The financial year of the Group starts on 1 July of the calendar year and ends on 30 June of the following calendar year.

As at 30 June 2016 and as at 30 June 2015 the shareholders of the Company were:

	As at 30 June	2016	As at 30 June 2015		
	Number of shares held	Percentage	Number of shares held	Percentage	
Akola ApS (Denmark)	100,269,646	63.09%	88,984,443	55.99%	
Darius Zubas	17,049,995	10.73%	17,049,995	10.73%	
Swedbank AS (Estonia) clients	10,367,627	6.52%	10,720,893	6.75%	
SEB AS OMNIBUS (Luxembourg) clients	-	_	12,026,834	7.57%	
Other shareholders (private and institutional investors)	31,253,130	19.66%	30,158,233	18.96%	
Total	158,940,398	100.00%	158,940,398	100.00%	

All the shares of the Company are ordinary shares with the par value of EUR 0.29 each as at 30 June 2016 (EUR 0.29 each as at 30 June 2015) and were fully paid as at 30 June 2016 and as at 30 June 2015.

The Company holds 785,972 of its own shares, percentage 0.50%, as at 30 June 2016 (788,972 as at 30 June 2015). Subsidiaries and other related companies did not hold any shares of the Company as at 30 June 2016 and as at 30 June 2015.

All of the Company's 158,940,398 ordinary shares are included in the Official list of Nasdaq Vilnius stock exchange (ISIN code LT0000128092). The Company's trading ticker in Nasdaq Vilnius stock exchange is LNA1L.

As at 30 June 2016 the number of employees of the Group was 2,261 (2,334 as at 30 June 2015). As at 30 June 2016 and 30 June 2015 the number of employees of the Company was 9.

The Company's management approved these financial statements on 4 October 2016. The shareholders of the Company have a statutory right to approve these financial statements or not to approve them and to require preparation of a new set of financial statements.

No changes in share capital occurred during the years ending 30 June 2016 and 30 June 2015, except for share capital value adjustment of EUR 61 thousand that occurred due to rounding the par value of share and approval of the new version of Company's bylaws.

## 2. ACCOUNTING PRINCIPLES

If not stated otherwise, the Company's separate financial statements are prepared using the same accounting policies as the ones used by the Group.

The principal accounting policies adopted in preparing the Group's financial statements for the year ended 30 June 2016 are as follows:

### 2.1 BASIS OF PREPARATION

The financial statements have been prepared on a historical cost basis, except for biological assets, commitments to purchase agricultural produce (unrecognized firm commitment), derivative financial instruments which have been measured at fair value.

These financial statements were prepared in accordance with International Financial Reporting Standards (IFRS), as adopted by the European Union (hereinafter the EU).

### Adoption of new and/or changed IFRS and International Financial Reporting Interpretations Committee (IFRIC) interpretations

The accounting policies adopted are consistent with those of the previous financial year except for the following amended IFRSs which have been adopted by the Group as of 1 July 2015:

### Amendments to IAS 19 Employee Benefits

The amendment is effective for annual periods beginning on or after 1 February 2015. The amendment addresses accounting for the employee contributions to a defined benefit plan. The objective of the amendment is to simplify the accounting for contributions that are independent of the number of years of employee service, for example, employee contributions that are calculated according to a fixed percentage of salary. The Group does not have any plans that fall within the scope of this amendment.

In December 2013 IASB issued the **Annual Improvements to IFRSs 2010 – 2012 Cycle** (effective for financial years beginning on or after 1 February 2015):

- IFRS 2 Share-based Payment;
- IFRS 3 Business Combinations;
- IFRS 8 Operating Segments;
- IFRS 13 Fair value Measurement;
- IAS 16 Property, Plant and Equipment;
- IAS 24 Related Party Disclosures;
- IAS 38 Intangible Assets.

## Standards issued but not yet effective

The Group has not applied the following IFRS and IFRIC interpretations that have been issued as of the date of authorization of these financial statements for issue, but which are not yet effective:

## Amendments to IAS 1 Presentation of financial statements: Disclosure Initiative

The amendments aim at clarifying IAS 1 to address perceived impediments to preparers exercising their judgment in presenting their financial reports. The amendments are effective for annual periods beginning on or after 1 January 2016. The Group has not yet evaluated the impact of the implementation of this amendment to standard.

## Amendments to IAS 16 Property, Plant & Equipment and IAS 38 Intangible assets: Clarification of Acceptable Methods of Depreciation and Amortization

The amendment is effective for annual periods beginning on or after 1 January 2016 and provides additional guidance on how the depreciation or amortisation of property, plant and equipment and intangible assets should be calculated. It is clarified that a revenue-based method is not considered to reflect effective usage of an asset over the period of useful life. The implementation of this amendment will have no impact on the financial statements of the Group, as the Group does not use revenue-based depreciation and amortisation methods.

## 2.1 BASIS OF PREPARATION (CONT'D)

Standards issued but not yet effective (cont')

### Amendments to IAS 16 Property, Plant & Equipment and IAS 41 Agriculture: Bearer Plants

The amendment is effective for annual periods beginning on or after 1 January 2016. Bearer plants are now within the scope of IAS 16 Property, Plant and Equipment and are subject to all of the requirements therein. The implementation of this amendment will have no impact on the financial statements of the Group, as the Group does not have bearer plants.

### Amendments to IAS 27 Equity method in separate financial statements

The amendment is effective for annual periods beginning on or after 1 January 2016. The amendments reinstate the equity method as an accounting option for investments in subsidiaries, joint ventures and associates in an entity's separate financial statements. The Company accounts for mentioned investments at cost minus impairment, thus the amendment will not have impact on Company's financial statements.

### Amendment to IFRS 11 Joint arrangements: Accounting for Acquisitions of Interests in Joint Operations

The amendment is effective for annual periods beginning on or after 1 January 2016. IFRS 11 addresses the accounting for interests in joint ventures and joint operations. The amendment adds new guidance on how to account for the acquisition of an interest in a joint operation that constitutes a business in accordance with IFRS and specifies the appropriate accounting treatment for such acquisitions. The implementation of this amendment will have no impact on the financial statements of the Group as the Group does not have joint arrangement agreements.

Amendments to IAS 7 Statement of Cash Flows: Disclosure Initiative (effective for financial years beginning on or after 1 January 2017, once endorsed by the EU)

The amendments improve information provided to users of financial statements about an entity's financing activities. Entities are required to disclose changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes, for example, by providing reconciliation between the opening and closing balances in the statement of financial position for liabilities arising from financing activities. The implementation of these amendments will not have any impact on the financial position or performance of the Group but may result in changes in disclosures.

Amendments to IAS 12 Income Taxes: Recognition of Deferred Tax Assets for Unrealized Losses (effective for financial years beginning on or after 1 January 2017, once endorsed by the EU)

The amendments clarify how to account for deferred tax assets for unrealized losses on debt instruments measured at fair value. The Group has not yet evaluated the impact of the implementation of this amendment to standard.

**IFRS 2:** Classification and Measurement of Share based Payment Transactions (Amendments) (effective for financial years beginning on or after 1 January 2018, once endorsed by the EU)

The Amendments provide requirements on the accounting for the effects of vesting and non-vesting conditions on the measurement of cash-settled share-based payments, for share-based payment transactions with a net settlement feature for withholding tax obligations and for modifications to the terms and conditions of a share-based payment that changes the classification of the transaction from cash-settled to equity-settled. The Group has not yet evaluated the impact of the implementation of this amendment to standard.

IFRS 9 Financial Instruments (effective for financial years beginning on or after 1 January 2018, once endorsed by the EU)

IFRS 9 replaces IAS 39 and introduces new requirements for classification and measurement, impairment and hedge accounting. The Group has not yet evaluated the impact of the implementation of this standard.

Amendments to IFRS 10, IFRS 12 and IAS 28 - Investment Entities: Applying the consolidation exception (effective for financial years beginning on or after 1 January 2016, once endorsed by the EU)

The amendments address issues that have arisen in the context of applying the consolidation exception for investment entities. The implementation of these amendments will not have impact on the financial position or performance of the Group as the Company is not an investment entity.

## 2.1 BASIS OF PREPARATION (CONT'D)

Amendments to IFRS 10 and IAS 28 – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (In December 2015 the IASB postponed the effective date of this amendment indefinitely pending the outcome of its research project on the equity method of accounting.)

The amendments address an acknowledged inconsistency between the requirements in IFRS 10 and those in IAS 28, in dealing with the sale or contribution of assets between an investor and its associate or joint venture. The main consequence of the amendments is that a full gain or loss is recognised when a transaction involves a business and partial gain or loss is recognised when a transaction involves assets that do not constitute a business. The Group has not yet evaluated the impact of the implementation of these amendments to standards.

**IFRS 15** Revenue from Contracts with Customers (effective for financial years beginning on or after 1 January 2018, once endorsed by the EU)

IFRS 15 establishes a five-step model that will apply to revenue earned from a contract with a customer, regardless of the type of revenue transaction or the industry. Extensive disclosures will be required, including disaggregation of total revenue; information about performance obligations; changes in contract asset and liability account balances between periods and key judgments and estimates. The Group has not yet evaluated the impact of the implementation of this standard.

**IFRS 15:** Revenue from Contracts with Customers (Clarifications) (effective for annual periods beginning on or after 1 January 2018, once endorsed by the EU).

The objective of the Clarifications is to clarify the IASB's intentions when developing the requirements in IFRS 15 *Revenue from Contracts with Customers*, particularly the accounting of identifying performance obligations amending the wording of the "separately identifiable" principle, of principal versus agent considerations including the assessment of whether an entity is a principal or an agent as well as applications of control principle and of licensing providing additional guidance for accounting of intellectual property and royalties. The Clarifications also provide additional practical expedients for entities that either apply IFRS 15 fully retrospectively or that elect to apply the modified retrospective approach. The Group has not yet evaluated the impact of the implementation of this amendment to standard.

IFRS 16 Leases (effective for financial years beginning on or after 1 January 2019, once endorsed by the EU)

IFRS 16 replaces IAS 17 and specifies how to recognize, measure, present and disclose leases. The standard provides a single lessee accounting model, requiring lessees to recognize assets and liabilities for all leases unless the lease term is 12 months or less or the underlying asset has a low value. Lessor accounting is substantially unchanged. The Group has not yet evaluated the impact of the implementation of this amendment to standard.

In September 2014 IASB issued the Annual Improvements to IFRSs 2012 – 2014 Cycle (effective for financial years beginning on or after 1 January 2016, once endorsed by the EU):

- IFRS 5 Non-current Assets Held for Sale and Discontinued Operation
- IFRS 7 Financial Instruments: Disclosures
- IAS 19 Employee Benefits
- IAS 34 Interim Financial Reporting

The Group plans to adopt the above mentioned standards and interpretations on their effectiveness date provided they are endorsed by the EU.

## 2.2 FUNCTIONAL AND PRESENTATION CURRENCY

The amounts shown in these financial statements are presented in the local currency of the Republic of Lithuania, euro (EUR). The functional currency of the Group companies operating in Lithuania is EUR. The functional currencies of foreign subsidiaries are the respective foreign currencies of the country of residence. Items included in the financial statements of these subsidiaries are measured using their functional currency.

Transactions in foreign currencies are initially recorded in the functional currency as at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rate of exchange as at the date of the statement of financial position. Translation difference is presented under Other income and/or expenses caption in the Group's financial statements and under operating expenses caption in the Company's separate financial statements.

The assets and liabilities of foreign subsidiaries are translated into EUR at the reporting date using the rate of exchange as at the date of the statement of financial position, and their statements of comprehensive income are translated at the average exchange rates for the year. The exchange differences arising on this translation are recognised in a separate component of equity. On disposal of a foreign subsidiary, the deferred cumulative amount recognised in other equity relating to that foreign operation is recognised in the statement of comprehensive income under Other income and/or expenses caption.

#### 2.3 PRINCIPLES OF CONSOLIDATION

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries. The financial statements of the subsidiaries are prepared for the same reporting date, using consistent accounting policies.

Subsidiary is an entity directly or indirectly controlled by the Company. The Company controls an entity when it can or has a right to receive a variable returns from this relation and it can have impact on these returns due to the power to govern the entity to which the investment is made.

Subsidiaries are consolidated from the date from which effective control is transferred to the Group and cease to be consolidated from the date on which control is transferred out of the Group. All intercompany transactions, balances and unrealised gains and losses on transactions among the Group companies have been eliminated. The equity and net income attributable to non-controlling shareholders' interests are shown separately in the statement of financial position and the statement of comprehensive income.

In the parent's separate financial statements investments into subsidiaries are accounted for using the cost method. The carrying value of investments is reduced to recognise an impairment loss of the value of the investments, such reduction being determined and made for each investment individually.

From 1 January 2010 losses of a subsidiary are attributed to the non-controlling interest even if that results in a deficit balance.

Acquisitions and disposals of non-controlling interest by the Group are accounted as equity transaction: the difference between the carrying value of the net assets acquired from/disposed to the non-controlling interests in the Group's financial statements and the acquisition price/proceeds from disposal is accounted directly in equity.

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, measured at acquisition date fair value and the amount of any non-controlling interest in the acquiree. Any contingent consideration to be transferred by the acquirer will be recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration which is deemed to be an asset or liability, will be recognised in accordance with IAS 39 either in profit or loss or as a change to other comprehensive income. If the contingent consideration is classified as equity, it should not be remeasured until it is finally settled within equity. For each business combination, the acquirer measures the non-controlling interest in the acquiree either at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition costs incurred are expensed and included in administrative expenses.

If the business combination is achieved in stages, the acquisition date fair value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date through statement of comprehensive income.

Goodwill is initially measured at cost being the excess of the aggregate of the consideration transferred and the amount recognised for non-controlling interest over the net identifiable assets acquired and liabilities assumed. If this consideration is lower than the fair value of the net assets of the subsidiary acquired, the difference is recognised in statement of comprehensive income.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

Where goodwill forms part of a cash-generating unit and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured based on the relative values of the operation disposed of and the portion of the cash-generating unit retained.

#### 2.4 INVESTMENTS INTO ASSOCIATES

An associate is an entity in which the Group has significant influence. The Group recognises its interests in the associates applying the equity method. The financial statements of the associates are prepared for the same reporting year as the Group, using consistent accounting policies. Adjustments are made to bring in line any dissimilar accounting policies that may exist. Impairment assessment of investments into associates is performed when there is an indication that the asset may be impaired or the impairment losses recognised in prior years no longer exist.

Unrealised gains and losses resulting from transactions between the Group and the associate are eliminated to the extent of the interest in the associate. Currently the Group does not have any associates.

Investments into associates in the Company's separate financial statements are carried at cost less impairment.

#### 2.5 INTANGIBLE ASSETS OTHER THAN GOODWILL

Intangible assets acquired separately are measured initially at cost. The cost of intangible assets acquired in a business combination is fair value as at the date of acquisition. Intangible assets are recognised if it is probable that future economic benefits that are attributable to the asset will flow to the Group and the Company and the cost of asset can be measured reliably.

The useful lives of intangible assets can be either definite or indefinite.

After initial recognition intangible assets with finite lives are measured at cost less accumulated amortisation and any accumulated impairment losses. Intangible assets are amortised on a straight-line basis over the best estimate of their useful lives. Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in profit or loss when the asset is derecognised. Intangible assets with finite lives are assessed for impairment whenever there is an indication that the intangible asset may be impaired.

The useful lives, residual values and amortisation method are reviewed annually to ensure that they are consistent with the expected pattern of economic benefits from items in intangible assets other than goodwill.

Intangible assets with indefinite lives are not amortised, but are tested for impairment annually, either individually or at the cash-generating unit level. The assessment of indefinite life is reviewed annually to determine whether the indefinite life continues to be supportable. If not, the change in useful life from the indefinite to finite is made on a prospective basis.

### Licenses

Amounts paid for licenses are capitalised and then amortised over their validity period of 3 - 4 years. Disclosed as other intangible assets in Note 5.

### Software

The costs of acquisition of new software are capitalised and treated as an intangible asset if these costs are not an integral part of the related hardware. Software is amortised over a period of 3 - 4 years.

Costs incurred in order to restore or maintain the future economic benefits that the Group expects from the originally assessed standard of performance of existing software systems are recognised as an expense when the restoration or maintenance work is carried out.

## 2.6 PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment are stated at cost less accumulated depreciation and impairment losses.

The initial cost of property, plant and equipment comprises its purchase price, including non-refundable purchase taxes and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Expenditures incurred after the property, plant and equipment is ready for its intended use, such as repair and maintenance costs, are normally charged to the statement of comprehensive income in the period the costs are incurred.

Depreciation is computed on a straight-line basis over the following useful lives:

Buildings and structures 15–40 years
Machinery and equipment 4–15 years
Vehicles 4–10 years
Other property, plant and equipment 3–20 years

The useful lives, residual values and depreciation method are reviewed annually to ensure that they are consistent with the expected pattern of economic benefits from items in property, plant and equipment.

The carrying values of property, plant and equipment are reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable.

An item of property, plant and equipment is derecognised 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 the statement of comprehensive income in the year the asset is derecognised. Construction in progress is stated at cost. This includes the cost of construction, plant and equipment and other directly attributable costs. Construction in progress is not depreciated until the relevant assets are completed and ready for the intended use.

## 2.7 INVESTMENT PROPERTY

Investment property is stated at cost less accumulated depreciation and is adjusted for recognised impairment loss.

The initial cost of investment property comprises its purchase price, including non-refundable purchase taxes and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Expenditures incurred after the investment property is ready for its intended use, such as repair and maintenance costs, are normally charged to the statement of comprehensive income in the period the costs are incurred.

Depreciation is calculated on the straight-line method to write-off the cost of each asset (except of land) to their residual values over their estimated useful life of 20 - 40 years.

An item of investment property is derecognised 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 the statement of comprehensive income in the year the asset is derecognised.

Transfers to and from investment property are made when and only when there is an evidence of change in an asset's use.

## 2.8 FINANCIAL ASSETS (EXCEPT FOR DERIVATIVE FINANCIAL INSTRUMENTS DESIGNATED AS HEDGING INSTRUMENTS)

According to IAS 39 Financial Instruments: Recognition and Measurement the Group's financial assets are classified as either financial assets at fair value through profit or loss, held-to-maturity investments, loans and receivables, or available-for-sale financial assets, as appropriate. All purchases and sales of financial assets are recognised on the trade date. When financial assets are recognised initially, they are measured at fair value, plus, in the case of investments not at fair value through profit or loss, directly attributable transaction costs.

### Financial assets at fair value through profit or loss

The category of financial assets at fair value through profit or loss includes financial assets classified as held for trading. Financial assets are classified as held for trading if they are acquired for the purpose of selling in the near term. This category includes derivative financial instruments entered into by the Group that are not designated as hedging instruments in hedge relationships as defined by IAS 39. Gains or losses on investments held for trading are recognised in the statement of comprehensive income.

#### Held-to-maturity investments

Non-derivative financial assets with fixed or determinable payments and fixed maturity are classified as held-to-maturity when the Group has the positive intention and ability to hold to maturity. Investments that are intended to be held-to-maturity are subsequently measured at amortised cost. Gains and losses are recognised in the statement of comprehensive income when the investments are derecognised or impaired, as well as through the amortisation process. Currently the Group and the Company do not have any held-to-maturity investments.

#### Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Receivables are initially recorded at the fair value of the consideration given. Loans and receivables are subsequently carried at amortised cost using the effective interest method, less impairment. Gains and losses are recognised in the statement of comprehensive income when the loans and receivables are derecognised or impaired, as well as through the amortisation process.

## Available-for-sale financial assets

Available-for-sale financial assets are those non-derivative financial assets that are designated as available-for-sale or are not classified in any of the three preceding categories. After initial recognition available-for-sale financial assets are measured at fair value with unrealised gains or losses (except for impairment and gain or losses from foreign currencies exchange) being recognised in other comprehensive income until the investment is determined to be impaired at which time the cumulative gain or loss previously reported in other comprehensive income is included in the statement of comprehensive income. Where the fair value of the available for sale financial assets cannot be measured reliably, these assets are accounted for at cost. Currently the Group and the Company do not have any available-for-sale financial assets.

### 2.9 DERECOGNITION OF FINANCIAL ASSETS AND LIABILITIES

#### Financial assets

A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is derecognised when:

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

When the Group has transferred its rights to receive cash flows from an asset and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of the Group's continuing involvement in the asset. 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 Group could be required to repay.

#### Financial liabilities

A financial liability is derecognised 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 a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in the statement of comprehensive income.

### 2.10 BIOLOGICAL ASSETS

The Group's biological assets include animals and livestock, poultry and crops.

Animals and livestock are accounted for at fair value less costs to sell. The fair value of milking cows is measured using discounted cash flows method. Other livestock is measured at comparable market prices.

Poultry is accounted for at fair value less costs to sell. The fair value of poultry is measured based on future value of chickens/meat broilers/eggs less costs to maintain.

Crops are accounted for at fair value less costs to sell. The fair value of crops is measured at comparable market prices prices based on expected yield (level 3).

Agricultural produce harvested from an entity's biological assets is measured at its fair value less estimated costs to sell at the point of harvest. Such measurement is further the cost of inventories.

As at 30 June 2016 and 30 June 2015 the management of the Group treats all animals and livestock (excluding eggs and broilers) as non-current assets and all crops, eggs and broilers as current.

All changes in fair value of biological assets were accounted for under cost of sales caption in the statement of comprehensive income.

## 2.11 INVENTORIES

Inventories are valued at the lower of cost and net realisable value, after impairment evaluation for obsolete and slow moving items. Net realisable value is the selling price in the ordinary course of business, less the costs of completion and distribution. Cost of raw materials that are segregated for specific projects is determined using specific identification method; cost of other inventory is determined by the first-in, first-out (FIFO) method. The cost of finished goods and work in progress includes the applicable allocation of fixed and variable overhead costs based on a normal operating capacity. Unrealisable inventory has been fully written-off

Under inventories caption the Group also accounts for commitments to purchase agricultural produce (unrecognized firm commitment) (Note 2.15)

## 2.12 CASH AND CASH EQUIVALENTS

Cash includes cash on hand and cash in bank accounts. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash with original maturities of three months or less and that are subject to an insignificant risk of change in value.

For the purposes of the cash flows statement, cash and cash equivalents comprise cash on hand and in current bank accounts as well as deposits in bank with original term of three months or less.

Restricted cash held as a deposit for trading in the futures exchange is accounted as other current financial asset.

#### 2.13 NON-CURRENT ASSETS HELD FOR SALE

Non-current assets classified as held for sale are measured at the lower of their carrying amount and fair value less costs to sell. Non-current assets are classified as held for sale if their carrying amounts will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset is available for immediate sale in its present condition. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

Property, plant and equipment and intangible assets once classified as held for sale are not depreciated or amortised.

### 2.14 FINANCIAL LIABILITIES

#### Interest bearing loans and borrowings

Borrowings are initially recognised at fair value of proceeds received less the costs of transaction. They are subsequently carried at amortised cost, the difference between net proceeds and redemption value being recognised in the statement of comprehensive income over the period of the borrowings, except for the accounting treatment of the capitalized part which is presented below.

Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of the respective assets. Other borrowing costs are expensed as incurred. Borrowings are classified as non-current if the completion of a refinancing agreement before the reporting date provides evidence that the substance of the liability at the reporting date was non-current.

### **Factoring**

A factoring transaction is a funding transaction where the Group transfers to the factor claim rights from a debtor for a determined reward. The Group alienates the rights to receivables due at a future date according to invoices. The Group's factoring transactions comprise factoring transactions with recourse (the factor is entitled to selling the overdue claim back to the Group). The factoring expenses comprise the lump-sum contract fee charged on the conclusion of the contract, commission fees charged for processing the invoices, and interest expenses depending on the duration of the payment term set by the debtor. Factored accounts receivable with recourse are recorded under current borrowings and trade receivables captions in the financial statements. The Group derecognises the borrowings and the trade receivables at the moment when the debtor settles the liability with the factor.

## Financial guarantee contracts

Financial guarantee contracts issued by the Group are those contracts that require a payment to be made to reimburse the holder for a loss it incurs because the specified debtor fails to make a payment when due in accordance with the terms of a debt instrument. Financial guarantee contracts are recognised initially as a liability at fair value, adjusted for transaction costs that are directly attributable to the issue of the guarantee. Subsequently, the liability is measured at the higher of the best estimate of the expenditure required to settle the present obligation at the reporting date and the amount initially recognised less cumulative amortisation.

## Trade liabilities

Trade liabilities are non-derivative financial liabilities with fixed or determinable payments that are not quoted in an active market. Such liabilities are carried at amortised cost using the effective interest method. Gains and losses are recognised in the statement of comprehensive income when the trade liabilities are derecognised, as well as through the amortisation process.

## 2.15 DERIVATIVE FINANCIAL INSTRUMENTS AND HEDGE ACCOUNTING

The Group engages in derivative financial instruments transactions, such as futures contracts, to hedge purchase and sale price fluctuation risk and interest rate swaps to hedge cash flows fluctuation risk. On the agreement date and subsequently derivative financial instruments are accounted for at fair value. Fair value is derived from quoted market prices for futures (level 1) and using valuation models for interest rate swaps (level 2 and 3). The estimated fair values of these contracts are reported in the statement of financial position as assets for contracts having a positive fair value and liabilities for contracts with a negative fair value. Gain or losses from changes in the fair value of derivative financial instruments are recognised in the statement of comprehensive income.

Other derivatives not used for hedge accounting are also accounted for at fair value (level 2 and 3 as described in note 2.26) with gain or losses from changes in the fair value recognised in the statement of comprehensive income.

### 2.15 DERIVATIVE FINANCIAL INSTRUMENTS AND HEDGE ACCOUNTING (CONT'D)

For the purposes of hedge accounting, hedges are classified into two categories: (a) fair value hedges which hedge the exposure to changes in the fair value of a recognised asset or liability or an unrecognised firm commitment; and (b) cash flow hedges which hedge exposure to variability in cash flows that is either attributable to a particular risk associated with a recognised asset or liability or a forecasted transaction.

#### Fair value hedges

In relation to fair value hedges, which meet the conditions for hedge accounting, any gain or losses from re-measuring the hedging instrument to fair value is recognised immediately in the statement of comprehensive income. The hedged item is adjusted for fair value changes relating to the risk being hedged and the difference is recognised as an asset or liability with a corresponding gain or loss recognised in the statement of comprehensive income.

When an unrecognised firm commitment is designated as a hedged item, the subsequent cumulative change in the fair value of the firm commitment attributable to the hedged risk is recognised as an asset or liability with a corresponding gain or loss recognised in the statement of comprehensive income.

Any gains or losses arising from changes in the fair value of the hedging instruments, which do not qualify for hedge accounting, are taken directly to the statement of comprehensive income for the period.

Hedge accounting is discontinued when the hedging instrument expires or is sold, terminated or exercised, or no longer qualifies for hedge accounting.

### Cash flow hedges

In relation to cash flow hedges, which meet the conditions for hedge accounting, the portion of the gain or loss on the hedging instrument that is determined to be an effective hedge is recognized initially as other comprehensive income in comprehensive income statement and the ineffective portion is recognized in the statement of comprehensive income (profit or loss). The gains or losses on effective cash flow hedges recognized initially in equity are either transferred to the statement of comprehensive income (profit or loss) in the period in which the hedged transaction impacts the statement of comprehensive income or included in the initial measurement of the cost of the related asset or liability.

For hedges, which do not qualify for hedge accounting, any gains or losses arising from changes in the fair value of the hedging instrument are taken directly to the statement of comprehensive income (profit or loss) for the period.

Hedge accounting is discontinued when the hedging instrument expires or is sold, terminated or exercised, or no longer qualifies for hedge accounting. Any cumulative gain or loss on the hedging instrument recognized in equity remains in equity until the forecasted transaction occurs. Where the hedged transaction is no longer expected to occur, the net cumulative gain or loss recognized in equity is transferred to the statement of comprehensive income (profit or loss).

In year ended 30 June 2016 the Group has entered into interest swap agreement with a purpose to hedge itself against a possible fluctuation/increase of EURIBOR on the loan taken from a bank, i. e. effectively switching the interest into a fixed rate (Note 14).

## 2.16 FINANCE AND OPERATING LEASE OBLIGATIONS

The determination of whether an arrangement is or contains a lease is based on the substance of the arrangement at inception date of whether the fulfilment of the arrangement is dependent on the use of a specific asset or assets or the arrangement conveys a right to use the asset.

## Finance lease - the Group as a lessee

Leases where the lessor transfers to the Group substantially all the risks and benefits incidental to ownership of the leased item are classified as finance leases. The Group recognises finance leases as assets and liabilities in the statement of financial position at amounts equal at the inception of the lease to the fair value of the leased property or, if lower, to the present value of the minimum lease payments. The rate of discount used when calculating the present value of minimum payments of finance lease is the interest rate implicit in the lease, when it is possible to determine it, in other cases, the Group's incremental interest rate on borrowings applies. Directly attributable initial costs are included into the asset value. Lease payments are apportioned between the finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability.

The depreciation is accounted for finance lease assets. The depreciation policy for leased assets is consistent with that for depreciable assets that are owned. The leased assets are not depreciated over the period longer than the lease term, unless the Group, according to the lease contract, gets transferred their ownership after the lease term is over.

## 2.16 FINANCE AND OPERATING LEASE OBLIGATIONS (CONT'D)

### Operating lease – the Group as a lessee

Leases where the lessor does not transfer substantially all the risks and benefits of ownership of the asset are classified as operating leases. Operating lease payments are recognised as an expense in the statement of comprehensive income on a straight-line basis over the lease term.

### Operating lease – the Group as a lessor

Assets leased out under operating leases are included in property, plant and equipment and investment property in the statement of financial position. They are depreciated over their expected useful lives on a basis consistent with similar property, plant and equipment of the Group. Rental income is recognised on a straight-line basis over the lease term.

#### 2.17 SHARE CAPITAL

Ordinary shares are stated at their par value. Any excess of the consideration received for the shares sold over their par value is shown as share premium. Incremental external costs directly attributable to the issue of new shares are accounted for as a deduction from share premium.

### 2.18 PROVISIONS

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of 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. The Group re-evaluates provisions at each reporting date and adjusts them in order to present the most reasonable current estimate. If the effect of the time value of money is material, the amount of provision is equal to the present value of the expenses, which are expected to be incurred to settle the liability. Where discounting is used, the increase in the provision due to the passage of time is recognised as a borrowing cost.

## Onerous contracts provision

Onerous contracts provision is recognised when the Group has a present obligation (legal or constructive) to purchase the goods from a third party in the future for a price higher than the market selling price at the reporting date or to sell the goods to a third party in the future for a price lower than the market purchase price at the reporting date. The difference between the value of the contract and its market price at the reporting date is charged to cost of sales in the statement of comprehensive income. Such accounting treatment of the Group's contracts is applied as long as these contracts have not been accounted for as derivatives (Note 2.27).

## 2.19 NON-CURRENT EMPLOYEE BENEFITS

According to the requirements of Lithuanian Labor Code, each employee leaving the Group at the age of retirement is entitled to a one-off payment in the amount of 2 months' salary. In addition employees of the Group are entitled to employment benefits which are approved by the Board of the Company.

Starting from 1 January 2013 after the amendments to IAS 19 became effective, the actuarial gains and losses are recognized in the statement of other comprehensive income.

The past service costs are recognised as an expense on a straight line basis over the average period until the benefits become vested. Any gains or losses appearing as a result of curtailment and/or settlement are recognised in the statement of comprehensive income as incurred. Starting from 1 January 2013 after the amendments to IAS 19 became effective, the past service costs are recognized in the statement of comprehensive income as incurred.

The above mentioned employee benefit obligation is calculated based on actuarial assumptions, using the projected unit credit method. Obligation is recognized in the statement of financial position and reflects the present value of these benefits on the date of the statement of financial position. Present value of the non-current obligation to employees is determined by discounting estimated future cash flows using the discount rate which reflects the interest rate of the Government bonds of the same currency and similar maturity as the employment benefits. Actuarial gains and losses are recognized in the statement of other comprehensive income as incurred.

#### 2.20 GRANTS AND SUBSIDIES

Government grants and subsidies (hereinafter "grants") are recognised where there is reasonable assurance that the grant will be received and all attached conditions will be complied with.

Grants received in the form of cash intended for the purchase, construction or other acquisition of non-current assets are considered as asset-related grants. The amount of the asset related grants is recognised as deferred income in the financial statements as used in parts according to the depreciation of the assets associated with this grant. In the statement of comprehensive income, a relevant expense account is reduced by the amount of grant amortisation.

Grants received as a compensation for the expenses or unearned income of the current or previous reporting period, also, all the grants, which are not grants related to assets, are considered as grants related to income. The income-related grants are recognised as used in parts to the extent of the expenses incurred during the reporting period or unearned income to be compensated by that grant.

### 2.21 INCOME TAX

The Group companies are taxed individually, irrespective of the overall results of the Group. Income tax charge is based on profit for the year and considers deferred taxation. The charge for taxation included in these financial statements is based on the calculation made by the management in accordance with tax legislation of the Republic of Lithuania and respective countries, where the Group companies are registered.

In the year ended 30 June 2016 and 30 June 2015 the standard income tax rate for the Group non-agricultural companies operating in Lithuania was – 15%.

Certain tax provisions are applicable to the agricultural entities: if the share of agricultural products supplied and services provided to the entities engaged in agricultural activities exceeded 50% of the total sales of the legal entities producing agricultural products and specialised service companies, these entities are subject to reduced income tax of 5%. The entities of the Group which are subject to reduced income tax rate are Šakiai district Lukšių ŽŪB, Sidabravo ŽŪB, Biržai district Medeikių ŽŪB, Panevėžys district Aukštadvario ŽŪB, Užupės ŽŪB, Kėdainiai district Labūnavos ŽŪB, Panevėžys district Žibartonys ŽŪB.

For companies operating in Lithuania tax losses can be carried forward for indefinite period, except for the losses incurred as a result of disposal of securities and/or derivative financial instruments not designated for hedging. Starting from 1 January 2014 the transferable tax loss cannot cover more than 70% of the taxable profit of the current year. Such carrying forward is disrupted if the company changes its activities due to which these losses were incurred except when the company does not continue its activities due to reasons which do not depend on the company itself. The losses from disposal of securities and/or derivative financial instruments not designated for hedge (as described in note 14) can be carried forward for 5 consecutive years and only be used to reduce the taxable income earned from the transactions of the same nature. For companies operating in Latvia and Denmark tax losses can be carried forward for indefinite period.

Income tax for the foreign subsidiaries is accounted for according to tax legislation of those foreign countries. The standard income tax rates in the foreign countries are as follows:

	Financial year ended				
	30 June 2016	30 June 2015			
Republic of Latvia	15%	15%			
Republic of Estonia*	_	_			
Kingdom of Denmark	22%	23.5%			

<sup>\*</sup>In Estonia, the taxation of profit of operating subsidiaries is deferred until the profit appropriation moment, i.e. payment of dividends. The dividends paid by the Group's companies in Estonia are taxed at the withholding tax rate of 20% as at 30 June 2016 (20% as at 30 June 2015).

Deferred taxes are calculated using the balance sheet liability method. Deferred taxes reflect the net tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes. Deferred tax assets and liabilities are measured using the tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled based on tax rates enacted or substantially enacted at the reporting date.

Deferred tax assets have been recognised in the statement of financial position to the extent the management believes they will be realised in the foreseeable future, based on taxable profit forecasts. If it is believed that part of the deferred tax is not going to be realised, this part of the deferred tax asset is not recognised in the financial statements.

#### 2.22 REVENUE RECOGNITION

Revenue is recognised when it is probable that the economic benefits associated with the transaction will flow to the enterprise and the amount of the revenue can be measured reliably. Sales are recognised net of VAT and discounts.

Revenue from sales of goods is recognised when delivery has taken place and transfer of risks and rewards has been completed.

The Group sells seeds, fertilizers and other related inputs to agricultural produce growers on the deferred payment terms until the harvest is taken and then receivable is paid or offset with harvested grain by the agricultural produce growers. The Group recognises the sale of inputs at the moment of transfer to agricultural produce growers as the risk and rewards are transferred at that moment while revenue is measured at the fair value of the consideration received or receivable.

The Group recognises revenue from projects (i.e. customer specific contracts) based on the method of percentage of completion: completion percentage is estimated by the proportion of actual costs incurred to the total estimated costs of the project. Changes in profit rates are reflected in current earnings as identified. Contracts are reviewed regularly and in case of probable losses, provisions are recorded.

Revenue from services is recognised when services are rendered.

Interest income is recognised on an accrual basis (by using effective interest rate). Dividend income is recognised when dividends attributable to the Group are declared.

#### Revenue recognition gross versus net

If the Group is acting as the principal in the relationship between the supplier and the customer, the revenue is recognised on a gross basis, with the amount remitted to the supplier being accounted for as a cost of sale. However, if the Group is acting as an agent for the supplier in its relationship with the customer, only the net amount of commission retained is recognised as revenue.

Whether the Group is acting as principal or agent in the transaction with the customer is a matter of judgment that depends on the relevant facts and circumstances. However, the Group considers the following indicators of gross revenue recognition (i.e., indicators that the Group is acting as principal in the transaction with the customer):

- The Group is the primary obligor under the terms of the contracts;
- The Group bears any general and physical inventory risks;
- The Group is able to determine the sales price;
- The Group is able to change the product;
- The Group has discretion in supplier selection;
- The Group is involved in the determination of product or service specifications;
- The Group bears any credit risks.

## 2.23 EXPENSE RECOGNITION

Expenses are recognised on the basis of accrual and revenue and expense matching principles in the reporting period when the income related to these expenses was earned, irrespective of the time the money was spent. In those cases when the costs incurred cannot be directly attributed to the specific income and they will not bring income during the future periods, they are expensed as incurred.

The amount of expenses is usually accounted for as the amount paid or due to be paid, excluding VAT. In those cases when long period of payment is established and the interest is not distinguished, the amount of expenses is estimated by discounting the amount of payment using the market interest rate.

### 2.24 IMPAIRMENT OF ASSETS

### Financial assets

Financial assets are reviewed for impairment at each reporting date.

For financial assets carried at amortised cost, whenever it is probable that the Group will not collect all amounts due according to the contractual terms of loans or receivables, an impairment or bad debt loss is recognised in the statement of comprehensive income. The reversal of impairment losses previously recognised is recorded when the decrease in impairment loss can be justified by an event occurring after the write-down. Such reversal is recorded in the statement of comprehensive income. However, the increased carrying amount is only recognised to the extent it does not exceed the amortised cost that would have been had the impairment not been recognised.

In relation to trade and other receivables, an allowance for impairment is made when there is objective evidence (such as the probability of insolvency or significant financial difficulties of the debtor) that the Group will not be able to collect all of the amounts due under the original terms of the invoice. The carrying amount of the receivable is reduced through use of an allowance account. Impaired debts are derecognised when they are assessed as uncollectible.

### 2.24 IMPAIRMENT OF ASSETS (CONT'D)

### Other assets

The Group assesses at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, or when annual impairment testing for an asset is required (e.g. goodwill), the Group estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit'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 corroborated by independent valuations, valuation multiples, or other available fair value indicators.

Impairment losses are recognised in the statement of comprehensive income in those expense categories consistent with the function of the impaired asset.

For assets excluding goodwill, an assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the Group makes an estimate of recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. If that is the case the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in the statement of comprehensive income.

### 2.25 SEGMENT INFORMATION

In these financial statements an operating segment means a constituent part of the Group participating in production of an individual product or provision of a service or a group of related products or services, whose operating results are regularly reviewed by the Group's management to make decisions about resources to be allocated to the segment and assess its performance and for which discrete financial information is available.

For management purpose the Group is organized into five operating segments based on their products and services as follows:

- the grain and feedstuff handling and merchandising includes trade in wheat, rapeseed, barley and other grains and oilseeds, suncake and sunmeal, sugar beet pulp, soymeal, vegetable oil, rapecake and other feedstuffs, grain storage and logistics services;
- the products and services for farming segment includes sales of fertilizers, seeds, plant protection products, machinery and equipment, grain storage facilities, spare parts and other equipment to agricultural produce growers and grain storage companies;
- the agricultural production segment includes growing of grains, rapeseed and others as well as sales of harvest, breeding
  of livestock and sales of milk and livestock. Milk is sold to local dairy companies, other production is partly used internally,
  partly sold:
- food products segment includes poultry and other food final products;
- the other products and services segment includes sales of biofuel and other products and services.

In these financial statements information about geographical areas means a constituent part of the Group revenue from external customers attributed to the Group's country of domicile and attributed to all foreign countries in total from which the Group derives revenue and non-current assets other than financial assets and deferred tax assets located in the Group's country of domicile and located in all foreign countries in total in which the Group holds assets.

#### 2.26 FAIR VALUE MEASUREMENT

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability, or
- In the absence of a principal market, in the most advantageous market for the asset or liability.

The principal or the most advantageous market must be accessible to the Group.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorized within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 Quoted (unadjusted) market prices in active markets for identical assets or liabilities;
- Level 2 Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable;
- Level 3 Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Group determine whether transfers have occurred between levels in the hierarchy by re-assessing categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

Valuations are performed by the Group's management at each reporting date. For the purpose of fair value disclosures, the Group and the Company has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of asset or liability and the level of the fair value hierarchy as explained above.

## 2.27 USE OF SIGNIFICANT ACCOUNTING JUDGMENTS AND ESTIMATES IN THE PREPARATION OF FINANCIAL STATEMENTS

The preparation of financial statements in conformity with International Financial Reporting Standards requires management to make judgments, estimates and assumptions that affect the reported amounts of assets, liabilities, income and expenses and disclosure of contingencies.

## Significant accounting judgments

The significant areas of judgment used in the preparation of these financial statements are described as follows.

## Determining control of Karčemos kooperatinė bendrovė

The Group indirectly controls approx. 24% of shares of Karčemos kooperatinė bendrovė (through Panevėžys district Žibartonių ŽŪB and UAB Linas Agro Grūdų centras KŪB), however, the Group has the ability to receive a variable returns from this investee and can have impact on these returns due to the power to govern the relevant activities of the entity to which the investment is made through contractual agreements. Therefore management of the Group has concluded that the Group has control of Karčemos kooperatinė bendrovė.

## Accounting for trading contracts

Within grains and oilseeds as well as feedstuffs segments, the Group's activity is an agricultural goods intermediary (buying and selling different types of grain, oilseeds, rapeseed, etc.). The Group buys and sells agricultural goods at a fixed price for a specified delivery period in the future. The terms of the Group's contracts permit net settlement; however, in practice, contracts result in physical delivery, except for rapeseed extraction delivered on term FOB Neuss/Spyck. The Group acts as an intermediary by entering into purchase and sales contracts with producers and users of the agricultural goods, creating links within the value chain for the agricultural goods for a stable customer base, making profits from a distributor margin rather than from fluctuations in price or a broker traders' margin. As a result, the Group's purchases and sales contracts are entered into in accordance with the expected purchase and sale requirements and, therefore, have not been accounted for as derivatives within the scope of IAS 39, except for those contracts which are hedged (Note 2.15) and contracts concluded on terms FOB Neuss/Spyck which are usually net cash settled.

## Receivables from agricultural produce growers and payments on agricultural produce growers' behalf

Within its agricultural inputs segment, the Group is engaged in selling fertilizers and plant protection products to agricultural produce growers as well as pays on behalf of agricultural produce growers to suppliers of seeds or directly pays to agricultural produce growers (Notes 11 and 12). The balances arising from these transactions are non-interest bearing and are generally settled within 120 - 360 days by delivering grain to the Group. These transactions constitute common arrangements in the industry, they are entered into between distributors and agricultural produce growers under similar terms, and usual settlement is by delivery of grain, as opposed to an unconditional right to receive cash; therefore, no discounting is performed on these balances. Trade receivables arising on sales of fertilizers and plant protection products are presented within trade receivables caption in the statement of financial position, while payments on behalf of agricultural produce growers, which do not derive from sales transactions, are presented as prepayments in the statement of financial position.

## 2.27 USE OF SIGNIFICANT ACCOUNTING JUDGMENTS AND ESTIMATES IN THE PREPARATION OF FINANCIAL STATEMENTS (CONT'D)

## Significant accounting estimates

The significant areas of estimation used in the preparation of these financial statements relate to depreciation (Notes 2.6, 2.7, 5, 6 and 7), fair value estimation of biological assets (Notes 2.10 and 9), impairment evaluation (Notes 2.24, 2.27, 5, 6, 7, 8, 11, 12 and 13) and estimation of fair value of assets acquired and liabilities assumed in business combinations (Note 3). Future events may occur which will cause the assumptions used in arriving at the estimates to change. The effect of any changes in estimates will be recorded in the financial statements, when determinable.

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.

### Valuation of biological assets

As at 30 June 2016 and 30 June 2015 the Group did not have an independent appraisal of its biological assets. According to IFRS, such assets must be recorded at fair value. Biological assets consist of three groups: animals and livestock, poultry and crops which are accounted for at fair value less costs to sell (Note 2.10).

The fair value of biological assets of the Group is determined on a recurring basis. The management determines key assumption based on historical figures and the best estimate as at the reporting date. Applied unobservable assumptions are challenged on a regular basis and adjusted after back testing is performed. Other observable inputs used are based on publicly available sources (prices in the market). The management of the Group constantly analyses the changes in fair value and assesses what has the biggest influence on it – quantity produced, sales prices and etc.

Animals and livestock are valued in two ways: milking cows are valued using discounted cash flows method less costs to sell (level 3) and other groups of livestock at market prices less cost to sell at the reporting date (level 2). Crops are valued at market prices based on expected yield less costs to sell at the reporting date (level 3).

Poultry are valued in the following way:

Hatching chicken are valued based on the future value of the produced eggs less costs to maintain the chicken until end of its production period, slaughter costs as well as costs to sell at the reporting date (level 3).

Meat broilers are evaluated taking into account the average age of the chicken and its respective market value between the value range of day one and value at the moment of slaughtering the chicken (level 3).

## Milking cows

The management of the Group decided to assess fair value of milking cows based on the discounted cash flows method because there is no active reliable market for such livestock and because this method is the most accurate estimation of the fair value of milking cows.

As at 30 June 2016 the key assumptions used to determine fair value of milking cows are the estimated milk selling price for the expected average productive life of a milking cow (EUR 0.28 for the year ending 30 June 2017 and EUR 0.28 for the year ending 30 June 2018) used to calculate the expected future cash inflows as well as pre-tax discount rate (10%). As at 30 June 2015 the key assumptions used to determine fair value of milking cows were the estimated milk selling price (EUR 0.3 for the year ending 30 June 2016 and EUR 0,28 for the year ending 30 June 2017) used to calculate the expected future cash inflows as well as pre-tax discount rate (7%).

The following table demonstrates the sensitivity of the fair value of milking cows to a reasonably possible change in key assumptions and its effect on profit or loss. There is no effect to other comprehensive income.

	30 Jun	e 2016	30 June 2015			
	Possible change	Effect on fair value	Possible change	Effect on fair value		
Milk price	+ 15%	2,247	+ 15%	2,061		
Milk price	- 15%	(2,214)	- 15%	(2,179)		
Discount rate	+ 1 p.p.	(47)	+ 1 p.p.	(59)		
Discount rate	- 1 p.p.	48	- 1 p.p.	60		

## 2.27 USE OF SIGNIFICANT ACCOUNTING JUDGMENTS AND ESTIMATES IN THE PREPARATION OF FINANCIAL STATEMENTS (CONT'D)

## Valuation of biological assets (cont'd)

### Crops

As at 30 June 2015 and 2016 the key assumptions used to determine fair value of crops are the estimated yield ranges depending on the type of crops (2.3 - 8.8 tones/ha) for the year ending 30 June 2016 and 2.2 - 9 tones/ha for the year ending 30 June 2015) and the expected sales price, which was based on the estimated future grain and oilseeds sales price of the deliveries taking place September – December of the respective year.

The following table demonstrates the sensitivity of the fair value of crops to a reasonably possible change in key assumptions and its effect on profit or loss. There is no effect to other comprehensive income.

	30 Jun	e 2016	30 June 2015			
	Possible change	Effect on fair value	Possible change	Effect on fair value		
Yield	+ 5%	562	+ 5%	660		
Yield	- 5%	(562)	- 5%	(660)		
Price	+ 5%	422	+ 5%	560		
Price	- 5%	(422)	- 5%	(560)		

#### **Poultry**

As at 30 June 2016 and 2015 the main assumptions used to determine fair value of hatching chicken are the price of the incubation eggs (EUR 0.13-0.26 for the unit) which was estimated based on publicly available yearly average market price and the average number of hatching eggs produced per hatching chicken in the lifetime (151 units).

The following table demonstrates the sensitivity of the fair value of hatching chickens to a reasonably possible change in key assumptions and its effect on profit or loss. There is no effect to other comprehensive income.

	30 Ju	ıne 2016	30 June 2015		
	Possible change	Effect on fair value	Possible change	Effect on fair value	
Number of eggs per lifecycle/price of eggs	+ 5%	114	+ 5%	208	
Number of eggs per lifecycle/price of eggs	- 5%	(109)	- 5%	(208)	

As at 30 June 2016 and 2015 the main assumptions used to determine fair value of broilers are the market price of chickens (EUR 0.29-0.48 for 1 day old and EUR 1.80 for 36 days old) which was estimated based on actual purchases/sales taking place close to the 30 June 2016 and broiler weight of 2.19 kg as at 36 days old (as at 30 June 2015 – 2.13 kg as at 36 days old).

The following table demonstrates the sensitivity of the fair value of broilers to a reasonably possible change in key assumptions and its effect on profit or loss. There is no effect to other comprehensive income.

	30 Ju	ine 2016	30 Jun	e 2015
	Possible change	Effect on fair value	Possible change	Effect on fair value
Weight	+ 5%	70	+ 5%	35
Weight	- 5%	(67)	- 5%	(41)
Price	+ 5%	70	+ 5%	43
Price	- 5%	(67)	- 5%	(43)

## Impairment of property, plant and equipment (excluding land)

The Group makes an assessment, at least annually, whether there are any indications that property, plant and equipment have suffered impairment. If that is the case, the Group makes an impairment test. The recoverable amount of cash-generating units is determined based on value in use calculations that use a discounted cash flow model. The cash flows are derived from the forecast for the next five years and do not include restructuring activities that the Group is not yet committed to or significant future investments that will enhance the asset base of the cash-generating unit being tested.

As at 30 June 2016 and 30 June 2015 there were no reasonably possible changes in the key assumptions which would cause the carrying amount of property, plant and equipment to exceed its recoverable amount, except for the already impaired assets.

## 2.27 USE OF SIGNIFICANT ACCOUNTING JUDGMENTS AND ESTIMATES IN THE PREPARATION OF FINANCIAL STATEMENTS (CONT'D)

## Impairment of land (accounted for as property, plant and equipment and investment property)

The Group makes an assessment, at least annually, whether there are any indications that land accounted for as property, plant and equipment and investment property has suffered impairment. If that is the case, the Group makes an impairment test. The recoverable amount of land is determined as fair value less cost to sell based on comparable market prices for similar land provided by independent valuators.

As at 30 June 2016 and 30 June 2015 there were no reasonably possible changes in the key assumptions which would cause the carrying amount of land to exceed its recoverable amount, except for the already impaired assets.

### Impairment of the Company's investments

As at 30 June 2016 and 30 June 2015 the Company has investments in subsidiaries and associates. As at 30 June 2016 and 30 June 2015 the Company made an assessment of whether the value of the investments should be impaired. The recoverable amount of investment in AB Linas Agro was determined based on the value in use calculations that use a discounted cash flow model. The cash flows are derived from the forecast for the next five years and do not include restructuring activities that AB Linas Agro is not yet committed to or significant future investments that will enhance the asset base of the investee being tested.

As at 30 June 2016 and 30 June 2015 the recoverable amount of the investment into AB Linas Agro is most sensitive to the pre-tax discount rate (10.7% and 11.8% respectively) used for the discounted cash flow model as well as the expected future cash inflows and the growth rate (1.5% and 2%) used for extrapolation purposes.

The recoverable amount of investment into subsidiaries AS Putnu fabrika Kekava, SIA Lielzeltini, SIA Cerova and SIA Broileks was determined based on the value in use calculations that use a discounted cash flow model. The above mentioned subsidiaries were assessed as one cash generating unit. The cash flows are derived from the forecast for the next five years and a terminal value which was calculated with a terminal growth of 2% (2% as at 30 June 2015). As at 30 June 2016 and 2015 the recoverable amount of the investment into subsidiaries AS Putnu fabrika Kekava, SIA Lielzeltini, SIA Cerova and SIA Broileks is most sensitive to the pretax discount rate of 11.8% (14.1% as at 30 June 2015) which is used for the discounted cash flow model.

As at 30 June 2016 and 30 June 2015 there were no reasonably possible changes in the key assumptions which would cause the carrying amount of the investment into AB Linas Agro, AS Putnu fabrika Kekava, SIA Lielzeltini, SIA Cerova and SIA Broileks to exceed its recoverable amount.

Where necessary, the Company also performed an impairment test for other investments in subsidiaries and associates using comparable market prices method. According to the test performed, where required, as at 30 June 2016 and 30 June 2015 the Company accounted for impairment so as the carrying amount of the investments would not exceed their respective recoverable amounts (Note 3).

### Impairment of goodwill

As further described in Note 3 below acquisition of SIA Paleo has resulted in provisional goodwill in amount of EUR 4,358 thousand recorded as at 30 June 2016. Allocation of goodwill to cash generating uint was not completed until the date of issuance of these finanacial statements, thus management of the Company has performed assessment whether there is an indication that Goodwill might be impaired. Per analysis perform no impairment indications were identified, therefero no detail provisional goodwill impairment test was performed.

## 2.28 CONTINGENCIES

Contingent liabilities are not recognised in the financial statements, except for contingent liabilities associated with business combinations. They are disclosed unless the possibility of an outflow of resources embodying economic benefits is remote.

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

## 2.29 SUBSEQUENT EVENTS

Subsequent events that provide additional information about the Group's position at the reporting date (adjusting events) are reflected in the financial statements. Subsequent events that are not adjusting events are disclosed in the notes when material.

## 2.30 OFFSETTING

When preparing the financial statements, assets and liabilities, as well as revenue and expenses are not set off, except for the cases when certain IFRS specifically requires or allows such set-off.

Numbers in tables may vary as they are written in round figures up to one thousand euros. Such rounding variations are trivial for our financial reports.

## 3. GROUP STRUCTURE AND CHANGES IN THE GROUP

As at 30 June 2016 and as at 30 June 2015 the Company held these directly and indirectly controlled subsidiaries (hereinafter the Group):

	Place of registration	Effective the stock the Grou	held by	Cost of investment in the Company		Main activities
		30 June 2016	30 June 2015	30 June 2016	30 June 2015	
Investments into c	lirectly contr	olled sub	sidiaries			
AB Linas Agro	Lithuania	100%	100%	56,556	56,556	Wholesale trade of grains and oilseeds, feedstuffs and agricultural inputs
UAB Linas Agro Konsultacijos	Lithuania	100%	100%	12,553	12,553	Management of the subsidiaries engaged in agriculture
UAB Dotnuva Baltic (previously named UAB Dotnuvos projektai)	Lithuania	100%	100%	10,688	10,688	Trade of machinery and equipment for warehousing of grains, certified seeds
UAB Jungtinė Ekspedicija	Lithuania	100%	100%	341	341	Expedition and ship's agency services
ŽŪB Landvesta 1	Lithuania	100%	100%	704	704	Rent and management of agricultural purposes land
ŽŪB Landvesta 2	Lithuania	100%	100%	439	439	Rent and management of agricultural purposes land
ŽŪB Landvesta 5*	Lithuania	100%	100%	507	-	Rent and management of agricultural purposes land
Noreikiškių ŽŪB	Lithuania	100%	100%	511	433	Rent and management of agricultural purposes land
UAB Lineliai	Lithuania	100%	100%	638	553	Rent and management of agricultural purposes land
AS Putnu fabrika Kekava	Latvia	93.81%	96.47%	5,706	6,017	Broiler breeding, slaughtering and sale of products
SIA PFK Trader	Latvia	93.81%	96.47%	_	_	Retail trade of food production
SIA Lielzeltini	Latvia	100%	100%	5,854	5,854	Broiler breeding, slaughtering and sale of products, feedstuffs
SIA Cerova	Latvia	100%	100%	790	790	Egg incubation and chicken sale
SIA Broileks	Latvia	100%	100%	47	47	Chicken breeding and sale
SIA Erfolg Group	Latvia	93.81%	96.47%	_	_	Not operating company
				95,334	94,975	

As at 30 June 2016 and 2015 shares of AS Putnu fabrika Kekava and SIA Lielzeltini which are held by the Company were pledged to banks as a collateral for the loans (Note 18).

## 3. GROUP STRUCTURE AND CHANGES IN THE GROUP (CONT'D)

Place of registration	Effective The stock by the Gi	k held	Cost of in in the Co		Main activities
	30 June 2016	30 June 2015	30 June 2016	30 June 2015	

## Investments into indirectly controlled subsidiaries (through AB Linas Agro)

SIA Linas Agro	Latvia	100%	100%	-	-	Wholesale trade of grains and oilseeds, agricultural inputs
UAB Gerera	Lithuania	100%	100%	_	_	Not operating company
UAB Linas Agro Grūdų Centras	Lithuania	100%	100%	-	-	Management services
UAB Linas Agro Grūdų Centras KŪB*	Lithuania	100%	100%	1,133	1,133	Preparation and warehousing of grains for trade
Linas Agro A/S	Denmark	100%	100%	-	-	Wholesale trade of grains and oilseeds, feedstuffs
ŽŪB Landvesta 3*	Lithuania	100%	100%	199	199	Rent and management of agricultural purposes land
ŽŪB Landvesta 4*	Lithuania	100%	100%	159	109	Rent and management of agricultural purposes land
ŽŪB Landvesta 5*	Lithuania	100%	100%	-	282	Rent and management of agricultural purposes land
ŽŪB Landvesta 6*	Lithuania	100%	100%	83	83	Rent and management of agricultural purposes land

## Investments into indirectly controlled subsidiaries (through UAB Linas Agro Konsultacijos)

ŽŪK KUPIŠKIO GRŪDAI	Lithuania	98.49%	98.48%	-	-	Preparation and warehousing of grains for trade
Biržai district Medeikių ŽŪB	Lithuania	98.34%	98.39%	_	-	Growing and sale of crops
Šakiai district Lukšių ŽŪB	Lithuania	98.80%	98.82%	-	-	Mixed agricultural activities
Panevėžys district Aukštadvario ŽŪB	Lithuania	97.65%	97.41%	-	-	Mixed agricultural activities
Sidabravo ŽŪB	Lithuania	95.21%	95.20%	_	_	Mixed agricultural activities
Kėdainiai district Labūnavos ŽŪB	Lithuania	98.60%	98.64%	-	-	Mixed agricultural activities
Užupės ŽŪB*	Lithuania	100%	100%	1	1	Rent and management of agricultural purposes land
UAB Paberžėlė	Lithuania	100%	100%	_	-	Rent and management of agricultural purposes land
Panevėžys district Žibartonių ŽŪB*	Lithuania	99.89%	99.80%	1	1	Mixed agricultural activities
	Investments i	nto assoc	iates	1,576	1,808	
	(Less) impairr	ment		(57)	(57)	
				1,519	1,751	

<sup>\*</sup> UAB Linas Agro Grūdų Centras KŪB, ŽŪB Landvesta 3, ŽŪB Landvesta 4, ŽŪB, ŽŪB Landvesta 6, Užupės ŽŪB and Panevėžys district Žibartonių ŽŪB are associates of the Company as at 30 June 2016 and 2015. ŽŪB Landvesta 5 was associate of the Company as at 30 June 2015.

The respective share held directly by the Company did not changed as at 30 June 2016 and 2015 of UAB Linas Agro Grūdų Centras KŪB, ŽŪB Landvesta 3, ŽŪB Landvesta 4, ŽŪB, ŽŪB Landvesta 6, Užupės ŽŪB, Panevėžys district Žibartonių ŽŪB and was 24.7%; 13.91%; 19.77%; 15.51%; 0.05%; 0.1%, respectively.

The respective share held directly by the Company as at 30 June 2016 and 2015 of  $\check{Z}\bar{U}B$  Landvesta 5 was 56% and 41.48%, respectively.

## 3. GROUP STRUCTURE AND CHANGES IN THE GROUP (CONT'D)

Place of regist- ration	stock h	share of the eld by the oup		investment Company	Main activities
	30 June 2016	30 June 2015	30 June 2016	30 June 2015	

## Investments into indirectly controlled subsidiaries (through UAB Dotnuva Baltic (previously named UAB Dotnuvos projektai))

SIA Dotnuva Baltic (previously named SIA Dotnuvos projektai)	Latvia	100%	100%	_	-	Trade of machinery and equipment for warehousing of grains, certified seeds
AS Dotnuvos Baltic (previously named AS Dotnuvos projektai)	Estonia	100%	100%	_	-	Trade of machinery and equipment for warehousing of grains, certified seeds
UAB Dotnuvos Technika	Lithuania	100%	100%	-	_	Not operating company

## Investments into indirectly controlled subsidiaries (through UAB Linas Agro Grūdų centras KŪB)

Karčemos Kooperatinė Bendrovė	Lithuania	20%*	20%*	-	-	Preparation and warehousing of grains for trade
SIA Linas Agro Graudu Centrs	Latvia	100%	100%	-	_	Preparation and warehousing of grains for trade
SIA Paleo	Latvia	100%	_	_	_	Warehousing activity

## Investments into indirectly controlled subsidiaries (through Panevėžys district Žibartonių ŽŪB)

Karčemos kooperatinė	Lithuania	4.00%*	3.98%*	_	_	Preparation and warehousing of grains for trade
bendrovė						

<sup>\*</sup> The Group indirectly controls 24% of shares of Karčemos kooperatinė bendrovė (through Panevėžys district Žibartonių ŽŪB and UAB Linas Agro Grūdų centras KŪB), however, the Group has control over this entity (Note 2.27) and, therefore, it has been consolidated when preparing these financial statements.

## 3. GROUP STRUCTURE AND CHANGES IN THE GROUP (CONT'D)

## Changes in the Group during the 12 month period ended 30 June 2016

During 12 month period, ended 30 June 2016, the Company acquired 0.4218 % AS Putnu fabrika Kekava share capital for EUR 40 thousand. The shares were acquired from the non-controlling shareholders. The difference of EUR 46 thousand of gain between the consideration transferred and the carrying value of the interest acquired has been recognized within equity.

During 12 month period, ended 30 June 2016, the Group acquired 0.09% Sidabravo ŽŪB share capital and 0.35% Panevėžio district Aukštadvario ŽŪB share capital for total EUR 1 thousand. All shares were acquired from the non-controlling shareholders. The difference of EUR 11 thousand of gain between the consideration transferred and the carrying value of the interest acquired has been recognized within equity.

The Company canceled agreement of acquisition of 3.08% AS Putnu fabrika Kekava share capital from the non-controlling shaholders. The difference of EUR 284 thousand of loss between the consideration to be transferred (which was accounted for as accounts payable as at 30 June 2015 in amount of EUR 350 thousand) and the carrying value of the interest disposed has been recognized within equity.

During 12 month period, ended 30 June 2016, the Group made restructurization of Užupės ŽŪB and Panevėžio district Žibartonių ŽŪB. Share capital of Panevėžio district Žibartonių ŽŪB was increased by contribution of Užupės ŽŪB property, plant and equipment. This consolidation have resulted in an increase of the effective Group ownership of Panevėžio district Žibartonių ŽŪB by 0.09% up to 99.89%.

### Acquisition of SIA Paleo

On 20 April 2016 the Group acquired 100% shares of SIA Paleo for EUR 4,590 thousand to further expand business activities in Latvia. As part of business combination of SIA Paleo, the Group acquired inventory in amount of EUR 1,993 thousand from a third party SIA Latfert which is disclosed in the table below.

As at acquisition date SIA Paleo did not have any impaired accounts receivable or contractual cash flows not expected to be collected, book value of receivables represents its fair value. Revenue and profit or loss since acquisition date and from the beginning of the annual reporting period are not disclosed as they are not material to the financial statements.

At the acquisition of these subsidiaries a provisional goodwill of EUR 4,358 thousand has been accounted for. The goodwill appears due to synergies, which are expected to be derived from vertical expansion of business. As at 30 June 2016 management did not finalize valuation of certain property, plant and equipment items therefore the amounts disclosed below are provisional.

Differences between the purchase consideration and provisional fair values of the acquired assets, liabilities and contingent liabilities at the date close to acquisition were the following:

	Provisional fair values
Acquisition date for consolidation purposes	at 1 May 2016
Property, plant and equipment and investment property	216
Inventories	1,993
Prepayments and other current assets	34
Cash and cash equivalents	2
Total assets	2,245
Total liabilities	(20)
Total identifiable net assets at provisional fair value	2,225
Provisional goodwill recognized on acquisition of subsidiary, recognised under Intangible assets (Note 5)	4,358
Total purchase consideration	6,583
Cash consideration transferred for the inventory	1,993
Purchase consideration to acquire SIA Paleo	4,590
Cash consideration transferred for the acquisition of SIA Paleo* Less: cash acquired Total purchase consideration, net of cash acquired	1,500 (2) <b>3,491</b>

<sup>\*</sup> EUR 3,090 thousand of cash consideration is deferred and will be settled within two years period. Discounting was not accounted for as deemed immaterial.

## 3. GROUP STRUCTURE AND CHANGES IN THE GROUP (CONT'D)

#### Changes in the Group during the 12 month period ended 30 June 2015

On 1 July 2014 share capital of AS Putnu fabrika Kekava was increased from EUR 12,769 thousand to EUR 18,947 thousand by capitalization of payable amounts of AB Linas Agro Group and SIA Lielzeltini. The rest non-controlling shareholders didn't participate in the increasing of share capital, part of the shares owned by the Group increased from 84.36% to 89.46%. The difference of EUR 615 thousand gain between the consideration transferred and the carrying value of the interest acquired has been recognized within equity.

On 27 October 2014 AS Putnu fabrika Kekava acquired 100% of shares of SIA Erfolg Group. SIA Erfolg Group is not engaged in any business activity ant its assets are not material to the financial statements.

During 12 month period, ended 30 June 2015, the Company additionally acquired 7.01% AS Putnu fabrika Kekava share capital for EUR 783 thousand. The shares were acquired from the non-controlling shareholders. The difference of EUR 20 thousand of gain between the consideration transferred and the carrying value of the interest acquired has been recognized within equity.

The effective share of SIA PFK Trader held by the Group increased during 12 month period, ended 30 June 2015, due to acquisitions of AS Putnu fabrika Kekava shares which has 100% ownership of SIA PFK Trader.

During 12 month period, ended 30 June 2015, the Group acquired 1.80% Sidabravo ŽŪB share capital for EUR 13 thousand. The shares were acquired from the non-controlling shareholders. The difference of EUR 60 thousand of gain between the consideration transferred and the carrying value of the interest acquired has been recognized within equity.

The Group acquired 0.49% Panevėžys district Aukštadvario ŽŪB share capital for EUR 1 thousand. The difference of EUR 12 thousand of gain between the consideration transferred and the carrying value of the interest acquired has been recognized within equity.

Also the Group acquired 0.2% ŽŪK Kupiškio grūdai share capital for EUR 4 thousand from the minority shareholders. The consideration transferred was equal to the carrying value of interest acquired.

During 12 month period, ended 30 June 2015, UAB Fossio, not operating entity, was merged into UAB Linas Agro Grūdy Centras.

During 12 month period, ended 30 June 2015, the Group sold 15.97% minority interest in Karčemos kooperatinė bendrovė for EUR 86 thousand. The consideration received was equal to the carrying value of interest sold.

During 12 month period, ended 30 June 2015, the Company increased share capital of UAB Linas Agro Konsultacijos, UAB Lineliai, Noreikiškių ŽŪB, ŽŪB Landvesta 2 in amount of EUR 1,425 thousand, EUR 87 thousand, EUR 73 thousand, EUR 7 thousand, respectively. The share capital of UAB Linas Agro Konsultacijos was increased by capitalization of the granted loan, interest receivable.

## 4. SEGMENT INFORMATION

For management purpose the Group is organized into five operating segments based on their products and services as follows:

- the grain and feedstuff handling and merchandising includes trade in wheat, rapeseed, barley and other grains and oilseeds, suncake and sunmeal, sugar beet pulp, soymeal, vegetable oil, rapecake and other feedstuffs, grain storage and logistics services;
- the products and services for farming segment includes sales of fertilizers, seeds, plant protection products, machinery and equipment, grain storage facilities, spare parts and other equipment to agricultural produce growers and grain storage companies;
- the agricultural production segment includes growing of grains, rapeseed and others as well as sales of harvest, breeding
  of livestock and sales of milk and livestock. Milk is sold to local dairy companies, other production is partly used internally,
  partly sold;
- food products segment includes poultry and other food final products;
- the other products and services segment includes sales of biofuel and other products and services.

The Group's chief financial officer monitors the operating results of its business units separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on profit or loss and is measured consistently with profit or loss in the consolidated financial statements.

Group financing (including finance cost and finance income) and income taxes are managed on a Group basis and are not allocated to operating segments.

Transfer prices between the Group companies are based on normal selling prices in a manner similar to transactions with third parties.

Group	Grain and feedstuff	Products and services for	Agricultural production	Food products	products	Not attributed	Adjustments and elimina-	Total
Financial year ended 30 June 2016	handling and merchandising	farming			and services	to any specified segment	tions	
Revenue								
Third parties	382,388	158,399	15,084	60,334	(246)	-	_	615,959
Intersegment	4,518	9,672	12,069	_	_	_	$(26,259)^{1)}$	_
Total revenue	386,906	168,071	27,153	60,334	(246)	-	(26,259) <sup>1)</sup>	615,959
See the								
Results Operating expenses <sup>6)</sup>	(6,867)	(13,585)	(2,896)	(5,824)	(24)	(4,378)	_	(33,574)
Depreciation and amortisation	(2,431)	(1,554)	(1,579)	(3,996)	(21)	(66)	-	(9,647)
Write-off bad debts and change in provisions for	(2)	262		(400)				254
doubtful debts Reversal of impairment of	(3)	362	_	(108)	_	_	_	251
property, plant and								
equipment	-	_	58	_	-	-	-	58
Impairment of investment property		(51)	_					(51)
Segment operating profit	_	(31)	_	_	_	_	_	(31)
(loss)	9,617	2,816	758	(1,246)	(176)	(4,537)	_	7,232
Assets								
Capital expenditure <sup>2)</sup>	1,938	6,988	3,958	9,358	_	64	_	22,306
Non-current assets (excluding								
investments into associates)	27,034	17,587	33,726	42,630	2,291	6,061 <sup>3)</sup>	-	129,329
Current assets	21,894	135,995	19,400	14,822	568	10,075 <sup>4)</sup>	_	202,754
Total assets	48,928	153,582	53,126	57,452	2,859	16,136	-	332,083
Current liabilities	20,826	83,124	2,334	18,030	364	17,995 <sup>5)</sup>	_	142,673

## 4. SEGMENT INFORMATION (CONT'D)

Group Financial year ended 30 June 2015	Grain and feedstuff handling and merchandising	Products and services for farming	Agricultural production	Food products	Other products and services	Not attributed to any specified	Adjustments and elimina- tions	Total
Revenue						segment		
Third parties	381,172	117,129	14,904	60,540	21	_	_	573,766
Intersegment	7,141	8,247	10,249	1,640	_	_	$(27,277)^{1)}$	_
Total revenue	388,313	125,376	25,153	62,180	21	_	(27,277) <sup>1)</sup>	573,766
Results								
Operating expenses <sup>6)</sup>	(6,536)	(11,521)	(2,694)	(6,892)	_	(3,244)	-	(30,887)
Depreciation and amortisation Write-off bad debts and provisions for doubtful	(2,188)	(1,358)	(1,704)	(3,190)	_	(59)	-	(8,499)
debts	_	(736)	_	(16)	(1)	_	_	(753)
Impairment of property, plant		, ,						, ,
and equipment	_	_	25	-	-	-	_	25
Segment operating profit	7.404	065	2 522	2.402	07	(2.024)		42.227
(loss)	7,484	965	3,532	3,193	97	(2,934)	_	12,337
Assets Capital expenditure <sup>2)</sup> Non-current assets (excluding	5,002	2,756	3,214	2,561	_	220	-	13,753
investments into associates)	29,384	11,604	32,986	39,206	1,116	4,518 <sup>3)</sup>	_	118,814
Current assets	25,108	120,195	21,419	16,823	40	13,311 <sup>4)</sup>	-	196,896
Total assets	54,492	131,799	54,405	56,029	1,156	17,829	_	315,710
Current liabilities	21,305	75,108	2,299	6,875	61	18,155 <sup>5)</sup>	_	123,803

<sup>1)</sup> Intersegment revenue are eliminated on consolidation.

<sup>2)</sup> Capital expenditure consists of additions of intangible assets, property, plant and equipment and investment property.

<sup>3)</sup> The amount includes not rented investment property, part of property, plant and equipment, other investments, prepayments for financial assets, non-current loans receivable from related parties, non-current loans receivable from employees and deferred income tax asset.

<sup>4)</sup> The amount includes current loans receivable from related parties, part of other accounts receivable (excluding receivable from National Paying Agency), restricted cash, cash and cash equivalents.

<sup>5)</sup> As at 30 June 2016 and 2015 the amount mainly includes income and other taxes payable, current payables to and current loans payable to related parties, and part of borrowings, which are managed on the Group basis.

<sup>6)</sup> The operating expenses of administration, management departments are shown in Not attributed to any specified segment. The operating expenses of agricultural department are shown in the following order: ½ share in Grain and feedstuff handling and merchandising segment, the rest share in Products and services for farming.

## 4. SEGMENT INFORMATION (CONT'D)

Sales / Income includes:

	Gro	oup	Com	pany
		Financial y	ear ended	
	30 June 2016	30 June 2015	30 June 2016	30 June 2015
Sales of goods	608,662	565,483	_	_
Sales of services	7,297	8,283	155	623
Dividends from subsidiaries	_	_	3,974	4,200
Rental income from investment and other property	_	_	56	56
Dividends from associates	_	_	908	_
Other	_	_	_	333
	615,959	573,766	5,093	5,212

Below is the information relating to the geographical segments of the Group:

	Gr	oup
	12 month p	eriod ended
Revenue from external customers	30 June 2016	30 June 2015
Lithuania	188,138	143,218
Europe (except for Scandinavian countries, CIS and Lithuania)	203,886	189,151
Scandinavian countries	59,849	95,646
Africa	54,905	18,671
Asia	97,806	114,731
CIS	11,375	12,349
	615,959	573,766

Revenue from largest customer amounted to EUR 40,805 thousand for the year ended 30 June 2016. Revenue from largest customer amounted to EUR 54,392 thousand for the year ended 30 June 2015. Sales for largest customers are accounted for under grain and feedstuff handling and merchandising caption of business segments as at 30 June 2016 and 2015.

The revenue information above is based on the location of the customer.

Non-current assets	Group			
	As at 30 June 2016	As at 30 June 2015		
Lithuania	65,006	61,842		
Latvia	49,245	43,310		
Estonia	1,406	1,474		
Denmark	5	11		
	115,662	106,637		

Non-current assets for this purpose consist of property, plant and equipment, investment property and intangible assets.

## **5. INTANGIBLE ASSETS**

	Software	Other intangible	Provisional goodwill	Total
Group		assets		
Cost:				
Balance as at 30 June 2014	732	96	-	828
Additions	75	534	-	609
Write-offs	(3)	(17)	-	(20)
Balance as at 30 June 2015	804	613	-	1,417
Additions	22	70	-	92
Acquisition of subsidiaries (Note 3)	-	-	4,358	4,358
Write-offs	(21)	(15)	-	(36)
Transfers to property, plant and equipment	-	(391)	-	(391)
Reclassifications	115	(115)	-	-
Balance as at 30 June 2016	920	162	4,358	5,440
Accumulated amortization:				
Balance as at 30 June 2014	439	23	-	462
Charge for the year	56	18	-	74
Write-offs	(3)	(17)	-	(20)
Balance as at 30 June 2015	492	24	-	516
Charge for the year	66	27	-	93
Write-offs	(19)	(15)	-	(34)
Reclassifications	15	(15)	-	-
Balance as at 30 June 2016	554	21	-	575
Net book value as at 30 June 2016	366	141	4,358	4,865
Net book value as at 30 June 2015	312	589	-	901
Net book value as at 30 June 2014	293	73	-	366

The Group has no internally generated intangible assets. Amortization expenses of intangible assets are included within operating expenses in the statement of comprehensive income.

Part of the intangible assets of the Group with the acquisition value of EUR 299 thousand as at 30 June 2016 was fully amortized (EUR 483 thousand as at 30 June 2015) but was still in active use.

## 6. PROPERTY, PLANT AND EQUIPMENT

Cost:	Land	Buildings and structures	Machinery and equipment	Vehicles	Other property, plant and equipment	Construction in progress and prepayments	Total
Balance as at 30 June 2014	13,196	77,228	34,906	4,884	5,061	1,779	137,054
Additions	47	1,340	3,391	666	872	6,725	13,041
Disposals and write-offs	(9)	(201)	(866)	(566)	(321)	(25)	(1,988)
Transfers from investment property	107	_	_	_	_	_	107
Reclassifications	4	2,121	656	_	(11)	(2,770)	_
Balance as at 30 June 2015	13,345	80,488	38,087	4,984	5,601	5,709	148,214
Additions	797	735	9,306	760	372	5,670	17,640
Acquisition of subsidiaries (Note 3)	110	40	40	23	3	-	216
Disposals and write-offs	(471)	(1,313)	(2,722)	(392)	(882)	(45)	(5,825)
Transfers from investment property	-	146	_	_	_	_	146
Transfers to investment property	(22)	_	_	_	_	_	(22)
Transfers from intangible assets	391	_	_	_	-	_	391
Reclassifications	_	4,711	1,522	(5)	16	(6,243)	1
Balance as at 30 June 2016	14,150	84,807	46,233	5,370	5,110	5,091	160,761
Accumulated depreciation:							
Balance as at 30 June 2014	_	15,216	14,855	1,990	2,619	_	34,680
Charge for the year	_	5,156	3,345	850	795	_	10,146
Disposals and write-offs	_	(76)	(443)	(464)	(309)	_	(1,292)
Reclassifications	_	_	6	_	(6)	_	-
Balance as at 30 June 2015	_	20,296	17,763	2,376	3,099	_	43,534
Charge for the year	7	5,587	4,158	797	813	_	11,362
Disposals and write-offs	(4)	(993)	(1,783)	(355)	(867)	_	(4,002)
Transfers from investment property	-	20	-	_	_	_	20
Balance as at 30 June 2016	3	24,910	20,138	2,818	3,045	-	50,914
Impairment losses:							
Balance as at 30 June 2014	46	434	11	_	1	_	492
(Reversal) charge for the year	(25)	_	_	_	_	_	(25)
Balance as at 30 June 2015	21	434	11	_	1	_	467
(Reversal) charge for the year	(21)	(35)	(1)	_	(1)	_	(58)
Balance as at 30 June 2016	-	399	10	-	-	-	409
Net book value as at 30 June 2016	14,147	59,498	26,085	2,552	2,065	5,091	109,438
Net book value as at 30 June 2015	13,324	59,758	20,313	2,608	2,501	5,709	104,213
Net book value as at 30 June 2014	13,150	61,578	20,040	2,894	2,441	1,779	101,882

## 6. PROPERTY, PLANT AND EQUIPMENT (CONT'D)

The Group's depreciation charge for the years ended 30 June 2016 and 30 June 2015 was included into the following captions:

#### Financial year ended

	30 June 2016	30 June 2015
Cost of sales	8,690	7,554
Operating expenses	1,635	1,649
Other expenses	76	106
Raw materials and other inventories	276	152
Biological assets	685	685
	11,362	10,146

Depreciation amount was decreased in the statement of comprehensive income by EUR 856 thousand for the year ended 30 June 2016 (EUR 879 thousand for the year ended 30 June 2015) by the amortisation of grants received by the Group (Note 17).

As at 30 June 2016 part of property, plant and equipment of the Group with the net book value of EUR 89,430 thousand (EUR 75,782 thousand as at 30 June 2015), was pledged to banks as a collateral for the loans (Note 18).

Part of property, plant and equipment with the acquisition cost of EUR 16,526 thousand was fully depreciated as at 30 June 2016 (EUR 17,370 thousand as at 30 June 2015), but was still in active use.

## 7. INVESTMENT PROPERTY

Investment property of the Group consists of land and buildings leased out under the operating lease which generates lease income and land and buildings which were not used in the Group's activities as at 30 June 2016.

Cost:	Land	Buildings	Total
Balance as at 30 June 2014	1,431	177	1,608
Additions	5	98	103
Disposals and write-offs	(16)	-	(16)
Transfers to property, plant and equipment	(107)	-	(107)
Balance as at 30 June 2015	1,313	275	1,588
Disposals and write-offs	-	(10)	(10)
Transfers to property, plant and equipment	-	(146)	(146)
Transfers from property, plant and equipment	22	-	22
Balance as at 30 June 2016	1,335	119	1,454
Accumulated depreciation:			
Balance as at 30 June 2014	_	49	49
Charge for the year	_	16	16
Balance as at 30 June 2015	_	65	65
Charge for the year	_	9	9
Disposals and write-offs	_	(10)	(10)
Transfers to investment property	_	(20)	(20)
Balance as at 30 June 2016	_	44	44
Impairment losses:			
Balance as at 30 June 2014	_	_	_
Balance as at 30 June 2015	_	_	_
Charge for the year	51	_	51
Balance as at 30 June 2016	51	-	51
Net hash value as at 20 lune 2016	4 204	75	4 250
Net book value as at 30 June 2016	1,284	75	1,359
Net book value as at 30 June 2015	1,313	210	1,523
Net book value as at 30 June 2014	1,431	128	1,559

Investment property of the Company consists of buildings leased out under the operating lease which generates lease income.

## 7. INVESTMENT PROPERTY (CONT'D)

As at 30 June 2016 part of investment property of the Group with the net book value of EUR 787 thousand (EUR 1,356 thousand as at 30 June 2015), was pledged to banks as a collateral for the loans (Note 18). As at 30 June 2016 and 30 June 2015 the Company has pledged all its investment property to the bank as collateral for the loan received by its subsidiary AB Linas Agro (Note 18).

As at 30 June 2016 part of investment property of the Group and the Company with the net book value of EUR 113 thousand and EUR 0, respectively (EUR 48 thousand and EUR 34 thousand, respectively as at 30 June 2015) was not used in the Group's and the Company's activities.

Fair value of the Group's and the Company's investment property as at 30 June 2016 is EUR 3,851 thousand and EUR 495 thousand, respectively (as at 30 June 2015 EUR 3,547 thousand and EUR 495 thousand, respectively). Fair value has been determined based on valuations performed by independent valuators at near reporting date using the comparable prices method (Level 2).

## 8. NON-CURRENT RECEIVABLES

	Gı	oup	Con	npany
	As at 30 June			
	2016	2015	2016	2015
Trade receivables from agricultural produce growers due after one				
year	1,185	9	-	-
Other trade receivables*	1,483	_	_	_
Loans receivable from related parties after one year (Note 31)	800	1,175	9,514	6,468
Loans receivable after one year	2,325	2,113	1,108	647
Other non-current receivable	38	22	_	_
Loans to employees	45	49	_	_
Less: allowance for doubtful non-current receivables	(1,089)	(1,290)	_	_
	4,787	2,078	10,622	7,115

<sup>\*</sup> Other trade receivables mainly comprise of receivable for sold lignin which is presented as current receivable as at 30 June 2015 (Note 12).

Movements in the allowance for impairment of the Group's non-current receivables were as follows:

	Individually impaired
Balance as at 30 June 2014	-
Transferred from other accounts receivables	1,290
Balance as at 30 June 2015	1,290
Reversed during the year	(201)
Balance as at 30 June 2016	1,089

The Company's non-current receivables as at 30 June 2016 and 30 June 2015 are neither past due nor impaired.

The ageing analysis of the Group's non-current receivables as at 30 June 2016 and 30 June 2015 is as follows:

	Non-current receivables neither past due nor impaired	Past due but not impaired				
		Less than 90 days	91 - 180 days	180 - 270 days	More than 271 days	
2015	2,078	_	_	_	_	2,078
2016	4,787	_	_	-	_	4,787

## 9. BIOLOGICAL ASSETS

Fair value of the Group's animals and livestock:

	Milking cows (level 3)	Heifers (level 2)	Bulls and fattening cattle (level 2)	Horses (level 2)	Poultry (level 3)	Total animals and livestock
Fair value as at 30 June 2014	3,371	2,040	801	1	3,043	9,256
Acquisition	_	157	33	_	5,755	5,945
Births	_	95	134	_	471	700
Makeweight	2	1,662	1,024	_	33,053	35,741
Transfers between groups	698	(1,634)	936	_	_	_
Disposals	(227)	(366)	(1,873)	_	(38,019)	(40,485)
Write-offs and falls	(75)	(23)	(20)	_	(954)	(1,072)
Change in fair value of biological assets (Note 23)	74	_	(125)	_	90	39
Fair value as at 30 June 2015	3,843	1,931	910	1	3,439	10,124
Acquisition	_	10	_	_	5,692	5,702
Births	_	105	149	_	108	362
Makeweight	5	1,850	1,067	_	33,541	36,463
Transfers between groups	598	(1,608)	1,010	_	_	_
Disposals	(275)	(193)	(1,978)	_	(38,747)	(41,193)
Write-offs and falls	(93)	(21)	(23)	_	(703)	(840)
Change in fair value of biological assets (Note 23)	(489)	_	(73)	_	(720)	(1,282)
Fair value as at 30 June 2016	3,589	2,074	1,062	1	2,610	9,336

As at 30 June 2016 part of poultry (hatching chickens) amounting to EUR 852 thousand is disclosed as non-current asset (EUR 1,442 thousand as at 30 June 2015).

Quantity according to biological assets group:	Milking cows (level 3)	Heifers (level 2)	Bulls and fattening cattle (level 2)	Horses (level 2)	Poultry (level 3)	Total animals and livestock
As at 30 June 2016	3,201	3,122	1,967	3	1,791,476	1,799,769
As at 30 June 2015	3,209	2,921	1,873	5	1,915,343	1,923,351
Output according to biological assets group for the year ended (t) (unaudited):						
As at 30 June 2016	30,162	565	829	_	36,851	68,407
As at 30 June 2015	26,985	542	730	_	30,732	58,989

## 9. BIOLOGICAL ASSETS (CONT'D)

Fair value of the Group's crops (level 3):

	Winter cultures	Summer cultures	Rapeseeds	Feeding cultures	Total crops
Fair value as at 30 June 2014	3,314	6,794	2,680	1,431	14,219
Additions Transfers between groups Harvested assets Fair value adjustment on biological assets (Note 23) Fair value as at 30 June 2015	5,782 - (4,229) 1,638 6,505	4,606 (53) (7,864) 1,218 4,701	2,944 - (3,487) 733 2,870	2,170 53 (2,278) (16) 1,360	15,502 - (17,858) 3,573 15,436
Additions Transfers between groups Harvested assets Fair value adjustment on biological assets (Note 23) Fair value as at 30 June 2016	6,603 (6) (7,712) (13) 5,377	4,121 145 (5,480) 835 4,322	2,720 (67) (3,242) 342 2,623	2,172 (73) (1,926) (42) 1,491	15,616 -1 (18,360) 1,122 13,813
Crops under groups:	Winter cultures	Summer cultures	Rapeseeds	Feeding cultures	Total crops
Total sowed (ha) as at 30 June 2015	6,460	5,474	2,232	2,653	16,819
Total sowed (ha) as at 30 June 2016	6,529	5,306	2,338	2,698	16,871
Harvested crops under groups (unaudited):					
Total harvest for the year ended 30 June 2015 (t)	22,911	45,321	9,749	89,045	167,026
Total harvest for the year ended 30 June 2016 (t)	43,309	31,837	9,137	68,232	152,515

During the years ended 30 June 2016 and 2015 there were no transfers between the different levels of fair value hierarchy.

As at 30 June 2016 part of animals and livestock of the Group with the carrying value of EUR 1,800 thousand (EUR 6,152 thousand as at 30 June 2015) was pledged to banks as a collateral for the loans (Note 18).

## **10. INVENTORIES**

	Group			
	As at 30 June 2016	As at 30 June 2015		
Purchased goods for resale	63,070	49,814		
Raw materials and other inventories	11,000	6,955		
Commitments to purchase agricultural produce (Note 14)	(457)	331		
Less: net realisable value allowance	(1,661)	(685)		
	71,952	56,415		

The carrying value of the Group's inventories accounted for at net realizable value as at 30 June 2016 amounted to EUR 9,090 thousand (EUR 4,356 thousand as at 30 June 2015). The amount of write-down of inventories to net realizable value recognized as an expense in the year ended 30 June 2016 is EUR 976 thousand (EUR 302 thousand in the year ended 30 June 2015), and is recognized in cost of sales of the statement of comprehensive income.

As at 30 June 2016 part of inventories of the Group with the carrying value of EUR 62,165 thousand (EUR 31,017 thousand as at 30 June 2015) was pledged to banks as collateral for the loans (Note 18).

## 11. PREPAYMENTS

	Group			
	As at 30 June 2016	As at 30 June 2015		
Prepayments to agricultural produce growers	571	569		
Prepayments to other suppliers	6,045	8,160		
Less: allowance for doubtful prepayments to other suppliers	_	_		
	6,616	8,729		

During year ended 30 June 2016 and 30 June 2015, prepayments were made directly to agricultural produce growers of production and others. These payments are non-interest bearing and are generally collectible from the agricultural produce growers within 120 - 360 days by delivering grain to the Group.

## 12. TRADE RECEIVABLES

	Group		
	As at 30 June 2016	As at 30 June 2015	
Trade receivables from agricultural produce growers	80,502	39,060	
Trade receivables from other customers	16,227	61,007	
Less: allowance for doubtful trade receivables	(3,309)	(3,367)	
	93,420	96,700	

Change in trade receivables balances occurred due to changes in Group's business environment.

As at 30 June 2016 the Group holds lignin as a collateral for the part of trade receivables (total amounting to EUR 1,871 thousand, part of which is accounted for as non current receivable) which could be sold or repledged if the debtor defaulted. The fair value of the collateral amounts to EUR 1,826 thousand (level 3). There are no significant terms and conditions associated with the use of collateral.

Changes in allowance for trade receivables for the years ended 30 June 2016 and 30 June 2015 were included into operating expenses in the statement of comprehensive income.

Trade receivables from other customers are non-interest bearing and are generally collectible on 30–90 days term. Trade receivables from agricultural produce growers are non-interest bearing and are generally settled within 120–360 days by delivering grain to the Group.

As at 30 June 2016 the Group's trade receivables with the nominal value of EUR 2,914 thousand (EUR 969 thousand as at 30 June 2015) were impaired and fully provided for.

Movements in the allowance for impairment of the Group's trade receivables were as follows:

	Individually impaired
Balance as at 30 June 2014	3,986
Charge for the year	603
Reversed during the year	(25)
Written-off during the year	(1,197)
Balance as at 30 June 2015	3,367
Charge for the year	139
Reversed during the year	(189)
Written-off during the year	(8)
Balance as at 30 June 2016	3,309

The ageing analysis of the Group's trade receivables as at 30 June 2016 and 30 June 2015 is as follows:

	Trade receivables neither past due nor impaired	Past due		Past due but not impaired		
		Less than 90 days	91 - 180 days	180 - 270 days	More than 271 days	
2015	88,522	6,902	708	117	451	96,700
2016	86,502	5,705	305	400	508	93,420

As at 30 June 2016 the Group transferred rights to part of its trade receivables with the value of EUR 83,234 thousand (EUR 87,274 thousand as at 30 June 2015) to banks as collateral for the loans (Note 18). Factorised trade receivables in the amount of EUR 0 thousand as at 30 June 2016 (EUR 6,944 thousand as at 30 June 2015) are included in aggregate amount of collateral for the loans.

## 13. OTHER ACCOUNTS RECEIVABLE

	Group			
Financial assets	As at 30 June 2016	As at 30 June 2015		
National Paying Agency	2,039	1,858		
Loans receivable	635	2,738		
Loans granted to the Group employees	89	33		
Interest receivable	99	146		
Accrued income	679	751		
Receivable for assets held for sale	88	134		
Other receivables	570	3,050		
Less: allowance for doubtful loans receivable	(172)	(514)		
	4,027	8,196		
Non-financial assets				
VAT receivable	1,003	1,253		
Other recoverable taxes	114	51		
	1,117	1,304		
	5,144	9,500		

Changes in allowance for other accounts receivables for the years ended 30 June 2016 and 2015 were included into operating expenses in the statement of comprehensive income.

Movements in the allowance for impairment of the Group's other accounts receivable were as follows:

	Individually impaired
Delay 20 4 20 4 20 4 20 4 20 4 20 4 20 4 20	4.653
Balance as at 30 June 2014	1,652
Charge for the year	232
Transferred to non-current receivables (Note 8)	(1,290)
Written-off during the year	(80)
Balance as at 30 June 2015	514
Charge for the year	_
Written-off during the year	(342)
Balance as at 30 June 2016	172

The ageing analysis of the Group's other receivables (except for non-financial assets) as at 30 June 2016 and 30 June 2015 is as follows:

	Other accounts receivable neither past due nor impaired	Past due but not impaired				
		Less than 90 days	91 - 180 days	181 - 270 days	More than 271 days	
2015	5,659	2,490	46	1	_	8,196
2016	3,717	133	32	116	29	4,027

## 14. OTHER CURRENT FINANCIAL ASSETS AND DERIVATIVE FINANCIAL INSTRUMENTS

The Group uses the hierarchy described in Note 2.26 for determining and disclosing the fair value of financial instruments by valuation technique:

			Group		
			As at 30 June	As at 30 June	
			2016	2015	
Derivative financial instruments					
Derivative financial instruments used to hedge the price risk					
(current portion) – assets (liabilities)	Level 1	a)	664	(490)	
Derivative financial instruments used to hedge the interest risk					
(current portion) – assets (liabilities)	Level 2	b)	(60)	_	
Derivative financial instruments used to hedge the interest risk					
(long term portion) – assets (liabilities)	Level 2	b)	(120)	_	
Foreign exchange forward and swap contracts	Level 2		47	79	
Other derivative financial instruments	Level 2		-	(91)	
			531	(502)	
Other financial assets					
Other	Level 3		16	_	
Restricted cash		c)	889	440	
			905	440	

The Company concludes forward agreements (with fixed price) with Lithuanian and Latvian agricultural production growers for purchase/sale of agricultural produce. For part of such agreements the Company does not have agreed sales/purchases contracts with fixed price. As at 30 June 2016 to hedge the arising risk of price fluctuations for the total amount of such unutilised purchase or sales commitments the Company concluded futures contracts that are traded on NYSE Euronext Paris SA exchange.

- a) Derivative financial instruments used to hedge the price risk were attributed to the category of fair value hedge. As at 30 June 2016 the fair value of such futures contracts was equal to EUR 664 thousand of profit (EUR 490 thousand of loss as at 30 June 2015). These results are accounted for in cost of sales in the statement of comprehensive income. Hedged item (commitments to purchase agricultural produce) of EUR 457 thousand of loss (EUR 331 thousand of gain as at 30 June 2015) is accounted for as inventories (Note 10) in the statement of financial position and in cost of sales in the statement of comprehensive income by netting with gain and losses arising from the hedge instrument. Derivative financial instruments used for trading are accounted in other income (expenses).
- b) Derivative financial instruments used to hedge interest rate fluctuation risk were attributed to the category of cash flow hedge. As at 30 June 2016 the Company had an interest rate swap agreement. As at 2 March 2016 the Company signed the interest rate swap agreement for a nominal of EUR 20,000 thousand, for the period of 4 March 2016 4 March 2019. The Company pays 0 % fixed interest rate and receives fluctuating EURIBOR interest for the amount set per agreement. The interest rate swap is used to hedge market interest rate fluctuations and secure cash flow used for credit line repayments (Note 18).

The fair value of derivative financial instrument is determined at each financial statement date. The interest rate swap effective part fair value change is accounted in other comprehensive income and ineffective part fair value change is accounted in profit (loss) in the statement of comprehensive income.

	Group	
	As at 30 June 2016	As at 30 June 2015
Recognised in other comprehensive income:		
Gain (loss) on interest rate swap contract (effective part)	(180)	-
Income tax effect	27	-
	(153)	-

c) As at 30 June 2016 and 30 June 2015 restricted cash balance mostly consists of cash at bank account, held as a deposit for trading in the futures exchange.

Where the fair value of other financial assets can't be derived from active markets, they are determined using a variety of valuation techniques that include the use of mathematical models. Where possible, these models use market data but where this is not feasible a certain assumptions are used in establishing fair values.

## 15. CASH AND EQUIVALENTS

	Gro	Group		pany
	As at 30 June 2016	As at 30 June 2015	As at 30 June 2016	As at 30 June 2015
Cash at bank	6,808	6,614	89	232
Cash in transit	14	10	_	_
Cash on hand	79	56	_	_
	6,901	6,680	89	232

As at 30 June 2016 the Group pledged cash of EUR 974 thousand (EUR 1,275 thousand as at 30 June 2015) to banks as collateral for the loans (Note 18).

As at 30 June 2016 and 30 June 2015 there were no restrictions on use of cash balances held in the pledged accounts (Note 18).

## 16. RESERVES

#### Legal reserve

A legal reserve is a compulsory reserve under the Lithuanian legislation. Annual transfers of not less than 5% of net profit, calculated in accordance with International Financial Reporting Standards, are compulsory until the reserve reaches 10% of the share capital. Legal reserve was not fully formed as at 30 June 2016 and 30 June 2015.

#### Reserve for own shares

A reserve for own shares acquisition was formed based on the decision of the annual general meeting of the Company's shareholders, held on 27 October 2011 and 24 October 2013 in amount of EUR 464 thousand and EUR 1,361 thousand respectively. Purpose of acquisition of own shares is to maintain and increase the price of the Company's shares

During the year ended 30 June 2016 the Company disposed of 3,000 own shares (2,000 shares as at 30 June 2015), net result of this transaction is recognised directly to the statement of changes in equity. During the year ended 30 June 2016 the Company did not acquire its own shares. Reserve was released in full in current financial year based on the decision of Company's shareholders.

## Foreign currency translation reserve

The foreign currency translation reserve results from translation differences arising on consolidation of Linas Agro A/S as at 30 June 2016 and 2015.

## Cash flow hedge reserve

This reserve represents the effective part of the change in fair value of the derivative financial instruments (interest rate swaps), used by the Group to secure the cash flows from interest rate risk, at the reporting date. The reserve is accounted for according to the requirements of IAS 39 (Note 14).

## 17. GRANTS AND SUBSIDIES

The movement of grants received by the Group is as follows:

Balance as at 30 June 2014	7,878
Received	626
Amortisation	(987)
Balance as at 30 June 2015	7,517
Received	620
Amortisation	(941)
Balance as at 30 June 2016	7,196

## 17. GRANTS AND SUBSIDIES (CONT'D)

As at 30 June 2016 the amount is disclosed in the statement of financial position as non-current liabilities (EUR 6,289 thousand) and other current liabilities (EUR 907 thousand) (as at 30 June 2015 EUR 6,646 thousand as non-current liabilities and EUR 871 thousand - as other current liabilities).

The major part of the Group's grants consists of the funds received from the European Union and National Paying Agency for the purpose of an acquisition of machinery and equipment (property, plant and equipment).

The amortisation of grants of the Group for the years ended 30 June 2016 and 30 June 2015 was included into the following captions:

	Group	
	Financial year ended	
	30 June 2016	30 June 2015
Cost of sales (reduces the depreciation expenses of related assets)	851	879
Operating expenses	5	-
Other operating expenses	-	21
Biological assets	62	82
Raw materials and other inventories	23	5
	941	987

For the years ended 30 June 2016 and 30 June 2015 the Group also received subsidies for animals and livestock, crops and milk in the total amount of EUR 3,600 thousand and EUR 2,773 thousand, respectively, which were accounted for in the sales caption of the statement of comprehensive income.

## 18. BORROWINGS

	Gr	oup	Compa	ny
	As at 30 June 2016	As at 30 June 2015	As at 30 June 2016	As at 30 June 2015
Non-current borrowings				
Bank borrowings secured by the Group assets	16,741	22,729	2,100	-
Other non-current related parties borrowings (Note 31)	_	-	2,828	2,654
	16,741	22,729	4,928	2,654
Current borrowings				
Current portion of non-current bank borrowings	19,943	13,313	1,400	4,900
Current bank borrowings secured by the Group assets	56,202	55,560	_	_
Other current borrowings	880	8,696	_	_
Other current related parties borrowings (Note 31)	1,010	_	4	185
	78,035	77,569	1,404	5,085
	94,776	100,298	6,332	7,739

Interest payable is normally settled monthly throughout the financial year.

As at 30 June 2016 and 30 June 2015 shares, property, plant and equipment, investment property, biological assets, inventories, trade receivables and bank accounts were pledged to banks as a collateral for the loans (Notes 3, 6, 7, 9, 10, 12, 15).

## Compliance with the covenants of the borrowings agreements

During the year ended 30 June 2016 one of the Group companies did not comply with the covenants of the part of non-current borrowing agreements. In the case of non-compliance the creditors have the right to ask for the early repayment. Non-current portion of such borrowings, amounting to EUR 16,341 thousand is presented as current liability in the financial statements of the Group. As at 30 June 2015 non-current portion of such borrowings, amounting to EUR 4,582 is presented as current liability in the financial statements of the Group.

Company

## 18. BORROWINGS (CONT'D)

Weighted average effective interest rates of borrowings outstanding at the year-end:

Group	Company

	As at 30 June 2016	As at 30 June 2015	As at 30 June 2016	As at 30 June 2015
Current borrowings	1.63%	1.76%	1.95%	2.63%
Non-current borrowings	1.84%	2.27%	2.25%	2.60%

Borrowings at the end of the year in national and foreign currencies (EUR equivalent):

	Gio	м	Com	parry	
	As at 30 June 2016	As at 30 June 2015	As at 30 June 2016	As at 30 June 2015	
Borrowings denominated in:					
EUR	94,235	99,759	6,332	7,739	
USD	541	539	-	_	
	94,776	100,298	6,332	7,739	

Groun

As at 30 June 2016 the Group's not utilized credit lines comprise EUR 68 743 thousand (EUR 74,620 thousand as at 30 June 2015).

## 19. FINANCE LEASE OBLIGATIONS

The assets leased by the Group under finance lease contracts consist of buildings and structures, machinery and equipment, vehicles and other property, plant and equipment. The terms of lease do not include restrictions on the activities of the Group in connection with the dividends, additional borrowings or additional lease agreements. Apart from the lease payments, the most significant liabilities under the lease contracts are maintenance and insurance. The terms of finance lease vary from 3 to 5 years.

The split of the net book value of the assets acquired under finance lease is as follows:

	Group		
	As at 30 June 2016	As at 30 June 2015	
Buildings and structures	-	514	
Machinery and equipment	576	383	
Vehicles	916	910	
Other property, plant and equipment	24	65	
	1,516	1,872	

Principal amounts of finance lease payables at the year-end denominated in national and foreign currencies are as follows:

	Group	
	As at 30 June 2016	As at 30 June 2015
EUR	2,161	2,592
	2,161	2,592

As at 30 June 2016 the interest rate on the finance lease obligations in EUR varies depending on the EURLIBOR, EURIBOR and ranges from 1.00% to 5.67%. The interest rate for the remaining portion of the finance lease liability in EUR outstanding as at 30 June 2016 is fixed, i.e. from 1.8% to 5.89%.

As at 30 June 2015 the interest rate on the finance lease obligations in EUR varies depending on the EURLIBOR, EURIBOR and VILIBOR and ranges from 1.00% to 5.67%.

## 19. FINANCE LEASE OBLIGATIONS (CONT'D)

Minimal future minimum lease payments under the above mentioned finance lease contracts are as follows:

	Group		
	As at 30 June 2016	As at 30 June 2015	
Within one year	985	886	
•			
From one to five years	1,050	1,393	
After five years	302	663	
Total finance lease obligations	2,337	2,942	
Interest	(176)	(350)	
Present value of finance lease obligations	2,161	2,592	
Finance lease obligations are accounted for as:			
- current	933	803	
- non-current	1,228	1,789	

## **20. OPERATING LEASE**

The Group concluded several contracts of operating lease. The terms of lease do not include restrictions on the activities of the Group in connection with the dividends, additional borrowings or additional lease agreements. For the year ended 30 June 2016 the lease expenses of the Group amounted to EUR 1,210 thousand (EUR 609 thousand for the year ended 30 June 2015).

Minimal future lease payments according to the signed lease contracts are as follows:

	Group		
	As at 30 June 2016	As at 30 June 2015	
Within one year	1,165	918	
From one to five years	2,273	1,786	
After five years	203	35	
Total	3,641	2,739	
Denominated in (EUR equivalent):			
- EUR	3,641	2,739	

The Company does not have operating lease agreements as at 30 June 2016 and 30 June 2015.

## 21. TRADE PAYABLES

Trade payables are non-interest bearing and are normally settled on 360-day term.

## 22. OTHER CURRENT LIABILITIES

	Gi	oup
	As at 30 June 2016	As at 30 June 2015
Bonuses to employees	3,643	2,813
Vacation accrual	2,880	2,721
Advances received	1,453	860
Payroll related liabilities	2,916	2,868
VAT payable	3,676	2,972
Current portion of grants (Note 17)	907	871
Other liabilities	3,077	3,242
	18,552	16,347

Other current liabilities are non-interest bearing and have an average term of three months.

## 23. COST OF SALES

	Group	
	Financial year ended	
	30 June 2016	30 June 2015
Cost of inventories recognised as an expense*	496,307	460,176
Logistics expenses	45,303	42,627
Wages and salaries and social security	20,304	17,998
Depreciation (Notes 6, 17)	7,839	6,675
Utilities expenses	4,497	5,991
Change in fair value of biological assets (Note 9)	160	(3,612)
Change in fair value of financial instruments	(1,308)	608
Other	2,976	1,823
	576.078	532.286

<sup>\*</sup> Cost of inventories recognised as an expense includes previous season fair value adjustment to sold crops amounting to EUR 2,595 thousand which was expensed during the year ended 30 June 2016 (EUR 2,040 thousand recognized as an expense for the year ended 30 June 2015).

## **24. OPERATING EXPENSES**

	Group		Company	
	Financial year ended			
	30 June 2016	30 June 2015	30 June 2016	30 June 2015
Wages and salaries and social security	21,494	18,097	237	17
Change in allowance for and write-offs of receivables and prepayments	(251)	753	_	_
Consulting expenses	997	1,167	71	647
Depreciation and amortization	1,723	1,707	8	18
Advertisement, marketing	1,337	1,705	-	_
Bank fees	662	827	2	_
Change in impairment of property, plant and equipment (Note 6)	(58)	(25)	-	_
Currency exchange loss	7	_	_	_
Other	7,663	6,656	139	96
	33.574	30.887	457	778

## 25. OTHER INCOME (EXPENSES)

	Gı	roup
	Financial year ende	
Other income	30 June 2016	30 June 2015
Rental income from investment property and property, plant and equipment	234	222
Gain from disposal of investment property and property, plant and equipment	343	220
Gain from disposal other investments	3	359
Change in fair value of currency financial instruments	264	1,078
Write-off of liabilities	4	24
Other income	673	637
	1,521	2,540
Other (expenses)		
Direct operating expenses arising on rental and non-rental earning investment properties	(281)	(181)
Loss from disposal of property, plant and equipment	(22)	(103)
Currency exchange loss	_	(320)
Change in impairment of investment property	(51)	_
Other expenses	(242)	(192)
	(596)	(796)

## 26. INCOME (EXPENSES) FROM FINANCING ACTIVITIES

	Group Financial year ended		Company Financial year ended	
	30 June 2016	30 June 2015	30 June 2016	30 June 2015
Income from financing activities				
Interest income	508	587	554	524
Income from overdue payments	21	4	_	_
	529	591	554	524
(Expenses) from financing activities				
Interest expenses	(2,431)	(2,496)	(174)	(227)
Expenses for overdue payments	(14)	(72)	_	_
	(2,445)	(2,568)	(174)	(227)

## **27. INCOME TAX**

	Group Financial year ended	
	30 June 2016	30 June 2015
Current income tax expense	1,497	1,310
Income tax correction for prior periods	48	(2)
Deferred income tax (income) expense	(173)	(142)
Income tax expenses recorded in the statement of comprehensive income	1,372	1,166
Net gain (loss) on revaluation of cash flow hedges	(27)	-
Deferred tax (asset) recorded in the statement of other comprehensive income	(27)	-

## 27. INCOME TAX (CONT'D)

	Group	
	Financial year ended	
	As at 30 June 2016	As at 30 June 2015
Deferred income tax asset		
Tax loss carry forward (available indefinitely)	1,751	1,796
Accruals	751	676
Investment incentive	396	242
Allowance for trade receivables	610	664
Allowance for inventories	246	200
Fair value of financial instruments	101	77
Other	105	109
Fair value of biological assets	53	-
Total deferred income tax asset	4,013	3,764
Deferred income tax liability		
Property, plant and equipment and investment property (difference between tax and		
accounting values)	(2,826)	(2,624)
Fair value of biological assets	-	(194)
Fair value of financial instruments	(103)	-
Other	(86)	(148)
Total deferred income tax liability	(3,015)	(2,966)
Deferred income tax, net	998	798
Accounted for as deferred income tax asset in the statements of financial position	2,137	1,955
Accounted for as deferred income tax liability in the statements of financial position	1,139	1,157

The Group's deferred income tax asset and liability were set-off to the extent they relate to the same tax administration institution and the same taxable entity.

As at 30 June 2016 and 30 June 2015 the Group has not recognised deferred tax asset for the following temporary differences (temporary differences basis is provided below before application of income tax rate):

	Group	
	As at 30 June 2016	As at 30 June 2015
Tax loss carry forward	5,015	4,018
Allowance for trade receivables	502	502
	5,517	4,520

Temporary differences are available indefinitely, unless stated otherwise above.

Deferred tax asset has not been recognised in respect of these losses as they may not be used to offset taxable profits elsewhere in the Group and they have arisen in subsidiaries that have a history of losses.

## 27. INCOME TAX (CONT'D)

There are no temporary differences associated with investments in associates as at 30 June 2016 and 2015 because Group has no associates.

The income tax can be reconciled to the theoretical amount, which would be calculated by applying the basic income tax rate to the Group's profit before tax as follows:

	Group	
	Financial year end	
	30 June 2016	30 June 2015
Profit before tax	5,316	10,360
Income tax expenses, applying the statutory rate in Lithuania (15%)	797	1,554
Effect of different tax rates in Estonia, Denmark, 5% tax rate for the entities engaged in agricultural		
activities (Note 2.21.)	(180)	(4)
Utilization of previously unrecognized deferred tax asset	-	(228)
Recognition of previously unrecognized deferred tax liability	318	-
Income tax correction for prior periods	48	(2)
Temporary differences for which no deferred taxes were recognized	254	104
Permanent differences	297	(258)
Tax incentive	(162)	-
Total income tax (income) expenses	1,372	1,166

## 28. BASIC AND DILUTED EARNINGS PER SHARE

Basic earnings per share amounts are calculated by dividing net profit for the year attributable to the equity holders of the parent by the weighted average number of ordinary shares outstanding during the year.

The weighted average number of ordinary shares for the years ended 30 June 2016 and 30 June 2015 was as follows:

Calculation of weighted average for the year ended 30 June 2016	Number of shares	Par value (EUR)	Issued/365 (days)	Weighted average
Shares issued as at 30 June 2015 Disposal of own shares 3 September 2015 Disposal of own shares 30 March 2016 Shares issued as at 30 June 2016	158,151,426 2,000 1,000 158,154,426	0.29 0.29 0.29	65/365 209/365 91/365	28,163,953 90,559,085 39,430,282 158,153,319
Calculation of weighted average for the year ended 30 June 2015	Number of shares	Par value (EUR)	Issued/365 (days)	Weighted average
Shares issued as at 30 June 2014	158,149,426	0.29	1/365	433,286
Disposal of own shares 1 July 2014	1,000	0.29	2/365	866,578
Disposal of own shares 3 July 2014	1,000	0.29	362/365	156,851,551
Shares issued as at 30 June 2015	158,151,426			158,151,415

The Group does not have any potential shares; therefore basic and diluted earnings per share are the same. Calculation of the basic and diluted earnings per share is presented below:

	Financial year ended	
	30 June 2016	30 June 2015
Net profit, attributable to the shareholders of the parent (in EUR thousand)	4,095	8,726
Weighted average number of ordinary shares outstanding for the year	158,153,319	158,151,415
Basic and diluted earnings per share (in EUR)	0.03	0.06

For the year ended 30 June 2015 the Company paid EUR 1,200 thousand dividends, or EUR 0.008 per share. The Board of the Company plans to offer to pay EUR 1,202 thousand dividends, or EUR 0.0076 per share, for the year ended 30 June 2016.

#### 29. FINANCIAL ASSETS AND LIABILITIES AND RISK MANAGEMENT

#### Credit risk

None of the Group's customers comprise more than 10% of the Group's trade receivables. The Group evaluates the concentration of risk with respect to trade receivables as low, as its customers are located in several jurisdictions and industries and operate in largely independent markets.

The Group's procedures are in force to ensure that sales are made to customers with an appropriate credit history and do not exceed an acceptable credit exposure limit. As at 30 June 2016 part of AB Linas Agro trade receivables were insured with the insurance limit equal to equivalent of EUR 8,904 thousand (EUR 9,545 thousand as at 30 June 2015).

The Group does not guarantee obligations of other parties.

The maximum exposure to credit risk is represented by the carrying amount of each financial asset, including derivative financial instruments, if any, in the statements of financial position. Consequently, the Group considers that its maximum exposure is reflected by the amount of trade, related party and other accounts receivable, net of allowance for doubtful accounts recognised at the reporting date. Part of the trade and other accounts receivables is secured with pledged assets (Notes 12 and 13).

#### Interest rate risk

The major part of the Group's borrowings is with variable rates, related to LIBOR, EURIBOR which creates an interest rate risk. The Group uses interest rate swap to hedge interest rate fluctuation risk for loans with variable interest rate as disclosed in Note 14.

The sensitivity analysis of the pre-tax profit of the Group, considering that all other variables will remain constant, to possible changes in the interest rates is presented in the table below. There is no direct effect to equity from changes in interest rate.

## Effect on the profit before income tax for the year ended (in EUR thousand)

	Increase / decrease of basis points	30 June 2016	Increase / decrease of basis points	30 June 2015
EUR	+150	(1,374)	+150	(1,469)
EUR	-30	214	-30	294

## Liquidity risk

The Group's policy is to maintain sufficient cash and cash equivalents or have available funding through an adequate amount of committed credit facilities to meet its commitments at a given date in accordance with its strategic plans. The Group's liquidity (total current assets / total current liabilities) and quick ((total current assets – crops, current portion of animals and livestock and inventories) / total current liabilities) ratios as at 30 June 2016 were 1.42 and 0.80, respectively (as at 30 June 2015 1.59 and 0.99, respectively).

The table below summarises the maturity profile of the Group's financial liabilities based on contractual undiscounted payments (scheduled payments including interest).

Group	On demand	Less than 3 months	3 to 12 months	1 to 2 years	2 to 5 years	More than 5 years	Total
Non-current borrowings	7,226	2,813	4,188	15,020	7,814	431	37,492
Lease liabilities	_	165	721	698	695	663	2,942
Current borrowings	185	63,620	547	-	_	-	64,352
Other non-current liabilities	-	_	_	183	_	_	183
Derivative financial instruments	-	581	-	-	-	_	581
Current trade payables	620	21,727	5,832	-	_	-	28,179
Payables to related parties	_	21	_	-	_	_	21
Other liabilities	_	1,620	121	-	-	_	1,741
Balance as at 30 June 2015	8,031	90,547	11,409	15,901	8,509	1,094	135,491
Non-current borrowings	_	2,377	17,012	8,646	9,499	865	38,399
Lease liabilities	133	190	653	469	440	341	2,226
Current borrowings	16,615	28,210	13,346	_	_	_	58,171
Other non-current liabilities	_	_	_	1,553	_	_	1,553
Derivative financial instruments	_	13	47	73	47	_	180
Current trade payables	2,411	28,556	12,272	_	_	_	43,239
Payables to related parties	-	1,514	_	-	-	_	1,514
Other liabilities	97	1,070	53	_	_	_	1,220
Balance as at 30 June 2016	19,256	61,930	43,383	10,741	9,986	1,206	146,502

## Liquidity risk (cont'd)

The table below summarises the maturity profile of the Company's financial liabilities based on contractual undiscounted payments (scheduled payments including interest).

Company	On demand	Less than 3 months	3 to 12 months	1 to 2 years	2 to 5 years	More than 5 years	Total
Non-current borrowings Current borrowings from	5,012	-	-	-	-	-	5,012
related parties	_	19	226	68	2,753	_	3,066
Non-current trade payables Non-current payable to related	_	-	-	175	-	-	175
parties	_	_	-	-	-	51	51
Current trade payables	_	13	175	_	_	_	188
Payables to related parties	-	_	810	_	_	_	810
Other liabilities	_	32	_	_	-	_	32
Balance as at 30 June 2015	5,012	64	1,211	243	2,753	51	9,334
Non-current borrowings Non-current borrowings from	-	717	738	1,196	941	-	3,592
related parties Non-current payable to related	_	17	58	1,444	1,490	-	3,009
parties	-	_	_	_	54	-	54
Current trade payables	-	47	-	_	-	_	47
Payables to related parties	_	_	810	_	_	_	810
Other liabilities	-	29	-	_	_	_	29
Balance as at 30 June 2016	-	810	1,606	2,640	2,485	-	7,541

## Foreign exchange risk

Major currency risks of the Group occur due to the fact that the Group borrows foreign currency denominated funds as well as is involved in imports and exports. The Group's policy is to match cash flows arising from highly probable future sales and purchases in each foreign currency. When the Group opens a position in USD (i.e., goods are bought for USD and sold for EUR or vice versa), it manages USD exposure by changing positions in its credit line, i.e., buys or sells USD to close the open position.

The major part of the Group's monetary assets and liabilities as at 30 June 2016 and 2015 is denominated in EUR, consequently the management of the Group believes that foreign exchange risk on EUR is insignificant. The Group used financial derivatives to manage the USD foreign currency exchange risk.

Monetary assets and liabilities stated in various currencies as at 30 June 2016 and 30 June 2015 were as follows (EUR equivalent):

Group	As at 30.	June 2016	As at 30 June 2015		
	Assets	Liabilities	Assets	Liabilities	
EUR	111,280	160,222	113,478	146,345	
USD	1,499	745	3,126	947	
DKK	435	637	383	553	
PLN	1,229	33	1,250	73	
	114,443	161,637	118.237	147.918	

#### Foreign exchange risk (cont'd)

The following table demonstrates the sensitivity to a reasonably possible change in respect of currency exchange rate, with all other variables held constant of the Group's profit before tax (due to change in the fair value of monetary assets and liabilities). There is no direct effect to equity from changes in currency exchange rates.

	Increase/ decrease in exchange rate	Effect on the profit before income tax for the year ended (in E thousand)	
		30 June 2016	30 June 2015
USD	+ 15.00%	113	327
USD	- 15.00%	(113)	(327)
PLN	+ 15.00%	180	177
PLN	- 15.00%	(180)	(177)

Sensitivity to a reasonable possible change of DKK is not disclosed as it is not significant to the financial statements.

#### Financial risk, arising from biological assets, management strategy

The Group is engaged in wholesale trade of milk, therefore, is exposed to risks arising from changes in milk prices. The Group's wholesale agreements for milk do not represent financial instruments but represent a significant price risk. The Group does not anticipate that milk prices will be in prolonged decline in the foreseeable future and, therefore, has not entered into derivative or other contracts to manage the risk of the decline in milk prices. The Group reviews its outlook for milk prices regularly in considering the need for active risk management.

#### Market price risk

The Group is exposed to the grain market price risk which is managed with the hedge accounting described in Note 14.

## Fair value of financial instruments

The Group's principal financial instruments not carried at fair value are trade, related party and other accounts receivable, trade, related party and other payables, non-current and current borrowings.

Fair value is defined as disclosed in Note 2.26. Fair values of assets and liabilities are obtained from quoted market prices, discounted cash flow models and option pricing models as appropriate.

The carrying amounts of the Group's financial assets and liabilities (which are not carried at fair value) approximate fair value and are classified as level 3 according to the fair value hierarchy described in the Note 2.26.

The following methods and assumptions are used to estimate the fair value of each class of financial instruments:

- 1 The carrying amount of trade, related party and other accounts receivable, current trade, related party and other accounts payable and current borrowings approximates fair value (level 3).
- The fair value of non-current debt is based on discounting future cash flows related to debt using market interest rate and also considering own credit risk immaterial. The fair value of non-current borrowings with variable and fixed interest rates approximates their carrying amounts (level 3).

## Capital management

For capital management purposes the Group's capital is equal to equity in the statement of financial position amounting to EUR 159,773 thousand as at 30 June 2016 (EUR 157,311 thousand as at 30 June 2015).

The primary objective of the Group's capital management is to ensure that it maintains a strong creditworthiness and healthy capital ratios in order to support its business and maximise shareholder value. The Group holds high capital for possible future expansion and further development of the Group.

The Group manages its capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of its activities. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies or processes during the years ended 30 June 2016 and 30 June 2015.

#### Capital management (cont'd)

The Company and the Group's subsidiaries registered in Lithuania and Estonia are obliged to keep its equity at no less than 50% of its share capital, as imposed by the Laws on Companies of the Republic of Lithuania and the Republic of Estonia. The Company and the Group's subsidiaries registered in Lithuania comply with this requirement. The Group subsidiary registered in Estonia doesn't comply with this requirement. The Group's subsidiaries registered in Latvia are obliged to keep its equity at no less than 0, as imposed by the Law on Companies of the Republic of Latvia. The Group's subsidiaries registered in Latvia comply with this requirement, except for SIA PFK TRADER and SIA Erfolg Group. The Group's management does not expect any negative consequences to the Group and is planning to take actions to mitigate these non-compliances.

The Group and the Company manages capital using a leverage ratio, which is 1 minus total equity divided by total assets of the Group and the Company. The Group's policy is to keep the leverage ratio below 75%.

	Group	0	Company		
	As at 30 June 2016	As at 30 June 2015	As at 30 June 2016	As at 30 June 2015	
Total equity	161,987	159,137	103,817	100,026	
Total assets	332,083	315,710	111,223	109,046	
Total equity / Total assets	49%	50%	93%	92%	
Leverage ratio	51%	50%	7%	8%	

## 30. COMMITMENTS AND CONTINGENCIES

As at 30 June 2016 the Group is committed to purchase property, plant and equipment for the total amount of EUR 9,274 thousand (EUR 534 thousand as at 30 June 2015).

A few Group companies (Panevėžys district Aukštadvario ŽŪB, Kėdainiai district Labūnavos ŽŪB, Šakiai district Lukšių ŽŪB, Sidabravo ŽŪB and Panevėžys district Žibartonių ŽŪB) received grants from the European Union and National Paying Agency for acquisition of agricultural equipment.

Panevėžys district Aukštadvario ŽŪB, Kėdainių district Labūnavos ŽŪB, Sidabravo ŽŪB, Panevėžys district Žibartonių ŽŪB are committed not to discontinue operations related to agricultural up to the end of 2019, Šakiai district Lukšių ŽŪB – up to 2020 and 2021. UAB Linas Agro Grūdų Centras KŪB, Karčemos kooperatinė bendrovė received grants from the European Union and National Paying Agency (Lithuania) for grain handling and storage facility upgrade. UAB Linas Agro Grūdų Centras KŪB is committed not to discontinue operations related to preparation and warehousing of grains for trade agriculture up to 2018 and 2020, Karčemos kooperatinė bendrovė – up to 2017.

SIA Lielzeltini, SIA Cerova and SIA Broileks received grants from the European Union and Rural Support Service (Latvia) for poultry farm, feedstuffs production and storages upgrade. SIA Lielzeltini is committed not to discontinue broiler breeding, slaughtering and sale of products, feedstuffs up to 2020, SIA Cerova – up to 2018 and SIA Broileks – up to 2016.

In case of non-compliance with the requirements the Group companies will have to return funds received to the state of Lithuania and Latvia amounting to EUR 4,385 thousand as at 30 June 2016 (EUR 4,528 thousand as at 30 June 2015).

In July 2013 the Group company Linas Agro A/S received a ruling from the Danish Tax Inspection (hereafter- SKAT) stating that SKAT has changed the companies tax assessments for the income year 2007/2009 whereby total taxable payment for period has been increased by EUR 68 thousand (DKK 1,100 thousand). The changes relate to non-approved deduction for inter-group services. The company's management does not concur with SKAT's assessment and the decision is appealed. Accordingly, the Group did not recognize any tax liability or any interest as at 30 June 2016 and 30 June 2015.

In addition Linas Agro A/S received a ruling from SKAT regarding the valuation of customer base which was transferred to the Group company, AB Linas Agro in the year 2011/2012. The decision has a negative effect on the total tax loss carry forward amount which is incorporated into calculation of taxable income for the year 2012/2013. SKAT has ruled that the value of the customer base should have been EUR 4,894 thousand (DKK 36,414 thousand) and not EUR 1,571 thousand (DKK 11,722 thousand) as the value sold in 2011/2012 by Linas Agro A/S to AB Linas Agro. This implies a reduction of the total tax loss carry forward in the amount of EUR 3,323 thousand (DKK 24,692 thousand) (tax value EUR 730 thousand (DKK 5,432 thousand)). Deferred tax asset from the tax loss carry forward from this amount is not recognized by Linas Agro A/S. Linas Agro A/S management does not agree with SKAT and appealed the decision.

During the financial year ended 30 June 2016 the management of the Group initiated actions to reach the agreement between Lithuanian and Danish tax authorities. As at financial statements date there were no decisions reached as the investigation might last up to two years.

## 30. COMMITMENTS AND CONTINGENCIES (CONT'D)

As at 30 June 2016 and 2015 the balance of guarantees and warranties issued by the Company to the banks for the controlled companies (directly and indirectly controlled subsidiaries) amounted to EUR 61,711 thousand.

The Company's guarantees are issued for the loans granted to these companies. The Company is obliged to repay the companies' liabilities to banks in full, if the subsidiaries are not able to do it themselves. The management of the Group believes that the subsidiaries on behalf of which guarantees and warranties were issued will meet their liabilities to the creditors, therefore, no provisions in respect of these guarantees were accounted for in the financial statements as at 30 June 2016 and 30 June 2015.

During the year ended 30 June 2016 Group companies entered into the sale and buy-back agreements with its customers. The potential buyback obligation as at 30 June 2016 is EUR 1,536 thousand, however no provision is accounted for since the probabality of the buy-back is not probable and reliable estimate can not be made.

## 31. RELATED PARTIES TRANSACTIONS

The parties are considered related when one party has the possibility to control the other or have significant influence over the other party in making financial and operating decisions.

The related parties of the Company and Group for the years ended 30 June 2016 and 30 June 2015 were as follows:

#### Members of the board of the Company:

Darius Zubas (chairman of the board, ultimate controlling shareholder);

Vytautas Šidlauskas;

Dainius Pilkauskas;

Arūnas Zubas;

Andrius Pranckevičius;

Tomas Tumėnas;

Artūras Pribušauskas.

Subsidiaries: List provided in Note 3.

## Akola ApS group companies:

Akola ApS (Denmark) (controlling shareholder); UAB MESTILLA (same ultimate controlling shareholders).

UAB Baltic Fund Investments (Tomas Tuménas is a director of this company).

The Group's transactions with related parties in 12 month period ended 30 June 2016 and 30 June 2015 were as follows: 2016

	Purchases	Sales	Trade receivables	Non-current loans receivable	Current payables	Current loans payables
Akola ApS group companies	1,420	15,306	18	800	1,514	1,010
Members of the board	_	7	_	_	_	_
	1,420	15,313	18	800	1,514	1,010

## 31. RELATED PARTIES TRANSACTIONS (CONT'D)

#### 2015

	Purchases	Sales	Trade receivables	Non-current loans receivable	Current payables
Akola ApS group companies	3,444	14,300	19	814	21
Members of the board	_	17	_	361	_
	3,444	14,317	19	1,175	21

The Company's transactions with related parties in the years ended 30 June 2016 and 30 June 2015 were as follows:

2016	Purchases	Income	Receiv Non-current loans receivable		Other account receivables	Non-current payables	Payables Current Payables	Non-current loans received	Current loans received
Akola ApS group companies	_		800	_	_	_	_	_	_
Subsidiaries	78	5,090	8,714	2,969	48	54	810	2,828	4
	78	5,090	9,514	2,969	48	54	810	2,828	4
2015	Purchases	Income	Receiv	/ables	Other accounts	i	Payables		
			Non-current loans receivable	Current loans receivable	receivables	Non-current payables	Current Payables	Non-current loans received	Current loans received
Akola ApS group companies	-	14	814	-	_	_	-	_	_
Subsidiaries	77	5,344	5,654	3,830	207	51	810	2,654	185
	77	5,358	6,468	3,830	207	51	810	2,654	185

As at 30 June 2016 interest rates of the Group for non-current loans receivable from related parties are equal to 4%, 2.61% and 3 month EURIBOR + 2.45% margin. As at 30 June 2015 interest rates of the Group for non-current loans receivable from related parties are equal to 4%, 2.61% and 3 month EURIBOR + 2.45% margin, interest rates of the Group for current loans receivable from related parties are equal to 3 month EURIBOR + 2.45% and 3 month EURIBOR + 4.2% margin.

As at 30 June 2016 and 2015 interest rates of the Company for non-current loans receivable from related parties are 2.61%, and 3 month EURIBOR + 2.45% margin. As at 30 June 2016 interest rates of the Company for current loans receivable from related parties are 4%. As at 30 June 2015 rates of the Company for current loans receivable from related parties varies from 6% to 6.5%.

Transactions with related parties include sales and purchases of goods and services, sales and purchases of property, plant and equipment as well as financing transactions in the ordinary course of business and on terms equivalent to arm's length transactions.

There were no guarantees or pledges related to the Group's payables to or receivables from related parties. Receivables and payables from / to related parties will be settled in cash or offset with the payables / receivables from / to respective related parties.

Terms and conditions of the financial assets and liabilities:

- Receivables from related parties are non-interest bearing and are normally settled on 30-day terms.
- Payables to related parties are non-interest bearing and are normally settled on 30-90-day terms.
- Interest payable is normally settled at the end of the loan term.

The Group's receivables from related parties were not due neither impaired as at 30 June 2016 and 30 June 2015.

## Remuneration of the management and other payments

The Group's management consists of the Company's board of directors and directors of each of the company in the Group. The Group's management remuneration amounted to EUR 3,128 thousand (including EUR 945 thousand of bonuses to the board of directors of AB Linas Agro and AB Linas Agro Group) for the year ended 30 June 2016 (EUR 3,437 thousand (including EUR 1,042 thousand of bonuses to the board of directors of AB Linas Agro) for the year ended 30 June 2015). For the year ended 30 June 2016 the Group's management received EUR 182 thousand dividends from the Company (for the year ended 30 June 2015 the Group's management received EUR 220 thousand dividends from the Company).

For the year ended 30 June 2016 the Group's management has also received EUR 58 thousand of rent payments (EUR 54 thousand of rent payments for the year ended 30 June 2015).

The Company's management consists of the board of directors and a managing director. The Company's management remuneration amounted to EUR 129 thousand (including EUR 120 thousand of bonuses to the board of directors of AB Linas Agro Group) for the year ended 30 June 2016 (EUR 4 thousand for the year ended 30 June 2015).

## 31. RELATED PARTIES TRANSACTIONS (CONT'D)

No other payments or property transfers to/from the management were made or accrued; no other loans or guarantees were received / granted in the years ended 30 June 2016 and 30 June 2015.

## 32. MATERIALLY PARTLY-OWNED SUBSIDIARIES

Financial information of subsidiaries that have material non-controlling interests is provided below.

Proportion of equity interest held by non-controlling interests:

Name	Country of incorporation and	30 June 2016	30 June 2015
	operation		
AS Putnu fabrika Kekava	Latvia	6.19%	3.53%
Karčemos Kooperatinė Bendrovė	Lithuania	76.00%	76.02%

The summarised financial information of these subsidiaries is provided below. This information is based on amounts before intercompany eliminations.

Summarised statement of comprehensive income:

	AS Putnu fabrika Kekava		Karčemos Kooperatinė Bendro	
	30 June 2016	30 June 2015	30 June 2016	30 June 2015
Revenue	57,421	40,811	629	1,097
Net profit (loss)	(1,515)	877	20	542
Total comprehensive income	(1,515)	877	20	542
Attributable to non-controlling interests	(94)	31	15	412
Dividends paid to non-controlling interests	_	-	-	-

Summarised statement of financial position:

	AS Putnu fabrika Kekava		Karčemos Kooperatinė Bendro	
		Financial yea	ır ended	
	30 June 2016	30 June 2015	30 June 2016	30 June 2015
Current assets	9,416	7,634	188	459
Non-current assets	31,698	26,895	3,798	3,857
Current liabilities	14,217	5,420	1,500	406
Non-current liabilities	8,598	9,294	1,791	3,235
Total equity	18,299	19,815	695	675
Attributable to Non-controlling interests	1,133	699	487	513

Summarised cash flow statement:

	AS Putnu fabrika Kekava		Karčemos Kooperatinė Bendro	
	Financial year ended			
	30 June 2016	30 June 2015	30 June 2016	30 June 2015
Operating activities	5,071	(3,850)	265	414
Investing activities	(8,090)	(1,319)	(34)	11
Financing activities	5,497	4,674	(310)	(524)
Net increase/(decrease) in cash and cash equivalents	2,478	(495)	(79)	(99)

## 33. SUBSEQUENT EVENTS

## Group

On 15 July 2016 AB Linas Agro signed the credit line agreement with AB DNB Bank. The total credit limit is EUR 10 million. On 23 August 2016 an amendment to the credit line agreement was signed, upon the AB Linas Agro request the credit limit decreased to EUR 5 million.

On 4 October AB Linas Agro restricted cash amounted to EUR 400 thousand.

On 18 August UAB Linas Agro Grūdy Centras KŪB prolonged credit line agreement with AB SEB bank until 28 August 2018.

On 30 June 2016 UAB Dotnuva Baltic signed the credit line agreement amendment with bank. The total credit limit is EUR 17.000 thousand until July 2018.

## Company

On 23 September 2016 the Company increased share capital of its subsidiary Lineliai UAB by EUR 90 thousand.

During July – September of 2016 the Company increased share capital of its subsidiary Landvesta 5 ZUB by EUR 200 thousand.







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# LETTER TO THE SHAREHOLDERS

## DEAR SHAREHOLDERS,

The year 2015 was exceptional – both for me personally and for our entire Group. This year we are celebrating the 25th anniversary of the operations of our Company. Back in 1991 we were just a small company established in a provincial town Panevėžys, with just a few employees, and that was very proud to have exported by vessel 2,000 tons of Lithuanian rapeseed – just about the quantity grown in Lithuania those years. Today we nearly never use such small vessels – to ship our products we need Panamax-type vessels. This year we shipped 1.84 million tons of cargoes via different ports in the Baltic Sea. Our own grain storage capacities in Lithuania and Latvia can accommodate 217,000 tons of grain, while in different ports we have storage for another 220,000 tons of grain. We are among the largest grain exporters in the Baltic region, and this year we exported our products to more than 42 states around the world, and discovered a new and rather exotic country for our partnership relations – Rwanda.

We started in 1991 as traders, and as soon as a couple years later we became financial partners of our farmers, introduced a concept of a 'future contract' in the Lithuanian agriculture sector— we were striking futures for growing, were telling them about improved crop rotation and persuading the farmers to grow '00' rapeseed, and several years later also the different species of grain, as at that time the quality of grain and rapeseed cultivated in Lithuania did not meet the world standards. We were then the first with initiatives, and for a long time the only ones. And while in 2015 more than half a million of tons of rapeseed were grown in Lithuania, we are partly claiming the credit for the development of the yellow flowering fields – that is the result of our tenacious efforts and work for more than 20 years.

We were pioneers also later, when in 2001 in cooperation with our partners in Dotnuva we put into operation one of the largest and most modern seed processing plants in the Baltic States. During the current financial year we were expanding and modernising the plant, in order to increase our seed processing capacities. This spring in Dotnuva a record quantity of seed were prepared for sowing, i.e. total 11,000 tons.

When we realised that an obstacle to our further development is the lack of efficiently operating grain storage facilities, in 2002 we were the first in Lithuania to launch some green field investment projects to build modern grain elevators; and the very last of the series were put into operation this financial year. Every year the volumes of the grain accepted in our grain storage facilities is increasing, for instance this year it went up 9%. The 2015 grain harvesting season was the driest in the history of operation of our grain elevators, thus the farmers simply did not need the grain drying services, which adversely affected their revenues. However, such weather conditions during the harvesting season are very rare.

We develop and test new growing technologies that enable the farmers to reach higher yields and improve crop rotation. We not only consult the farmers 'live' and publish practical advice books, but have also entered the virtual space long time ago. Our counselling website for the farmers, rapsai.lt, has been operating for several years already; we also use social networks to consult our clients. And the innovation of this year is a mobile application 'Rapsai.lt technologies', introduced in spring 2016. That is a unique application, demonstrating the growing technologies for 12 main crops in real calendar time, as well as the

principal spreadsheets that help to estimate norms of seeds, crop density and projected yields. The application, developed for Android and iOs system users, today has more than 2,000 users.

In 2003, we made significant investment in the primary agricultural production and today we have six agricultural companies. It those companies we test most of the new crop growing technologies, created by our agronomy specialists, we regularly introduce innovations in livestock farming as well. Under the current conditions when milk purchasing prices leave no hope to achieve profits, we still continue operating our dairy farms, and we continue enhancing the efficiency of their performance. Average milk yield from a cow in our group is 8,833 kg, with the average in Lithuania 5,636 kg. The yields of the majority of our cultivated crop were well above the average in Lithuania, e.g. 2015 average wheat yields were 6.9 tons/ha (Lithuanian average - 5.2 tons/ha), rapeseed - 4.67 tons/ha (Lithuanian average - 3.1 tons/ha), malting barley - 6.2 tons/ha with 4.0 tons/ha as the Lithuanian average. The agricultural company Šakiai District Lukšių ŽŪB reached its dream results yielding 10.62 t/ha of the new hybrid winter barley species Zzoom.

Up to year 2012 we had only 50% of the shares, but then we acquired the outstanding holding in UAB Dotnuvos Projektai and became the sole shareholder of the company. One interesting fact was recorded by the company, this year celebrating the 20th anniversary of its activities, now under its new name Dotnuva Baltic – last summer it sold 620 AG Case IH Quadtrac – one of most powerful tractors in the world and the first ever in the Baltic states. This financial year the company completed with record-breaking sales of new agricultural machinery and grain warehousing facilities- the consolidated sales revenues of Dotnuva Baltic increased by 57%, and totaled EUR 90.69 million. A major contribution to the success was the recovering EU financial support to the farmers for the acquisition of agricultural machinery, also decentralisation of sales and services within the company, and strengthening of presence in regions. The performance of the company was appropriately recognised by the suppliers: in 2015 a concern Case IH presented an award for the largest market share held in Lithuania in the western new tractors segment, and a concern Kverneland Group named the company 'The Importer of the Year, 2015'.

In 2013 and 2014, we acquired a poultry business in Latvia. And as soon as one year later we faced considerable challenges, in view of the global fall in the poultry market price. We reorganised the management of our companies, merged some of the divisions, and upgraded our production and packaging facilities. This year we introduced 20 new product names, and started exporting our products to the United Kingdom, Netherlands, Belgium, Denmark, Finland, Ireland, Kosovo and Bulgaria. Due to the fall in poultry market prices the financial results were below expectations, however, we are proud to be market pioneers promoting healthy life-style, because already now we produce about 85% broilers without using any antibiotics, which is unique not only in the Baltic states, but also in most European countries. In June 2016, AS Putnu Fabrika Kekava in Latvia was awarded with 'Golden sustainability award'.

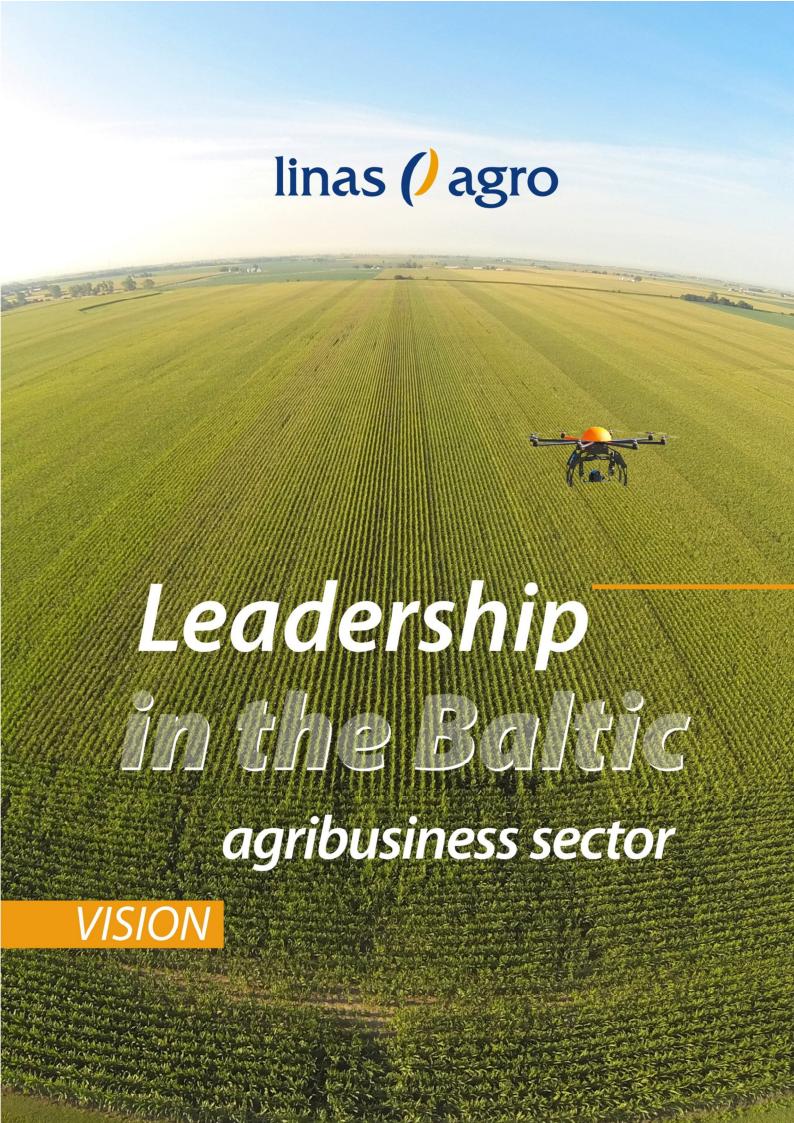
In 2016, we acquired fertilizers business in Latvia. The acquisition transaction has not yet been completed, however, even in view of the extremely low prices of fertilizers the transaction is a source of hope that after the global prices of resources recover we will not only be holding solid positions among the regional traders in fertilizers, but can expect to work with a decent profit.

In 2015/16 financial year we continued operating in the background of the falling global raw material prices, which led to a significant drop in the prices of most of our products and fall in the trade margins. However, we hold strong positions in the market, we have developed a long-term strategy, and we strongly believe in the future of the Company.

Sincerely yours,

Managing Director Darius Zubas





# 2 REPORTING PERIOD OF THE ANNUAL REPORT

Financial year of AB Linas Agro Group starts on 1 July of each year and ends on 30 June of the next year; therefore, this Consolidated Annual Report has been prepared for 2015/16 financial year, and all the figures are stated as at 30 June 2016 unless it is indicated otherwise.

# REFERENCES AND ADDITIONAL EXPLANATORY NOTES ON THE INFORMATION DISCLOSED IN THE ANNUAL FINANCIAL STATEMENTS

All the financial data disclosed in this Annual Report have been calculated in accordance with the International Financial Reporting Standards as adopted by EU according to audited financial statements.

The auditor of the Company is UAB Ernst & Young Baltic.

In this Report AB Linas Agro Group is referred to as the Company whereas the Company with the controlled entities referred to as the Group.

#### CONTACT PERSONS:

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# THE MAIN INFORMATION ABOUT THE COMPANY AND THE GROUP

Company name	AB Linas Agro Group
Legal form	Public company
Date and place of registration	27/11/1995 in Panevezys
Code of legal entity	148030011
VAT identification number	LT480300113
Company register	State Enterprise Centre of Registers (Valstybės įmonė Registrų centras)
Address	Smėlynės St. 2C, LT-35143 Panevėžys, Lithuania
Phone	+370 45 50 73 03
Fax	+370 45 50 73 04
E-mail	group@linasagro.lt
Website	www.linasagro.lt
Bank account	LT07 7044 0600 0263 7111, AB SEB bank, bank code 70440
ISIN code	LT0000128092
Ticker in AB Nasdaq Vilnius	LNA1L

AB Linas Agro Group together with its directly and indirectly controlled companies (hereinafter – subsidiaries) makes the Group, which was founded in 1991 and had 39 companies at the end of the reporting period, and operates in four countries – Lithuania, Latvia, Estonia and Denmark. The financial year of the Group begins on 1 July.

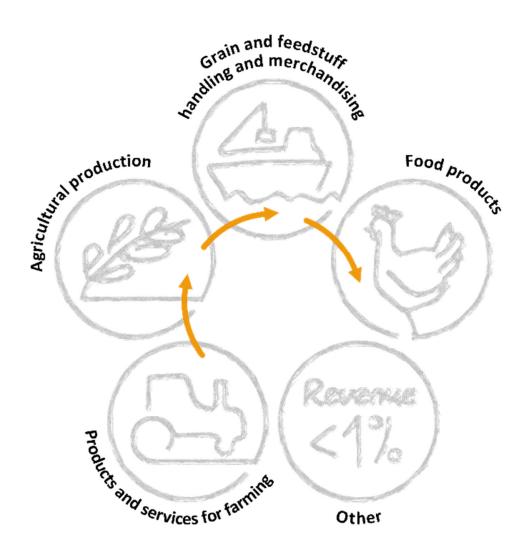
The Company does not have any branches and representative offices.

# ACTIVITIES

The subsidiaries controlled by the Company produce, handle and merchandise agricultural and food produce, also provide products and services for farming. The Company performs only the management function and is not involved in any trading or production activities.

The Group is the leading exporter of grains and has own network of grain storage facilities. Also is one of the leaders in supplies of agricultural inputs (such as certified seeds, fertilizers and agricultural machinery) in Lithuania, has seed preparation plant. Also the Group is a major milk producer in Lithuania and poultry producer in Latvia.

The Group's activities are subdivided into five operating Segments. Division into separate Segments is dictated by different types of products and character of related activities; however, activities of the Segments are often interconnected.

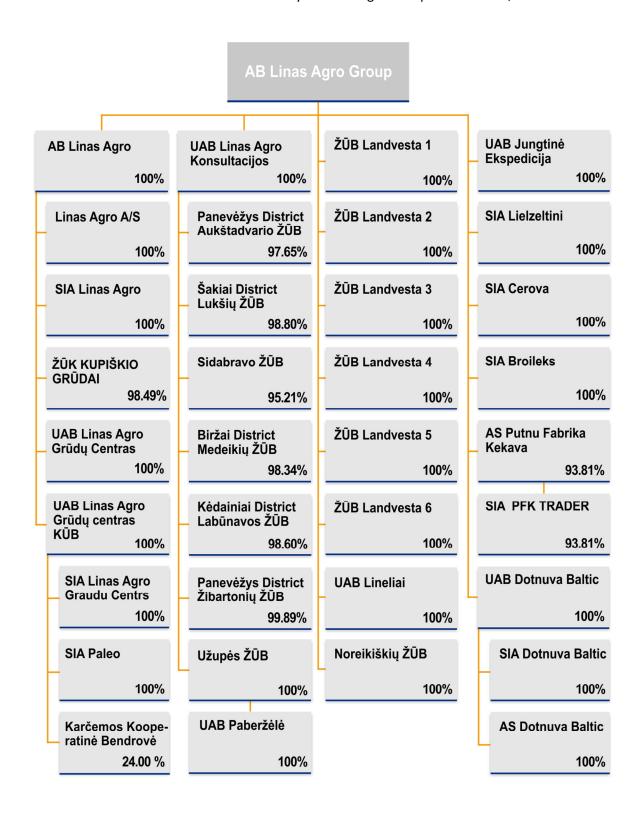


# NFORMATION ABOUT SUBSIDIARIES OF THE COMPANY

The Company controlled 38 companies\* in Lithuania, Latvia, Estonia and Denmark as at 30 June, 2016.

\*Dormant companies UAB Gerera (100% shares), UAB Dotnuvos Technika (100% shares) and SIA Erfolg Group (93.81% shares) not included).

Structural chart of the effective stock held by AB Linas Agro Group as at 30 June, 2016:



# SHAREHOLDING STRUCTURE OF THE COMPANIES

As at 30 June 2016, AB Linas Agro Group controlled, either directly or indirectly, the following companies\*:

<sup>\*\*</sup> AB Linas Agro Group and UAB Linas Agro Grūdų Centras hold 50% of votes each in UAB Linas Agro Grūdų Centras KŪB.

			Share of the	stock held by co	mpanies		Share of
Company	Status	AB Linas Agro Group	AB Linas Agro	UAB Linas Agro Konsultacijos	UAB Linas Agro Grūdų Centras	UAB Dotnuva Baltic	the stock held by the Group
AB Linas Agro	Subsidiary	100%					100%
Linas Agro A/S	Subsidiary		100%				100%
SIA Linas Agro	Subsidiary		100%				100%
UAB Linas Agro Grūdų Centras	Subsidiary		100%				100%
UAB Linas Agro Grūdų Centras KŪB**	Subsidiary	24.69%	75.29%		0.02%		100%
SIA Linas Agro Graudu Centrs	Subsidiary	UAB "Linas Ag company	gro" Grūdų cei	ntras KŪB owns :	100% share	s of the	100%
SIA Paleo	Subsidiary	UAB "Linas Ag company	gro" Grūdų cei	ntras KŪB owns :	100% share	s of the	100%
UAB Linas Agro Konsultacijos	Subsidiary	100%					100%
Noreikiškių ŽŪB	Subsidiary	99.94%		0.06%			100%
Panevėžys District Aukštadvario ŽŪB	Subsidiary			97.65%			97.65%
Sidabravo ŽŪB	Subsidiary			95.21%			95.21%
Šakiai District Lukšių ŽŪB	Subsidiary			98.80%			98.80%
Biržai District Medeikių ŽŪB	Subsidiary			98.34%			98.34%
Kėdainiai District Labūnavos ŽŪB	Subsidiary			98.60%			98.60%
Užupės ŽŪB	Subsidiary	0.05%		99.95%			100%

<sup>\*</sup>Dormant companies UAB Gerera (100% shares owned by AB Linas Agro, UAB Dotnuvos Technika (100% shares owned by UAB Dotnuva Baltic) and SIA Erfolg Group (100% shares owned by AS Putnu Fabrika Kekava) are not included.

		Share of the stock held by companies				Share of the stock	
Company	Status	AB Linas Agro Group	AB Linas Agro	UAB Linas Agro Konsultacijos	UAB Linas Agro Grūdų Centras	UAB Dotnuva Baltic	held by the Group
UAB Paberžėlė	Subsidiary	Užupės ŽŪI	B owns 100	% shares of the	company		100%
UAB Lineliai	Subsidiary	100%					100%
Panevėžys District Žibartonių ŽŪB	Subsidiary	0.05%		49.02%	Užupės Žl 50.82% pa company	JB owns arts of the	99.89%
ŽŪB Landvesta 1	Subsidiary	76.47%	23.53%				100%
ŽŪB Landvesta 2	Subsidiary	76.97%	23.03%				100%
ŽŪB Landvesta 3	Subsidiary	13.91%	86.09%				100%
ŽŪB Landvesta 4	Subsidiary	26.42%	73.58%				100%
ŽŪB Landvesta 5	Subsidiary	56.01%	43.99%				100%
ŽŪB Landvesta 6	Subsidiary	15.51%	84.49%				100%
ŽŪK KUPIŠKIO GRŪDAI	Subsidiary	=	deikių ŽŪB -	rio ŽŪB and Sida - 45.46%, AB Lin			98.49%
UAB Dotnuva Baltic	Subsidiary	100%					100%
SIA Dotnuva Baltic	Subsidiary					100%	100%
AS Dotnuva Baltic	Subsidiary					100%	100%
UAB Jungtinė Ekspedicija	Subsidiary	100%					100%

	Status	Share of the	Share of the		
Company		AB Linas Agro Group	AS Putnu Fabrika Kekava	SIA Lielzeltini	stock held by the Group
AS Putnu Fabrika Kekava	Subsidiary	57.53%		36.28%	93.81%
SIA PFK Trader	Subsidiary		100%		93.81%
SIA Lielzeltini	Subsidiary	100%			100%
SIA Cerova	Subsidiary	100%			100%
SIA Broileks	Subsidiary	100%			100%
Karčemos Kooperatinė Bendrovė***	Subsidiary	UAB Linas Agro Grūdų centras KŪB owns 20% parts of the company and Panevėžys District Žibartonių ŽŪB own 4% parts of the company			24%

<sup>\*\*\*</sup> The Group owns 24% parts of Karčemos Kooperatinė Bendrovė, but controls this company and consolidates in the financial statements

#### ACTIVITIES AND CONTACT DATA OF THE COMPANIES OF THE GROUP \*

- \* Dormant companies are not included:
  - 1. UAB Gerera, private limited liability company, founded 15/1/1993, code of legal entity 147676584, address Smėlynės St. 2C, LT-35143 Panevėžys, Lithuania, company register State Enterprise Centre of Registers (Valstybės įmonė Registrų centras):
  - 2. UAB Dotnuvos Technika, private limited liability company, founded 25/6/1998, code of legal entity 161452398, address Parko St. 6, Akademija, LT-58351 Kėdainiai District, Lithuania, company register State Enterprise Centre of Registers (Valstybės įmonė Registrų centras).
  - 3. SIA Erfolg Group, private limited liability company, founded 30/11/2009, code of legal entity 50103261581, address Gaismas iela 2A-48, Kekava, Kekava district, Latvia, company register Register of Enterprises of the Republic of Latvia.

#### **SUBSIDIARIES IN LITHUANIA**

Company name	Principal activities	Registration date, code of legal entity, legal form, company register	Contact data
AB Linas Agro	Wholesale trade of grains and oilseeds, feedstuffs and agricultural inputs supply	8/7/1991, Code of legal entity 1473 28026, public limited liability company, Register of Enterprises of Republic of Lithuania, VJ Registry centras	Smėlynės St. 2C, LT-35143 Panevėžys, Lithuania Ph. +370 45 507 333 Fax +370 45 507 444 E-mail <i>info@linasagro.lt</i>
		Ettildalla, vį negisti ą centras	www.linasagro.lt , www.rapsai.lt

Company name	Principal activities	Registration date, code of legal entity, legal form, company register	Contact data
UAB Linas Agro Grūdų Centras	Management services	5/7/2002, Code of legal entity 148450944, private limited liability company, Register of Enterprises of Republic of Lithuania, VĮ Registrų centras	Smėlynės St. 2C, LT-35143 Panevėžys, Lithuania Ph. +370 45 507 365 Fax +370 45 507 344 E-mail grudai@linasagro.lt
UAB Linas Agro Grūdų Centras KŪB	Grain processing and storage	10/7/2002, Code of legal entity 148451131, limited partnership, Register of Enterprises of Republic of Lithuania, VĮ Registrų centras	Smėlynės St. 2C, LT-35143 Panevėžys, Lithuania Ph. +370 45 507 343 Fax +370 45 507 344 E-mail grudu.centras@linasagro.lt
UAB Linas Agro Konsultacijos	Management of subsidiary farming companies	23/6/2003, Code of legal entity 248520920, private limited liability company, Register of Enterprises of Republic of Lithuania, VĮ Registrų centras	Žibuoklių St. 14, LT-57125 Kėdainiai, Lithuania Ph. +370 688 674 29 E-mail konsultavimas@linasagro.lt
ŽŪB Landvesta 1	Rent and management of agricultural purposes land	21/10/2005, Code of legal entity 300501060, agricultural company, Register of Enterprises of Republic of Lithuania, VĮ Registrų centras	Smélynés St. 2C, LT-35143 Panevéžys, Lithuania Ph. +370 45 507 406 Fax +370 45 507 404 E-mail info@landvesta.lt
ŽŪB Landvesta 2	Rent and management of agricultural purposes land	21/10/2005, Code of legal entity 300501085, agricultural company, Register of Enterprises of Republic of Lithuania, VĮ Registrų centras	Smėlynės St. 2C, LT-35143 Panevėžys, Lithuania Ph. +370 45 507 406 Fax +370 45 507 404 E-mail info@landvesta.lt
ŽŪB Landvesta 3	Rent and management of agricultural purposes land	21/10/2005, Code of legal entity 300501092, agricultural company, Register of Enterprises of Republic of Lithuania, VĮ Registrų centras	Smėlynės St. 2C, LT-35143 Panevėžys, Lithuania Ph. +370 45 507 406 Fax +370 45 507 404 E-mail info@landvesta.lt
ŽŪB Landvesta 4	Rent and management of agricultural purposes land	23/04/2007, Code of legal entity 300709428, agricultural company, Register of Enterprises of Republic of Lithuania, VĮ Registrų centras	Smėlynės St. 2C, LT-35143, Panevėžys, Lithuania Ph. +370 45 507 406 Fax +370 45 507 404 E-mail info@landvesta.lt
ŽŪB Landvesta 5	Rent and management of agricultural purposes land	16/8/2007, Code of legal entity 301019661, agricultural company, Register of Enterprises of Republic of Lithuania, VĮ Registrų centras	Smėlynės St. 2C, LT-35143 Panevėžys, Lithuania Ph. +370 45 507 406 Fax +370 45 507 404 E-mail info@landvesta.lt
ŽŪB Landvesta 6	Rent and management of agricultural purposes land	14/1/2008, Code of legal entity 301520074, agricultural company, Register of Enterprises of Republic of Lithuania, VĮ Registrų centras	Smėlynės St. 2C, LT-35143 Panevėžys, Lithuania Ph. +370 45 507 406 Fax +370 45 507 404 E-mail info@landvesta.lt
UAB Dotnuva Baltic	Sale of seeds, agricultural machinery	5/3/1996, Code of legal entity 261415970, private limited liability company, Register of Enterprises of Republic of Lithuania, VĮ Registrų centras	Parko St. 6, Akademija, 58351 Kėdainiai district, Lithuania Ph.+370 347 370 30 Fax +370 347 370 40 E-mail info@dotnuvabaltic.lt www.dotnuvabaltic.lt

Company name	Principal activities	Registration date, code of legal entity, legal form, company register	Contact data
Noreikiškių ŽŪB	Rent and management of agricultural purposes land	16/8/2012, Code of legal entity 302841649, agricultural company, Register of Enterprises of Republic of Lithuania, VĮ Registrų centras	Žibartonių St. 70, Žibartoniai vill. LT-38323 Panevėžys district, Lithuania Ph.+370 45 507 333 Fax +370 45 507 444 E-mail <i>noreikiskes@linasagro.lt</i>
Užupės ŽŪB	Mixed agricultural activities	6/4/2011, Code of legal entity 302612561, agricultural company, Register of Enterprises of Republic of Lithuania, VĮ Registrų centras	Liaudės St. 81, Užupės vill. LT-58311 Kėdainiai district, Lithuania Ph. +370 698 58583 E-mail uzupe@linasagro.lt
UAB Paberžėlė	Rent and management of agricultural purposes land	30/6/2008, Code of legal entity 301772627, private limited liability company, Register of Enterprises of Republic of Lithuania, VĮ Registrų centras	Liaudės St. 81, Užupės vill., LT-58311 Kėdainiai district, Lithuania Ph. +370 698 58583 E-mail paberzele@linasagro.lt
UAB Lineliai	Rent and management of agricultural purposes land	9/3/2012, Code of legal entity 302740714, private limited liability company, Register of Enterprises of Republic of Lithuania, VĮ Registrų centras	Smélynés St. 2C, LT-35143 Panevéžys, Lithuania Ph. +370 45 507 406 Fax +370 45 507 404 E-mail lineliai@linasagro.lt
Šakiai District Lukšių ŽŪB	Mixed agricultural activities	30/10/1992, Code of legal entity 174317183, agricultural company, Register of Enterprises of Republic of Lithuania, VĮ Registrų centras	Lukšių vill. 2, LT-71176 Šakiai district, Lithuania Ph. +370 345 442 88 Fax +370 345 442 25 E-mail <i>luksiai@linasagro.lt</i>
Kėdainiai District Labūnavos ŽŪB	Mixed agricultural activities	25/2/1992, Code of legal entity 161228959, agricultural company, Register of Enterprises of Republic of Lithuania, VĮ Registrų centras	Barupės St. 9, Labūnavos vill. LT-58173 Kėdainiai district, Lithuania Ph. + 370 347 34 4166 Fax. + 370 347 34 180 E-mail labunava@linasagro.lt
Biržai District Medeikių ŽŪB	Growing and sale of crop	5/10/1992, Code of legal entity 154771488, agricultural company, Register of Enterprises of Republic of Lithuania, VĮ Registrų centras	Biržų St.32, Medeikių vill., LT-41462 Biržai district, Lithuania Ph. +370 450 584 22 Fax +370 450 584 12 E-mail medeikiai@linasagro.lt
ŽŪK KUPIŠKIO GRŪDAI	Grain processing and storage	8/4/1999, Code of legal entity 160189745, co-operative society, Register of Enterprises of Republic of Lithuania, VĮ Registrų centras	Technikos St. 6D, LT-40122 Kupiškis, Lithuania Ph. +370 459 529 16 Fax +370 459 529 16 E-mail info@kupiskiogrudai.lt
Panevėžys District Aukštadvario ŽŪB	Mixed agricultural activities	9/3/1993, Code of legal entity 168573274, agricultural company, Register of Enterprises of Republic of Lithuania, VĮ Registrų centras	Pirties St. 3, Aukštadvario vill. LT-38255 Panevėžys district, Lithuania Ph./fax +370 45 592 651 E-mail aukstadvaris@linasagro.lt
Sidabravo ŽŪB	Mixed agricultural activities	20/4/1993, Code of legal entity 171331516, agricultural company, Register of Enterprises of Republic of Lithuania, VĮ Registrų centras	Pergalės St. 1A, Sidabravas, LT-82251 Radviliškis district, Lithuania Ph. +370 422 477 27 Fax +370 422 476 18 E-mail sidabravas@linasagro.lt

Company name	Principal activities	Registration date, code of legal entity, legal form, company register	Contact data
UAB Jungtinė Ekspedicija	Logistics and forwarding services	17/2/1998, Code of legal entity 141642963, private limited liability company, Register of Enterprises of Republic of Lithuania, VĮ Registrų centras	I. Kanto g. 12-3, LT-92235 Klaipėda, Lithuania Ph. +370 46 310 163 Fax +370 46 312 529 E-mail <i>info@je.lt</i> www.je.lt
Panevėžys District Žibartonių ŽŪB	Mixed agricultural activities	22/5/1992, Code of legal entity 168521815, agricultural company, Register of Enterprises of Republic of Lithuania, VĮ Registrų centras	Žibartonių St. 74, Žibartoniai vill., LT-78323 Panevėžys district, Lithuania Ph. +370 45 557 444 Fax +370 45 557 486 E-mail zibartoniai@linasagro.lt
Karčemos Kooperatinė Bendrovė	Grain processing and storage	9/3/2010, Code of legal entity 302487798, co-operative society, Register of Enterprises of Republic of Lithuania, VĮ Registrų centras	Šiaulių St. 72, Gustonys vill. LT-38355 Panevėžys district, Lithuania Ph. +370 45 454 051 Fax +370 45 454 054 E-mail priemimas@karcemoskb.lt

# **SUBSIDIARIES OPERATING IN FOREIGN COUNTRIES**

Company name	Principal activities	Registration date, code of legal entity, company register	Contact data
Linas Agro A/S	Wholesale trade of grains and oilseeds, feedstuffs and other similar products and services	15/3/1994, Code of legal entity CVR 17689037, register of the company – Danish Commerce and Companies Agency	Vinkel Allé 1, DK-9000 Aalborg, Denmark Ph. +45 988 430 70 Fax +45 988 440 07 E-mail info@linasagro.dk www.linasagro.dk
SIA Linas Agro	Wholesale trade of grains and oilseeds, agricultural inputs supply	23/4/2003, Code of legal entity 53603019011, Register of Enterprises of the Republic of Latvia	Bauskas St. 2, LV-3001 Jelgava, Latvia Ph. +371 630 840 24 Fax +371 630 842 24 E-mail info@linasagro.lv www.rapsim.lv
SIA Linas Agro Graudu Centrs	Grain processing and storage	2/5/2013, Code of legal entity 43603059101, Register of Enterprises of the Republic of Latvia	"Jaunsalieši", LV-5202 Jekabpils, Latvia Ph. +371 220 001 82 E-mail graudu.centrs@linasagro.lv
SIA Paleo	Warehousing services	15/2/2000, Code of legal entity 40003480783, Register of Enterprises of the Republic of Latvia	"lecavas baze", lecavas nov., LV- 3913 Latvia Ph. +371 639 415 41 Fax +371 639 419 55 E-mail paleo@linasagro.lv

Company name	Principal activities	Registration date, code of legal entity, company register	Contact data
SIA Dotnuva Baltic	Sale of seeds, agricultural machinery	26/04/2010, Code of legal entity 43603041881, Register of Enterprises of the Republic of Latvia	Jūrmalas St. 13C, Pinki, LV–2107 Babītes district, Latvia Ph. +371 679 131 61 Fax +371 677 602 52 E-mail info@dotnuvabaltic.lv www.dotnuvabaltic.lv
AS Dotnuva Baltic	Sale of seeds, agricultural machinery	11/11/2010, Code of legal entity 12019737, Estonian Central Register of Securities (Eesti Väärtpaberikeskus AS)	Savimäe 7, Vahi 60534, Tartu district, Estonia Ph. +372 661 2800 Fax +372 661 8004 E-mail info@dotnuvabaltic.ee www.dotnuvabaltic.ee
AS Putnu Fabrika Kekava	Poultry farming, production and marketing of poultry and poultry products	11/6/1991, Code of legal entity 50003007411, Register of Enterprises of the Republic of Latvia	Kekava, Kekava district, LV-2123 Latvia Ph. +371 6787 4000 Fax +371 6787 4001 E-mail info@pfkekava.lv www.vistas.lv
SIA PFK TRADER	Food retail	26/8/2013, Code of legal entity 40103703853, Register of Enterprises of the Republic of Latvia	Kekava, Kekava district, LV-2123 Latvia Ph. +371 6787 4000 Fax +371 6787 4001 E-mail info@pfkekava.lv www.vistas.lv
SIA Lielzeltini	Poultry farming, production and marketing of poultry and poultry products, feed production	7/7/1994, Code of legal entity 40003205232, Register of Enterprises of the Republic of Latvia	"Mazzeltini", Janeikas, Bauskas district, Latvia Ph. +371 6396 0770 Fax +371 6396 0768 E-mail lielzeltini@lielzeltini.lv www.lielzeltini.lv
SIA Broileks	Chicken breeding and sale	7/12/2009, Code of legal entity 50103262981, Register of Enterprises of the Republic of Latvia	Gaismas St. 2A-48, Kekava LV-2123, Latvia Ph./Fax +371 67313182
SIA Cerova	Egg incubation and chicken sale	8/10/2003, Code of legal entity 43603019946, Register of Enterprises of the Republic of Latvia	Centra St. 11, Musa, Bauskas district, Latvia Ph. +371 2633 4110 Fax +371 6392 6234 E-mail cerova@latnet.lv

### STRATEGY AND OBJECTIVES OF THE GROUP

The Group's strategy is to expand the core activities, by refusing none-core businesses and achieve synergies between activities. The focus is to develop and acquire such businesses that create the highest added value to the Group and its shareholders.

The main Group's objective is sustainable growth. The Group will strengthen its position in the Baltic and Scandinavian markets, plans to expand operations in Central European countries. As Group's activities are subdivided into four basic operating Segments, the long-term objectives in each are different:

- 1. 'Grain and Feedstuff Handling and Merchandising': expansion of grain trade in the Baltics, by opening new grain elevators and strengthening warehousing positions in the ports.
- 2. 'Products and Services for Farming': expansion of fertilizer trade business in Lithuania, Latvia, Poland and other CE countries; build the largest and best serving network of agricultural machinery services in the Baltics.
- 3. 'Food products': implementation of investment program, going from mio 62 Eur to mio 90 Eur sales within 3 years period.
  - 4. 'Agricultural Production': increasing productivity of agricultural companies.

# 5 ACTIVITY AND FINANCIAL RESULTS OF THE GROUP

Consolidated revenue of AB Linas Agro Group for 2015/16 financial year totaled EUR 616 million and was 7% more as compared to previous year (EUR 574 million).

The Group's sales volume in tons reached 2.2 million tons of various grains and agricultural inputs and was 11% more as compared to previous year (1.96 million tons).

The gross profit reached EUR 39.9 million or was 4% less than a year before (EUR 41.5 million).

Consolidated EBITDA decreased from EUR 21.8 million to EUR 17.1 million.

he Group's operating profit reached EUR 7.2 million or was 41% less as compared to the respective period of the previous year (EUR 12.3 million).

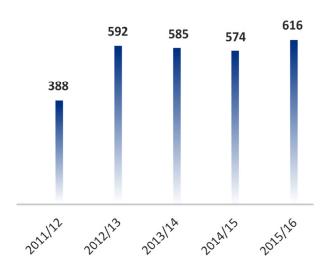
Profit before taxes amounted to EUR 5.3 million (compared to EUR 10.4 million in previous year). The net profit attributable to the Group stood at EUR 3.9 million (EUR 8.7 million in previous year).

The Group started the process of acquisition of fertilizers trading business in Latvia: it is planned to finalize the transaction in October 2017 and spend in total EUR 4.59 million.

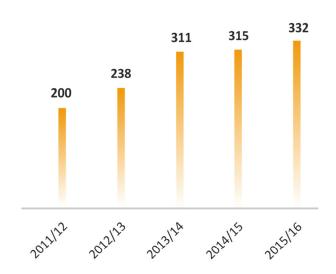
The total grain, feedstuff and fertilizers storage capacities operated by the Company are 340,000 tons, including 217,000 tons for grain, and 123,000 tons for fertilizers.

# S ALES REVENUE, ASSETS AND PROFIT

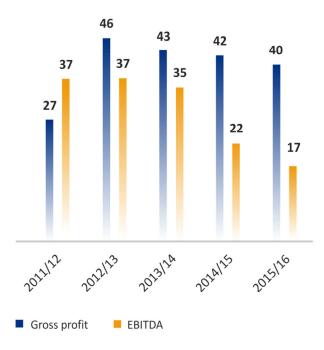
# SALES REVENUE, EUR MILLION



**ASSETS, EUR MILLION** 



GROSS PROFIT
AND EBITDA, EUR MILLION



# OPERATING AND NET PROFIT, EUR MILLION



# **FINANCIAL RATIOS**

	2012/13	2013/14	2014/15	2015/16	Change 2015/16 compared to 2014/15 (thousand EUR)	Change 2015/16 compared to 2014/15 (%)
Sales revenues (thousand EUR)	591,734	584,557	573,766	615,959	42,193	7.35
Sales in tons	1,767,224	2,339,135	1,968,469	2,187,388	218,919	11.12
Gross profit (thousand EUR)	45,831	43,199	41,480	39,881	-1,599	-3.85
EBITDA (thousand EUR)	36,828	34,731	21,736	17,135	-4,646	-21.33
Operating profit (thousand EUR)	30,138	26,287	12,337	7,232	-5,105	-41.38
Earnings before taxes EBT (thousand EUR)	29,282	24,005	10,360	5,316	-5,044	-48.69
Net profit (thousand EUR)	26,210	23,639	9,194	3,944	-5,250	-57.10
Margins, %						
Gross profit margin	7.75	7.39	7.23	6.47	-0.75	-10.44
EBITDA margin	6.22	5.94	3.80	2.78	-1.01	-26.72
Operating profit margin	5.09	4,50	2.15	1.17	-0.98	-45.40
Earnings before taxes margin	4.95	4.11	1.81	0.86	-0.94	-52.20
Net profit margin	4.43	4.04	1.60	0.64	-0.96	-60.04
Solvency ratios						
Current ratio	1.76	1.63	1.59	1.42	-0.17	-10.69
Debt / Equity ratio	0.47	0.66	0.63	0.59	-0.04	-6.35
Net financial debt / EBITDA	1.35	2.63	4.30	5.13	0.83	19.30
Return on equity (ROE), %	20.54	15.54	5.79	2.43	-3.36	-58.03
Return on capital employed (ROCE), %	16.72	10.05	3.99	2.82	-1.17	-29.32
Return on assets(ROA), %	11.02	7.60	2.91	1.19	1.72	-59.11
Basic and diluted earnings per share (EPS), EUR	0.16	0.17	0.06	0.03	-0.03	-50.00
Price earnings ratio (P/E)*	4.42	4.55	11.42	22.17	10.75	94.16
Dividends paid per share for the FY, EUR	0.0110	0.0092	0.0076			

<sup>\*</sup>The last close price of AB Linas Agro Group financial year

# **OVERVIEW**

The outstanding yields in the Baltic States boosted the Group's volumes in trading in grain, that increased by 25 percent up to 1.5 million tons, and the overall volumes of production sold by the Group increased by 11% and were reported at 2.2 million tons (nearly 2 million tons in 2014/15 financial year).

The greater part of the Group's production is sold in foreign markets, i.e. trade with foreign countries accounts for 70 percent of the turnover. The main regions for export were Europe (43 percent), Asia (16 percent) and African countries (9 percent).

The consolidated revenue of AB Linas Agro Group during 2015/16 financial year reached EUR 616 million, and was 7% higher than in previous year (EUR 574 million). A significant contribution to the increase of the revenue was a largely recovering sales of the Group's operations Segment 'Products and Services for Farming', where the sale volumes increased by nearly EUR 125 million up to EUR 168 million. The record yields achieved by the agricultural companies managed by the Groups boosted the sales of the Segment 'Agricultural Production' from EUR 25 million to EUR 27 million. However, due to the global fall in poultry prices the revenue from sales of the food product segments decreased by 3% from EUR 62 million to EUR 60 million. The overall revenue of the largest operational Segment 'Grain and Feedstuff Handling and Merchandising' remained nearly unchanged, and were reported at EUR 387 million, a little down from EUR 388 million in 2014/15 financial year.

The cost of goods and services of the Group increased from EUR 532 million to EUR 576 million (8.2%). The main reason for the increase in the cost was an increase in the grain trade volumes by 14%. Due to the increase in the volumes of trade in grains the logistics expenses accounting for 8% of the total cost, increased from EUR 42.6 million to EUR 45.3 million. The gross profit of AB Linas Agro Group for the 2015/16 financial year went down 4% and was reported at EUR 39.9 million (EUR 41.5 million in previous year).

During the reporting period the consolidated operating costs of the Group accounted for EUR 33.6 million, and were 9% higher as compared to the previous period (EUR 30.9 million). A major contributor to the growth of the costs was the increase in the labour costs that grew by nearly 19% due to the overall increase in wages on the national scale. The costs were also pushed up by the expenses related to one-off costs related to the relocation of the poultry slaughter house from Bauskė to Kekava (EUR 0.33 million).

The operating profit of AB Linas Agro Group fell from EUR 12 million to nearly EUR 7 million. One of the reasons adversely affecting the performance of the Group was the change in the value of the biological assets. At the end of the year the change in the market value of the crops, animals and poultry was negative, accounted for EUR 2.8 million; the overall drop in the value included an EUR 2 million decrease in the value of crops, animals and livestock and EUR 0.72 million as a drop in the value of poultry as compared to the previous year. A change in the value of biological assets represents the non-monetary costs that does not have a direct impact upon the flows.

The Group's consolidated earnings before interest, taxes, depreciation and amortization (EBITDA) were reported at EUR 17 million (EUR 22 million in 2014/15 financial year). Should the change in the value of the biological assets be eliminated, the Group's EBITDA would account for nearly EUR 20 million.

Since during the accounting period the Group did not affect any significant acquisition or disposal deals, differently from previous years, the Group's other income reported at EUR 1.5 million, compared to EUR 2.5 million in 2014/15 financial year. Other operating expenses accounted for EUR 0.6 million, the figure being similar to that the previous years (EUR 0.8 million).

From its financial and investment operations the Group suffered a loss of EUR 1.9 million – similar to that in 2014/15 financial year (EUR 1.98 million). Financial costs during the accounting period reached EUR 2.4 million, and were by 5% down from those in 2014/15 financial year (EUR 2.6 million). One of the main reasons that caused a fall in the financial costs was the continued decline in the interest rate base and the renegotiated banking margins with the banks funding the Group's operations.

The volume of the Group's financial debts decreased from EUR 100 million to EUR 95 million and due to ungoing drop in the interest base the relevant financial expenditures remained unchanged. A major share (62% or EUR 58 million) of the Group's financial debts was represented by short-term loans intended for funding the working capital.

The Groups net profit was reported at EUR 3.9 million, a drop by 57% since 2014/15 financial year (EUR 9 million). The net profit allocated to the Company's shareholders was EUR 4.1 million (EUR 8.7 million in 2014/15 financial year). The Group's net profit margin was 0.6%.

# CASH FLOWS AND LIQUIDITY

The objective of the Group is to have sufficient financial resources, maintain high liquidity level, a good quality balance sheet, have sufficient flexibility and space in borrowing, and be able to meet the Groups' working capital and investment needs.

As of the balance sheet date the Group had nearly EUR 7 million in cash and cash equivalents (EUR 7 million in FY 2014/15), its current solvency ratio was 1.42. The debt and equity ratio was 0.59 (0.63 last year). The Group's ratio of the net debt and the consolidated earnings before interest, taxes, depreciation and amortization (EBITDA) increased from 4.3 to 5.13. This adverse trend was essentially determined by the Group's EBITDA that fell from EUR 22 million to EUR 17 million. Should the impact of the biological assets upon EBITDA be eliminated, the relative ratio would be 4.42. The Group's financial debts accounted for EUR 95 million (exclusive the obligations under leasing (financial lease) (In FY 2014/15 the figure was EUR 100.3 million), and decreased by 5%. The Group's short-term debt share accounted for 62%, their major part was allocated for funding of the working capital, such debts are secured by inventories and amounts receivable.

The Group's cash flows from operating activities before the change in the working capital remained nearly unchanged and reached EUR 17 million, as compared to EUR 18 million during the respective period in previous years. The Group's cash flows from operating activities after the change in the working capital were positive and accounted for EUR 23 million (positive EUR 15 million during the respective period in FY 2014/15), as Group's debt to supplyers has grown by EUR 13 million over the referenced period.

The Group's cash flow from investment activity was negative and amounted to EUR 13.3 million (compared to EUR 16.0 million in the financial year 2014/15). During the reporting period all companies managed by the Group were actively involved in development including the expansion of the grain storage network, upgrading and renewal of non-current assets used by agricultural companies, and investments into poultry business.

The Group's cash flow from financial activity was negative and were reported at EUR 9.4 million, to a large extent the figure was determined by the decrease in the financial loans (change in the debt amounted EUR 5.5 million).

The Group's cash equivalents at the end of the reporting period accounted for EUR 7 million like in FY 2014/15.

AB Linas Agro Group is fully able to finance its main and investment activities. The Group finances its working capital and long-term investments at four major banks - AB SEB Bank, ABN AMRO Bank N.V., Swedbank AB and AB DNB bank. The overall credit line held in these banks exceeds EUR 150 million.

# PERFORMANCE RESULTS BY SEGMENTS

Activities of the Group are divided into five business segments:

- 1. Grain and Feedstuff Handling and Merchandising;
- 2. Products and Services for Farming;
- 3. Agricultural Production;
- 4. Food products;
- 5. Other.

#### **OPERATING PROFIT (LOSS) BY SEGMENTS, THOUSAND EUR**

	2015/16	2014/15	2013/14	2012/13	2011/12
Grain and Feedstuff Handling and Merchandising	9 617	7,484	10,978	23,379	9,189
Products and Services for Farming	2 816	965	1,796	7,645	25,835
Agricultural Production	758	3,532	4,848	8,232	2,479
Food products	(1 246)	3,193	9,888	n.d.	n.d.
Other	(176)	97	2,745	(72)	446



#### GRAIN AND FEEDSTUFF HANDLING AND MERCHANDISING

Being the largest operating Segment, this one includes the sale of grain, oilseeds and feedstuffs, as well as grain storage and logistics services.

'Grain' means wheat, barley, corn and some other types of grain. A large part of the activity in this Segment consists of selling grain grown in Lithuania and Latvia.

'Oilseeds' means rapeseed, sunflower and flax seeds.

'Feedstuffs' means sale of food industry's secondary products (such as sunflower cake, sunflower meal, rapeseed cake, soy meal, sugar beet pellets, etc.). 'Feedstuffs' also includes other feed-related products, such as soybeans and vegetable oils.

This Segment also includes handling of the grain for the export in elevators (cleaning, drying, storage, reloading) and logistics services.

The Group has been operating in this area since 1991, this activity generates the major part of the Group's revenue. Two companies of the Group – AB Linas Agro and Linas Agro AS – are holders of the European Good Trading practice certificates. Also AB Linas Agro holds a certificate in trade of organic plant production issued by the PE Ekoagros. The Group consistently expands the capacity of its own grain

elevators, and two brand new grain elevators — one in Lithuania and the other one in Latvia- started operating in FY 2015/16. Currently the Group's own storage capacity for various grains and inputs amounts to 340 thousand tons. The capacities of the storage facilities at ports operated by the Group reach 220,000 tons.

In 2015, the yield of cereals was record-breaking in all Baltic States: In Lithuania it was by 22% larger than in 2014, and accounted for 6.5 million tons, in Latvia the yield was 3 million tons, up by 36%, in Estonia the cereal yield was 1.5 million tons, or a 26% increase from 2014. The Group's sales in tons also reached record figures; the Group sold 1.8 million tons of cereal and feedstuffs (1.6 million tons in 2014/15 financial year).

The group maintained its position as of one the largest exporters in the Baltic region; it was exporting its production to more than 42 states in the world, the main export regions being Scandinavia, Saudi Arabia and Turkey. The main flows of goods were shipped from the Baltic seaports: 1.84 million tons of cargo were shipped from these ports with 1.3 million tons of cargo being sent from Lithuanian ports.

According to the data of the International Grains Council (IGC) the global grains transitional stocks in 2015–2016 marketing season totalled 471 million tons, up from 451 million tons a year ago. The total global grain yield reached 2 billion tons (as compared to 2,047 billion tons in 2014–2015 marketing season). The abundant yields in grain globally and the significant accumulated stocks had a negative impact upon the global prices of grain; the prices dropped in general as compared to 2014–2015 marketing season and were highly volatile, and actually maintained declining trend throughout the 2015–2016 marketing season. For example, the wheat price at MATIF in July - June was fluctuating from 158 to 200 EUR/ton, while it was 186–205 EUR/ton a year ago. Due to some shrinking in the supply the price of rapeseed increased from 317–350 EUR/ton last year to 356–380 EUR/ton this year.

# PERFORMANCE RESULTS OF 'GRAIN AND FEEDSTUFF HANDLING AND MERCHANDISING' SEGMENT

Main financial indicators	2011/12	2012/13	2013/14	2014/15	2015/16	Change 2015/16 compared to 2014/15 (%)
Sales in tons	962,970	1,541,250	1,621,885	1,596,754	1,815,937	13.7
Sales revenue, thousand EUR	262,538	472,629	421,622	388,313	386,906	(0.4)
Gross profit, thousand EUR	13,346	29,227	18,795	13,318	15,835	18.9
Gross profit margin	4.6%	6.2%	4.5%	3.4%	4.1%	20.6

Although the sale volumes in tons were significantly increasing, due to lower prices the revenues of the Segment remained nearly unchanged, and were reported at EUR 387 million (EUR 388 million in 2014/15 financial year). The sales of traditional crops (wheat, rapeseed, barley) increased the most by 17%: their sales revenue rose from EUR 245 million to EUR 288 million. The sales volume of feedstuff decreased from EUR 137 million to EUR 95 million due to the high ending stocks of feed manufacturers and a subsequent fall in demand, also because of poor harvests in some of the supply regions.

The grain storage facilities owned by the Group collected and processed over 541 thousand tons of various grains or 9% more as compared to the respective period of FY 2014/15 (497 thousand tons).

Differently from the previous season, this year the harvested grain was dry and therefore the drop in revenue from drying services has been recorded.

The Group invested over EUR 2.6 million into grain storage facilities and equipment over the referenced period.

Due to successful sales of grains, the Segment's operating profit increased by 16% from EUR 7.5 million to EUR 9.6 million.

### PRODUCTS AND SERVICES FOR FARMING

This business Segment includes trade in seeds, plant protection products, fertilizers, agricultural machinery, design and installation of grain cleaning, drying and storage facilities as well as farms.

A supply of agricultural inputs (certified seeds, fertilizers, plant protection products) to farmers is a long term activity of the Group that trace back to 1993 and is currently run in Lithuania, Latvia and Estonia.

Since 1998 the Group is a shareholder of UAB Dotnuva Baltic (former UAB Dotnuvos Projektai), a wholesaler and retailer of agricultural machinery and grain storage facilities, a producer of certified seeds. In June, 2016 UAB Dotnuvos Projektai and its subsidiaries in Latvia and Estonia changed their name to "Dotnuva Baltic".

Sales of agricultural machinery and equipment for grain elevators are directly affected by availability of EU structural funds. During the reporting period sales of new agricultural machinery increased under EU support to the farmers in Lithuania and Latvia. The purchases under EU support, particularly intensified in the Q4 of the 2015/16 financial year. But there was practically no EU support program for the purchase of new equipment in Estonia in 2015, since the first applications were approved only in late October 2015, after the end of the growing season; therefore farmers shifted planned investments to 2016. The next stage of approval of the farmers applications for funding was in spring, 2016, while actual purchases started by the end of the financial year. The economic situation in Estonia's dairy and livestock farms remains quite complicate, but the crop-oriented farms live better.

#### PERFORMANCE RESULTS OF 'PRODUCTS AND SERVICES FOR FARMING' SEGMENT

Main financial indicators	2011/12	2012/13	2013/14	2014/15	2015/16	Change 2015/16 compared to 2014/15 (%)
Sales in tons	333,469	144,197	205,298	215,947	224,184	3.8
Sales revenue, thousand EUR	120,172	114,920	127,962	125,376	168,071	34.1
Gross profit, thousand EUR	11,120	11,684	13,243	12,426	16,286	31.1
Gross profit margin	9.3%	10.2%	10.3%	9.9%	9.7%	(2.02)

The Group increased sales of various new and used agricultural equipment and machinery by 64% to 1,499 units over the reporting period as compared to previous year. The sales in units of the new

agricultural machinery increased by 24% in Latvia, by 72% in Lithuania and by 65% in Estonia as compared to previous year. Sales of tractors grew the most or by 96% to 308 units in all Baltic states. Successful sales has been recorded also in construction of new elevators as almost 36 new objects has been launched what was 1.7 times more as compared to previous year.

Group's revenue from the sales of agricultural machinery, spare parts and elevators equipment grew 72% to EUR 70 million, while gross profit from this business accelerated 94% from EUR 5.2 million to EUR 10.1 million. Revenue from agricultural machinery and grain processing equipment grew 79% in Lithuania to EUR 53 million, 58% in Latvia to EUR 12 million and 83% in Estonia to EUR 10 million. In April 2015 the Group started trading in modern equipment for farms, and at the end of the year the first modern stable for dairy cows was put into operation.

Revenue gained from sales of fertilizers, seeds and plant protection products increased by 13.5% to EUR 92 million.

Unfortunately, falling world prices for grain and energy commodities had a direct impact on fertilizer prices drop. That had negative impact on sales profit margins for fertilizers, where gross profit dropped from EUR 2.8 million to EUR 0.4 million.

Gross profit in trade of seeds and plant protection products grew 23% to EUR 4.8 million.

Sales revenue of this business Segment amounted to EUR 168 million, gross profit was EUR 16 million and operating profit stood at EUR 2.8 million (revenue in FY 2014/15 was EUR 125 million, gross profit EUR 12.4 million and operating profit EUR 1 million).

The Group invested over EUR 0.6 million to install storage facilities of liquid fertilizers over the referenced period. Also the Group acquired a fertilizers trading business in Latvia for EUR 4.59 million: the subsidiary of AB Linas Agro Group, UAB Linas Agro Grūdų centras KŪB acquired SIA Paleo, company that runs warehousing business, while SIA Linas Agro is taking over the fertilizer trade business and trademark from SIA Latfert. The overall Group's fertilizers storage capacities total 123,000 tons.

During the accounting period the Group started cooperating with the globally reputed pesticides and seed producer Monsanto and Agronutrition, a very well known in Europe French producer of microelement fertilizers. In response to the inquiries and requests by the customers the Company largely expanded the range of microelement fertilizers, and offered to the market chelatic microelements in liquid form. For the Lithuanian market the Group offered completely new and much more productive species of hybrid winter barley, winter wheat, summer wheat, and significantly expanded the supply of already well established species of winter and summer rapeseed, cereals, beans and peas.

A partial upgrade of seed manufacturing plant at Dotnuva has been accomplished in 2015 to increase its production capacity by 16%. In 2015, the Group became the only authorised representative in Lithuania of a manure spreader manufacturer Jeantil from France, and in 2016 it became the only authorised representative in the Baltic states of SILOKING, a manufacturer of vertical feed mixers-dispensers.



#### **AGRICULTURAL PRODUCTION**

This business Segment covers cultivation of cereals, oilseed rape, sugar beet and other crops, production of milk and beef cattle farming. The Group owns six agricultural companies situated on fertile land across Lithuania – Panevėžys District Aukštadvario ŽŪB, Panevėžys District Žibartonių ŽŪB, Kėdainiai District Labūnavos ŽŪB, Šakiai District Lukšių ŽŪB, Biržai District Medeikių ŽŪB and

Sidabravo ŽŪB. During the reporting period Užupės ŽŪB ceased its farming activities and transferred its main assets as a contribution to increase the share capital of Panevėžys District Žibartonių ŽŪB, becoming its biggest shareholder. The current activity of the company is a land rent.

Agricultural companies were cultivating 16,871 ha of land. At the end of the reporting period the Group had 6,762 ha of own land. The Group cannot expand the areas of agricultural land, because Lithuanian legislating has put in place certain restrictions for enlargement of land areas for legal and natural persons.

Due to the low profitability of growing the farming companies minimized triticale and feed barley growing areas, and increased legume areas. More than 8.8 thousand ha were planted with winter grains and only 3% of crops were lost. But the dry and hot weather in June had a negative impact on crops — it is forecasted that winter crop yields will be 0.5 t/ha less and summer crop yields will decrease by 1t/ha.

#### PERFORMANCE RESULTS OF 'AGRICULTURAL PRODUCTION' SEGMENT

Main financial indicators	2011/12	2012/13	2013/14	2014/15	2015/16	Change 2015/16 compared to 2014/15 (%)
Sales in tons	42,907	77,484	100,319	113,531	117,219	3.2
Sales revenue, thousand EUR	13,622	23,305	27,603	25,153	27,153	7.95
Gross profit, thousand EUR	3,554	4,890	4,344	6,049	3,525	(41.7)
Gross profit margin	26.1%	21.0%	15.7%	24.0%	13.0%	(45.8)

Group controlled farms harvested a record amount of various crops or 92 thousand tons what was 6% more if compared to previous year. Almost 77 thousand tons of crops were sold or 14% more if compared to previous year.

The yields of the majority of our cultivated crop are always well above the average in Lithuania, e.g. 2015 average wheat yields were 6.9 tons/ha (Lithuanian average 5.2 tons/ha), rapeseed – 4.67 tons/ha (Lithuanian average –3.1 tons/ha), malting barley - 6.2 tons/ha with 4.0 tons/ha as the Lithuanian average.

Group owned farms had 3,201 milking cows in total or almost the same as a year before (3,210 cows). Average milk yield per cow in our Group is 8,833 kg, while average in Lithuania is 5,636 kg. Almost 31.2 thousand tons of raw milk has been sold over the referenced period or almost the same if compared to the respective period of previous year (31.3 thousand tons). The raw milk purchase price was 13% less compared to what was a year ago. Revenue from the milk sales dropped by 7% and amounted to EUR 7 million (EUR 7.5 million a year before). By comparing the average milk purchase price in FY 2015/16 to the same price in FY 2014/15, we evaluate, that the Group have lost more than 1 million euros in profit because of the decreased milk purchase prices.

A slight recovery in raw milk prices is expected in FY 2016/17 and that is already recorded in milk sale contracts for September.

It was sold 1.3 thousand tons of meat or almost the same as year ago and sales revenue stood also at the same level or EUR 1.5 million.

Agricultural companies invested almost EUR 2.5 million into agricultural equipment and grains storage and drying facilities.

The revenue of this business Segment went up 8% to EUR 27 million (EUR 25 million in 2014/15 financial year) as revenue from sales of crops grew up from EUR 12.7 million to EUR 14.1 million.

Taking into account a fair value adjustments in biological assets (that resulted into EUR 2 million loss), the Segment's operating profit dropped from EUR 3.5 million to EUR 0.8 million.



#### **FOOD PRODUCTS**

This business Segment includes a full cycle poultry business, including incubation of hatching eggs, broiler breeding, production of poultry and its products, feed manufacturing for self-supply and retail sale of chicken meat and its products. The Group has acquired shares of Latvian poultry company AS Putnu Fabrika Kekava in October, 2013 and the companies SIA Broileks, SIA Cerova and

SIA Lielzeltini in February, 2014.

AS Putnu Fabrika Kekava – No1 poultry producer in Latvia with full poultry manufacturing cycle, including egg incubation, chicken hatching, broiler breeding, production of fresh poultry and processed products under brand name "Kekava". The subsidiary of the company, SIA PFK Trader operated 22 retail shops all over Latvia.

SIA Lielzeltini – No2 poultry producer in Latvia: has an incomplete production cycle consisting of broiler breeding, production of fresh poultry and processed products sold under the brand name "Bauska", as well as production of compound feed.

SIA Broileks grows and sells live chicken. SIA Cerova incubate eggs and sells day-old chicks.

As it has been already mentioned in the previous reports of the Company, the general fall in prices of raw materials has negatively affected the food prices all over the world. According to the data of UN Food and Agricultural organization, FAO food price index, accounting also prices for meat, decreased from 164.9 to 163.2 points over the referenced period, while meat price index decreased almost 7% from 169.5 to 157.9 points over the referenced period. An average broiler price in the EU in June, 2016 was about EUR 183 per 100 kg or 6% less than a year before (EUR 194 per 100 kg). Drop of the world meat prices was the main reason that negatively affected performance of this business Segment. The Group's average poultry sales price dropped 3% from previous year.

#### PERFORMANCE RESULTS OF 'FOOD PRODUCTS' SEGMENT

Main financial indicators	2011/12	2012/13	2013/14	2014/15	2015/16	Change 2015/16 compared to 2014/15 (%)
Sales in tons	-	-	17,023	40,881	30,048	(26.50)
Sales revenue, thousand EUR	-	-	33,600	62,180	60,334	(3.0)
Gross profit, thousand EUR	-	-	5,657	9,642	4,496	(53.4)
Gross profit margin	-	-	16.8%	15.5%	7,5%	(49.0)

The poultry companies produced 38 thousand tons of live weight or 1.7% more as compared to previous year (37 thousand tons of live weight). Around 27 thousand tons of poultry and poultry products were sold (31 thousand tons a year before). The Group became the principal supplier of poultry products to Lidl network in Lithuania. The slaughterhouses at which the birds are being slaughtered were issued Halal certificates.

Revenue from this business Segment remained almost the same and amounted to EUR 60.3 million (EUR 62.2 million in FY 2014/15) while the operating profit, due to decreased prices and shrunken margins, went down from EUR 3.2 million a year before to a EUR 1.3 million loss this year. The cost of goods and production increased by 12% or EUR 6.3 million as compared to the corresponding period last year. The negative change in the value of biological assets (poultry) also had a negative impact on profitability as decline in poultry market prices at the end of the financial year resulted into EUR 0.72 million loss. Without it, Segment's operating loss would be EUR 0.5 million.

Over referenced period Group concentrated its slaughtering capacities in one place, by transferring it from Bauske to Kekava. Also almost EUR 8 million has been invested to increase the capacity of the slaughterhouse and effectiveness of cutting lines, to modernize feed production and production package equipment.



#### **OTHER**

This business Segment includes small activities, not attributable to other Segments, as an example services of elevator's to a third parties, sale of minor assets and etc.

#### PERFORMANCE RESULTS OF 'OTHER' SEGMENT

Main financial indicators	2011/12	2012/13	2013/14	2014/15	2015/16	Change 2015/16 compared to 2014/15 (%)
Sales in tons	9,273	4,293	394,610	1,356	0	0
Sales revenue, thousand EUR	2,648	3,110	1,678	21	(246)	Neg.

Main financial indicators	2011/12	2012/13	2013/14	2014/15	2015/16	Change 2015/16 compared to 2014/15 (%)
Gross profit, thousand EUR	446	31	1,159	21	(261)	Neg.
Gross profit margin	16.8%	1.0%	69.08%	100.0%	(6.1%)	Neg.

The operating loss of this business Segment amounted to EUR 0.2 thousand compared to a EUR 97 thousand profit in previous year.

### **NVESTMENTS**

During the reporting period the Group's subsidiaries have invested nearly EUR 18 million. Major investments of the Group by character:

Investment object	Investment amount, thousand EUR
Grain storage equipment, warehouses, buildings, various appliances and other machinery	2,310
Purchase and upgrade of agricultural machinery, vehicles, equipment, buildings and purchase of land	6,271
Modernization and renovation of poultry farms	9,367



# THE PUBLICLY DISCLOSED INFORMATION

During the reporting period ended 30 June, 2016, the Company publicly disclosed and distributed via Nasdaq Vilnius GlobeNewswire system and in Company's website the following information:

23/06/2016 10:00 EEST	Notification on AB Linas Agro Group manager's related party transactions	Notifications on transactions concluded by managers of the companies	EN, LT
31/05/2016 10:00 EEST	Notification about interim 9 months financial results of the financial year 2015/2016	Interim information	EN, LT
22/04/2016 09:45 EET	AB Linas Agro Group acquires fertilizers trading business in Latvia	Notification on material event	EN, LT

29/02/2016 09:00 EET	Notification about interim 6 months financial results of the financial year 2015/2016	Interim information	EN, LT
23/12/2015 09:00:32 EET	Notification on AB Linas Agro Group manager's related party transactions	Notifications on transactions concluded by managers of the companies	EN, LT
15/12/2015 09:30:32 EET	AB Linas Agro Group Notification about disposal of voting rights	Notification about acquisition (disposal) of a block of shares	EN, LT
02/12/2015- 08:30:31 EET	AB Linas Agro Group investor's calendar for the 2016	Other information	EN, LT
27/11/2015 09:23:32 EET	Notification about interim 3 months financial results of the financial year 2015/2016	Interim information	EN, LT
26/11/2015 11:34:32 EET	Registration of new wording of the Articles of Association of AB Linas Agro Group and authorized capital expressed in euro	Additional information	EN, LT
22/10/2015 16:02:33 EEST	Decisions of the Annual General Meeting of AB Linas Agro Group Shareholders, held on 22 October 2015	Notification on material event	EN, LT
22/10/2015 16:02:33 EEST	Procedure for the payout of dividends for the financial year ended 30 June 2015	Notification on material event	EN, LT
22/10/2015 16:01:33 EEST	AB Linas Agro Group notification about the Annual information of the financial year 2014/2015	Annual information	EN, LT
02/10/2015 14:00:31 EEST	AB Linas Agro Group presentation to investors	Other information	EN, LT
29/09/2015 09:00:32 EEST	Notice on Annual General Meeting of Shareholders of AB Linas Agro Group	Notification on material event	EN, LT
28/08/2015 09:06:34 EEST	Notification about interim 12 months financial results of the financial year 2014/2015	Interim information	EN, LT
27/08/2015 10:00:31 EEST	Changes in management of Latvian poultry farming companies owned by AB Linas Agro Group	Notification on material event	EN, LT
31/07/2015 09:00:32 EEST	Swedbank issues over 11m euros in loans to producers AS Putnu fabrika Ķekava and SIA Lielzeltiņi to AB Linas Agro Group controlled companies	Other information	EN
31/07/2015 09:36:32 EEST	SEB Bank increasing its financing for AB "Linas Agro" by EUR 26 million	Notification on material event	EN, LT

### OTHER EVENTS DURING THE REPORTING PERIOD

Aug 2015-June 2016	The Company additionally acquired 2,006 shares of AS Putnu fabrika Kekava.
Mar-June 2016	The authorized capital of ŽŪB Landvesta 5 was increased from 681,475.91 to 906,500 euros.
Jan-April 2016	The authorized capital of Panevėžys District Žibartonių ŽŪB was increased from 913,098.50 to 1,857,198.50 euros.
Jul 2015- June 2016	The authorized capital of Noreikiškių ŽŪB was increased from 433,000 to 511,000 euros.
30/09/2015	The authorized capital of UAB Lineliai was increased from 553,000 to 638,000 euros.
18/08/2015	The company UAB Žemės Ūkio Investicijos was delisted from the Center of Register of Republic of Lithuania.
17/07/2015	The authorized capital of ŽŪB Landvesta 4 was increased from 553,753.48 to 603,777.11 euros.

# SUBSEQUENT EVENTS

23/09/2016	The company transferred 3,000 units of own shares to the employees of AB Linas Agro. After these transactions, the number of own shares owned by the Company was 782,972.
21/09/2016	The authorized capital of UAB Lineliai was increased from 638,000 to 728,000 euros.
July-September 2016	The authorized capital of ŽŪB Landvesta 5 was increased from 906,500 to 1,106,500 euros.
01/07/01	The authorized capital of SIA Linas Agro Graudu Centrs was increased from 1,656,828 to 2,180,000 euros.

# 7 SCOPE OF RISK AND MANAGEMENT THEREOF

# MARKET RISK

Market risk shall be understood as a risk to generate profit lower than planned if the tone of market prices is unfavorable. This may happen if market price fell below the intervention prices (minimal purchase prices for grains established by state authorities) as it would prevent the Group from receiving surplus profit. In a market situation when grain purchase prices fall due to certain reasons, intervention prices are used as a leverage to uphold a certain price level and thus to ensure guaranteed income to farmers. When intervention prices are higher than or identical to market prices, the Group sells the purchased grains to the agency and thus earns certain income which under regular market conditions would be lower than market prices. Starting from 2005, intervention prices are set by the EU and are calculated for two years in

advance. The mechanism has not been applied so far; however, if intervention prices were applied, the Group would have been deprived of surplus profit.

In FY 2015/16 this risk did not manifest itself as regards the Company and the Group.

# RISK RELATED TO ACTIVITIES OF SUBSIDIARIES

Subsidiary companies of the Group are engaged in the trade of agricultural raw materials, agricultural production, rearing of poultry and poultry production, storage of agricultural products and other activities. Poultry enterprises need to face the operational risk related to this sector including the cessation of the production as well as disease, environmental and other risks. Even though most of the subsidiaries are profitable, adverse developments in the markets, in which the parent company and its subsidiaries operate, may affect their yields. Managers for corresponding businesses within the Group follow closely and analyze the activity of the subsidiary companies and their key transactions, provide operational budgets of the companies under the authority of the Group's Board as well as monitor the implementation and key developments in these companies' budgets.

This risk did not manifest itself as regards the Company and the Group in FY 2015/16.

### **POLITICAL RISK**

Agriculture is a strictly regulated and supervised sector of economy in the European Union. Although this regulation and control are mostly aimed at ensuring sufficient income for entities engaged in agricultural activities, political changes may affect the situation in the market where the Group operates. For example, reduction of subsidies to agriculture may affect the activities of agricultural companies controlled by the Group. Also, demand for agricultural products is impacted by political decisions - embargoes, import or export bans.

The Group has been affected by such risk in FY 2015/16 in several ways:

- 1. The abolishment of milk quotas has created a surplus of raw milk in the market. Also a Russian embargo for EU dairy products has negatively affected prices for raw milk, what eventually had a negative impact on profitability of the farming companies of the Group and sales of farming equipment.
- 2. There were some major delays in the support to farmers from the EU structural funds for the acquisition of agricultural machinery, which adversely affected the trade in agricultural machinery in all Baltic States.

# SOCIAL RISK

The experience and knowledge of the management determine the ability of the Group to retain its competitive status and implement its growth strategy. However, there are no guarantees that all key employees of the Group will stay with the Group in the future. Loss of such employees or the Group's failure to recruit new employees possessing appropriate knowledge may have a significant adverse impact on the business outlook and financial position of the Group. Non-competition agreements are signed with some executives.

This risk did not manifest itself as regards the Company and the Group in FY 2015/16.

### COUNTERPARTY RISK

The Group enters forward contracts with farmers who commit the delivery of production under terms and conditions of the contract. As the prices of products increase, the risk of breach of forward contracts and non-delivery of production by counterparties emerges. The bigger the difference between the contract price and the current market price on the day of delivery, the higher is the risk.

The Group, according its risk management policy is using risk management mitigating tools for forward purchases. No loss has been recorded, as the situation in the market was positive for such forward purchases. The Group continuously monitored and analyzed the market, has revised and stringent the terms of its purchase agreements, analyzed probable scenarios for losses and made certain decisions to control risk (for example, setting limits on forward contracts, evaluation and assessment of client's credit rating, capacity of cultivated land etc.).

In order to manage the risk related to certain products, the Group concludes forward contracts on commodity exchange NYSE Euronext Paris SA. The Group trades in futures to control the price risk arising from purchasing and selling rapeseed and wheat. The Group has approved an internal trade risk management system and established the credit risk management committee that analyses trade transactions entered into by the Company as well as their amounts and limits. Some of the buyers (buyers' solvency risk) are insured with international insurance companies.

This risk did not manifest itself as regards the Company and the Group in FY 2015/16.



As at 30 June 2016 the number of employees of the Group was 2,261 or 73 employees less than as at 30 June 2015(2,334).

The number of employees of the Company remained unchanged and was 9 (9 as at 30 June 2015).

# DISTRIBUTION OF EMPLOYEES OF THE GROUP BY POSITIONS AND AVERAGE MONTHLY SALARY BEFORE TAXES:

	The number of at the end of fin	• •	Average monthly salary in EUR		
	30 June 2016	30 June 2015	30 June 2016	30 June 2015	
Managers	141	132	2,492	2,447	
Specialists	554	612	1,197	1,336	
Workers	1,566	1,590	956	734	
Total	2,261	2,334			

# DISTRIBUTION OF EMPLOYEES OF THE GROUP BY EDUCATION DEGREE HELD:

	30 June 2016	30 June 2015
Graduate academic	485	408
Higher education	358	446
Secondary education	1,115	1,146

Primary	303	334
Total	2,261	2,334

### DISTRIBUTION OF EMPLOYEES OF THE GROUP BY GEOGRAPHICAL LOCATIONS:

	30 June 2016	30 June 2015
Lithuania	1,009	1,097
Latvia	1,205	1,184
Estonia	40	47
Denmark	7	6
Total	2,261	2,334

AB Linas Agro Group has no collective agreement.

All employment contracts concluded by the Group with the Company's and Group's employees are entered into in accordance with the Labor Code of the Republic of Lithuania and respective legal requirements in Latvia, Estonia and Denmark. Both hiring and dismissal of employees is carried out pursuant to the requirements of the Labor Code. No special rights or obligations of employees are provided for in employment contracts.

Employees have undertaken the obligation of non-disclosure of confidential information. Some Board members and key executives have signed confidentiality and non-competition agreements.



# STRUCTURE OF THE AUTHORISED CAPITAL

On 30 June, 2016 the authorized capital of the Company amounted to EUR 46,092,715.42. The authorized capital of the Company is divided into 158,940,398 ordinary registered non-certificated shares. The nominal value of one share is EUR 0.29. ISIN code of the shares is LT0000128092.

The Company's share capital changed on 26 November 2015, when the new Articles of Association of the Company were registered in the Register of Enterprises of Republic of Lithuania, after the nominal value of the shares was changed from 1 LTL to 0.29 Eur.

Type of shares	Number of shares	Nominal value (EUR)	Total nominal value (EUR)	Portion in the authorized capital (%)
Ordinary registered shares	158,940,398	0.29	46,092,715.42	100
Total	158,940,398	_	46,092,715.42	100

All the shares of the Company are fully paid and they are not subject to any restrictions of the transfer of securities.

All shares issued by the Company grant equal rights to the Company's shareholders. The Company has not issued any shares of a class other than the aforementioned ordinary shares. Each ordinary share of the Company shall grant one vote at the General Meeting of Shareholders (except 785,972 ordinary registered shares acquired by the Company that do not give the right to vote).

Neither limitations of the rights granted by the Company's shares nor special control rights for shareholders are provided for in the Company's Articles of Association.

### NFORMATION ABOUT THE COMPANY'S OWN SHARES

At the end of the reporting period, the Company holds 785,972 units of Company's shares which do not grant the right to vote in the General Meeting of Shareholders.

The subsidiaries of the Company have not acquired any shares of the Company.



The number of Company's shareholders at the end of the reporting period (30 June 2016) totaled 933.

# DISTRIBUTION OF THE COMPANY'S SHAREHOLDERS BY COUNTRY OF RESIDENCE AND LEGAL FORM:

Investors	Number of shares	Portion in the authorized capital and voting rights	
Non-resident investors			
Companies	119,586,561	75.24%	
Individuals	1,616,601	1.02%	
Resident investors			
Companies	2,682,070	1.69%	
Individuals	35,055,166	22.05%	
Total	158,940,398	100.00%	

The shareholders controlling more than 5% of the Company's shares and/or votes in the General Meeting of shareholders as at 30 June, 2016:

	Number of shares held	Portion in the authorized capital and voting rights
Akola ApS (public company, company Code 2517487; registration address: Algade 31 9000 Aalborg, Denmark)	100,269,646	63.09%
Darius Zubas	17,049,995	10.73%
Swedbank AS (public company, company code 1006070, registration address: LIIVALAIA 8, Tallinn, Estonia) clients	10,367,627	6.52%

Shareholders of the Company have all the property and non-property rights specified in the Articles 15 and 16 of the Law of the Republic of Lithuania on Companies.

There are no Company shareholders possessing special control rights; the Company's ordinary non-certificated shares grant equal rights to all shareholders of the Company.

The Company does not have any further information about any agreements between shareholders due to which the shareholders' and/or voting rights might be limited.

# 11 THE COMPANY'S BODIES AND THEIR COMPETENCE

The Company's bodies shall be as follows:

- 1. The supreme body of the Company the General Meeting of Shareholders;
- 2. The collegial management body the Board;
- 3. The single-person management body the Head of the Company (Managing Director).

The Supervisory Board shall not be formed in the Company.

As from 28 October 2010 the Company has an Audit Committee which was re-elected for the next 4 years cadence by Shareholders of the Company on 30 October 2014.

Audit Committee is responsible for implementing risk management system related to composition of consolidated financial statements.

### GENERAL MEETING OF SHAREHOLDERS

General Meeting of Shareholders is the supreme body of the Company.

The procedure for the convening and organisation of a General meeting of shareholders, and for passing decisions is established in the Law on Companies of the Republic of Lithuania.

In 2015/16 financial year, the Company held one (regular) general meeting of shareholders on 22 October 2015. The meeting was attended by the shareholders of the Company holding 77.52% of all voting shares of the Company, and five members of the Company's Board – Arūnas Zubas, Dainius Pilkauskas, Darius Zubas, Tomas Tumėnas and Vytautas Šidlauskas.

# **BOARD OF THE COMPANY**

The Company's Board shall be responsible for the strategic management of the Company and other essential management functions.

The Company's Board consists of 7 (seven) members to be elected for a period of 4 (four) years. 24 October 2016 is the date of expiry of the term of office of the current Board of the Company, therefore the general meeting of shareholders on 27 October 2016 will be electing members of the Board for its new term of office.

The Company's Board shall be elected by the Company's General Meeting of Shareholders pursuant to the following procedure and rules:

1. The Company shall be obliged to disclose to the Company's General Meeting of Shareholders all reasonably required information about the candidates to the Company's board members in order to enable the Company's General Meeting of Shareholders to adopt a document decision on the election of the Company's board members. The information should be provided prior to the Company's General Meeting

of Shareholders, while providing the shareholders with a sufficient time reserve for deciding as for which candidate to vote.

- 2. During the election of the Company's board members, each shareholder of the Company shall have the number of votes which is equal to the number of votes carried by the shares held by him/her as multiplied by the number of members of the Board being elected. The shareholder shall distribute the votes at his/her own discretion, giving them for one or several candidates. Candidates who receive the greatest number of votes shall be elected.
- 3. If the number of candidates who received an equal number of votes is larger than the number of vacancies on the Company's Board, a repeat voting shall be held in which each shareholder may vote only for one of the candidates who received an equal number of votes.

The Board shall perform its functions during the term for which it was elected, or until the new board has is elected and starts functioning; however, not longer than until the Company's General Meeting of Shareholders to be held in the year of the expiration of the term of the Board.

The number of terms of Board members shall be unlimited.

The General Meeting of Shareholders may remove from office the entire Board *in corpore* or its individual members before the expiry of their term.

A member of the Company's Board shall have the right to resign from his/her office in the Company's Board prior to the expiry of his/her term upon giving a written notice thereof to the Company's Board Chairperson 14 (fourteen) calendar days prior to the resignation.

The Board shall perform the functions and have authorities provided for in the Law of the Republic of Lithuania on Companies and other legal acts of the Republic of Lithuania, the Company's Articles of Association and decisions of the General Meeting of Shareholders.

The Board shall elect and remove from the office the Head of the Company, establish his/her remuneration and other conditions of his/her employment contract, approve his/her office regulations, motivate and impose penalties on him/her.

As at 30 June 2016, the number of the Company's board members was 7. The Company does not have independent members of the Board.

In 2015–2016 financial year the Company convened and held nine meetings of the Board, that were attended by all members of the Board, including the voting ballots submitted by members of the Board in advance.

#### THE MEMBERS OF THE BOARD (as at 30 June, 2016):



Darius Zubas



Vytautas Šidlauskas



Artūras Pribušauskas



Tomas Tumėnas



Arūnas Zubas



Andrius Pranckevičius



Dainius Pilkauskas

Name	Number of shares held and participation in Company's authorized capital	Position within the Board	Cadence starts	Cadence ends
Darius Zubas	17,049,995 or 10.73% of shares	Chairman of the Management Board	25/10/2012	24/10/2016
Vytautas Šidlauskas	6,003,521 or 3.78% of shares	Deputy Chairman of the Management Board	25/10/2012	24/10/2016
Dainius Pilkauskas	480,281 or 0.3% of hares	Member of the Management Board	25/10/2012	24/10/2016
Arūnas Zubas	480,281 or 0.3% of shares	Member of the Management Board	25/10/2012	24/10/2016
Artūras Pribušauskas	11,000 or 0.01% of shares	Member of the Management Board	24/10/2013	24/10/2016
Tomas Tumėnas	2,200 or 0.001% of shares	Member of the Management Board	25/10/2012	24/10/2016
Andrius Pranckevičius	Does not have shares of the Company	Member of the Management Board	25/10/2012	24/10/2016

**Darius Zubas** (b. 1965) – the main founder of the Group. Managing Director of the Company since 1997. Graduated from Veterinary Academy of Lithuanian University of Health Sciences in 1988.

**Vytautas Šidlauskas** (b. 1963) graduated from Faculty of Chemistry of Kaunas University of Technology in 1987. Has been employed with the Group since 1991.

**Dainius Pilkauskas** (b. 1966) – a graduate of Veterinary Academy of Lithuanian University of Health Sciences in 1991. Has been employed with the Group since 1991.

**Arūnas Zubas** (b. 1962) graduated from Faculty of Chemistry of Kaunas University of Technology in in 1985. He was employed with the Group from 1995 to 2005.

**Artūras Pribušauskas** (b. 1963) graduated from Kaunas University of Technology, Faculty of Chemistry in 1986. Joined the Group in 1993. In 2004, he attended the ACT (Association of Corporate Treasurers) corporate treasury courses in the UK. Head of treasury in AB Linas Agro Group since 2010. Member of the Audit Committee of the Company.

Tomas Tuménas (b. 1972) obtained the diploma in Economics from Vilnius University in 1995 and a certificate in International Business Economics from Aalborg University. Has been employed with the Group since 2001. In 2011 obtained MBA (Master of Business Administration, Program for (Full) Financial Specialist & Managers) at Manchester Business School, The University of Manchester. Finance Director of AB Linas Agro Group since 2009.

Andrius Pranckevičius (b. 1976) – a graduate of Kaunas Technological University where in 1998 he obtained a bachelor's degree in Business Administration and, in 2000, master's degree in Marketing Management. Joined the Group in 1999. He also took executive education programs in Harvard Business School, Wharton Business School, Stanford and Berkeley Business School (2004–2007) and program of leadership development in Harvard Business School (2009). Deputy Managing Director of AB Linas Agro Group since 2009.

Board members controlling more than 5% of other Companies shares and votes:

Name	Participation in other Companies authorized capital
Darius Zubas	Akola ApS 71% votes; UAB MESTILLA 14.3% votes.
Vytautas Šidlauskas	Akola ApS 25% votes; UAB MESTILLA 5% votes.

Andrius Pranckevičius, Arūnas Zubas, Dainius Pilkauskas, Tomas Tumėnas and Artūras Pribušauskas do not have more than 5% of shares in the other companies.

The Company has not granted any loans, guarantees or surety ships to the members of the Board that would ensure fulfillment of their obligations.

The Group's management remuneration amounted to EUR 1,409 thousand (including EUR 923 thousand bonuses) for the year ended 30 June 2016. Average remuneration to the member of management board was EUR 201 thousand.

#### **ACTIVITIES OF THE BOARD MEMBERS IN OTHER COMPANIES**

Person / Companies	Position	Since	Until	Held currently
Darius Zubas				
Companies of the Group				
AB Linas Agro	Managing Director	1991	_	Yes
	Chairman of the Management Board	2006	_	Yes
Linas Agro A/S	Chairman of the Management Board	2004	_	Yes
AS Putnu Fabrika Kekava	Chairman of the Supervisory Board	2014	-	Yes
UAB Gerera	Director	1993	1999	No
UAB Dotnuva Baltic	Chairman of the Management Board	2015	_	Yes
SIA Linas Agro	Chairman of the Supervisory Board	2015	_	Yes
SIA Lielzeltini	Chairman of the Supervisory Board	2015	-	Yes
AS Dotnuva Baltic	Chairman of the Supervisory Board	2015	-	Yes
SIA Paleo	Chairman of the Management Board	2016	-	Yes
Other companies:				
UAB MESTILLA	Chairman of the Management Board	2006	-	Yes
Vytautas Šidlauskas				
Companies of the Group:				
AB Linas Agro	Trade Director	1999	_	Yes
	Director	1991	1999	No
	Deputy Chairman of the Management Board	2006	-	Yes
UAB Gerera	Managing Director	1993	-	Yes
Linas Agro A/S	Member of the Management Board	2004	-	Yes
SIA Linas Agro	Deputy Chairman of the Supervisory Board	2015		Yes

Person / Companies	Position	Since	Until	Held currently	
UAB Dotnuva Baltic	Deputy Chairman of the Management Board	2015	-	Yes	
AS Dotnuva Baltic	Member of the Supervisory Board	2015	_	Yes	
AS Putnu Fabrika Kekava	Deputy Chairman of the Supervisory Board	2015	-	Yes	
SIA Lielzeltini	Deputy Chairman of the Supervisory Board	2015	-	Yes	
SIA Paleo	Member of the Management Board	2016	_	Yes	
Other companies:					
UAB MESTILLA	Member of the Management Board	2006	_	Yes	
Arūnas Zubas Companies of the Group:					
AB Linas Agro	Member of the Management Board	2006	-	Yes	
	Commerce Director	1995	2005	No	
AS Putnu Fabrika Kekava	Member of the Supervisory Board	2015	_	Yes	
SIA Lielzeltini	Member of the Supervisory Board	2015	_	Yes	
Other companies:					
UAB MESTILLA	Managing Director	2005	_	Yes	
Dainius Pilkauskas					
Companies of the Group:					
AB Linas Agro	Trade Director for Baltic States	2006	-	Yes	
	Member of the Management Board	2006	-	Yes	
	Commerce Director	1991	2006	No	
SIA Linas Agro	Member of the Supervisory Board	2015	-	Yes	
Andrius Pranckevičius					
Companies of the Group:					
AB Linas Agro	Deputy Managing Director	2005	_	Yes	
	Member of the Management Board	2006	_	Yes	
	<b>Business Development Manager</b>	2003	2005	No	
	Project Manager	2000	2003	No	
	Marketing Manager of Veterinary Department	1999	2000	No	
AS Dotnuva Baltic	Member of Supervisory Board	2010	2015	No	
AS Putnu Fabrika Kekava	Chairman of the Management Board	2015	-	Yes	
	Deputy Chairman of the Supervisory Board	2014	2015	No	
UAB Dotnuva Baltic	Deputy Chairman of the Management Board	2015	2015	No	
SIA Lielzeltini	Chairman of the Management Board	2015	-	Yes	
	Deputy Chairman of the	2015	2015	No	
	Supervisory Board				

Person / Companies	Position	Since	Until	Held currently
SIA Cerova	Chairman of the Management Board	2015	-	Yes
SIA Broileks	Chairman of the Management Board	2015	-	Taip
Other companies:				
Lithuanian Agricultural Companies Association	Member of the Management Board	2008	-	Yes
Tomas Tumėnas				
Companies of the Group:				
AB Linas Agro	Member of the Management Board	2009	-	Yes
	Finance Director	2005	_	Yes
	Financial Analyst	2001	2005	No
UAB Dotnuva Baltic	Member of the Management Board	2015	_	Yes
Other companies:				
UAB Baltic Fund Investments	Director	2003	-	Yes
Artūras Pribušauskas				
Companies of the Group				
AB Linas Agro	Member of the Management Board	2013	-	Yes
	Head of treasury	1999	-	Yes
	Advisor, financier	1993	1999	No
UAB Gerera	Chief financier, manager, advisor	1993	1999	No
Other companies				
UAB MESTILLA	Member of the Management Board	2013	-	Yes

### THE HEAD OF THE COMPANY

The Head of the Company shall be the single-person management body of the Company.

In his/her activities, the Head of the Company shall follow laws, other legal acts, the Articles of Association, decisions of the General Meeting of Shareholders and the Board, and his/her office regulations.

Darius Zubas is Managing Director of the Company, he is also the Company's Board Chairperson.

### COMMITTEES FORMED BY THE COMPANY

The Ordinary General Meeting of the Company's Shareholders held on 30 October 2014 formed the Audit Committee and elected the members of the Audit Committee. The Audit Committee consists of 3 members, including an independent member. The members of the Committee are elected for the term of office of 4 (four) years. The elected members of the Committee began their service from the moment the General Meeting of the Company's Shareholders during which they had been elected was over.

#### THE MEMBERS OF AUDIT COMMITTEE (AS AT 30 JUNE 2016):

Andrius Drazdys – independent member of the Audit Committee. Term of office began on 30 October 2014, term of office ends on 30 October 2018. Does not own shares of the Company. Employed at UAB Vilniaus margarino gamykla as a Chief Finance Officer.

**Artūras Pribušauskas** – member of the Audit Committee. Term of office began on 30 October 2014, term of office ends on 30 October 2018. Treasury Manager of the Company and also employed as a Treasury Manager at AB Linas Agro. Elected the Member of the Board as from October 24, 2013 (look chapter **THE BOARD**). Shareholder of the Company – owns 11,000 shares of the Company or 0.01% of all shares and votes of the Company.

**Kristina Prūsienė** – member of the Audit Committee. Term of office began on 30 October 2014, term of office ends on 30 October 2018. Does not own shares of the Company. Employed at AB Linas Agro as an Deputy Accountant General.



### THE SCHEME OF ADMINISTRATIVE MANAGEMENT



### MANAGEMENT OF THE COMPANY

Company Management as of 30 June 2016:

Position	Name and surname	Employed since
Managing Director	Darius Zubas	01/09/1996
Deputy Managing Director	Andrius Pranckevičius	19/11/2009
Finance Director	Tomas Tumėnas	19/11/2009
Chief Accountant	Ramutė Masiokaitė	19/11/2009

The Management of the Company work under open-ended contracts of employment.

Information about Darius Zubas, Andrius Pranckevičius, and Tomas Tumėnas is provided in the chapter **THE BOARD**.

Ramutė Masiokaitė(b. 1971) – Chief Accountant. Have no shares of the Company. Graduated from Vilnius University in 1994 and acquired the qualifications of economics, financial and credit specialist. She started her employment with the Group in 1998. In 2009 was appointed as Chief Accountant of AB Linas Agro Group.

During the reporting period the Company's management remuneration amounted EUR 9 thousand (excluding bonus for the Board of Directors).

There are no separate agreements between the Company and either its Board members or employees that would provide for any compensations in case of their resignation or dismissal without a justified reason.

#### **ACTIVITIES OF THE COMPANY MANAGEMENT IN OTHER COMPANIES**

Information about Darius Zubas, Andrius Pranckevičius, and Tomas Tumėnas is provided in the chapter **BOARD OF THE COMPANY.** 

Person / Companies	Position	Since	Until	Held currently	
Ramutė Masiokaitė				_	
Companies of the Group					
AB Linas Agro	Finance controller	2001	_	Yes	
	Chief accountant	1998	2001	No	

# 13 INFORMATION ABOUT TRADE IN THE COMPANY'S SECURITIES IN REGULATED MARKETS

During the reporting period from 1 July 2015 to 30 June 2016, all 158,940,398 ordinary registered shares of the Company were included in the Official List of AB Nasdaq Vilnius Stock Exchange (ISIN Code of the shares is LT0000128092). The ticker of the shares on AB Nasdaq Vilnius Stock Exchange is LNA1L. Trading in the Company's shares on AB Nasdaq Vilnius Stock Exchange started on 17 February 2010.

## TRADE IN THE COMPANY'S SHARES

Information on the automated execution transactions, prices of shares sold on AB NASDAQ OMX Vilnius Stock Exchange and turnovers during the period from 1 July 2015 to 30 June 2016:

Year and quarter	Price EUR		Turnover EUR		Last	Last trading days of the period			Total turnover	
	Max.	Min.	Max.	Min.	Price EUR	Turnover EUR	Date	Units	EUR	
Q3 2015	0.699	0.650	264,400	0.00	0.661	99,404.13	30/09/2015	1,870,952	1,248,512.45	
Q4 2015	0.680	0.640	5,101,185.41	0.00	0.660	6,606.92	30/12/2015	9,832,899	6,784,748	
Q1 2016	0.682	0.647	261,174.03	0.00	0.673	1,661.58	31/3/2016	1,186,083	787,271.78	
Q2 2016	0.675	0.640	2,052,660.46	0.00	0.665	5,419.75	20/6/2016	4,194,323	2,769,844.50	

### CAPITALISATION OF THE COMPANY'S SHARES

Date	Capitalization, EUR	Share Price, EUR
30/9/2015	105,059,603.08	0.661
30/12/2015	104,900,662.68	0.660
31/3/2016	106,996,887.85	0.673
30/6/2016	105,695,364.67	0.665

# COMPANY'S SECURITIES TRADING ON THE OTC (OVER-THE-COUNTER) MARKET

Year and quarter		Price, EUR		Total turnover for	Total turnover for the quarter units		
	Max	Min	Avg	Cash payments	Non-cash payments		
Q3 2015	0.69	0.39	0.66	2,596,010	460,459		
Q4 2015	0.70	0.23	0.66	20,461,937	611,424		
Q1 2016	0.68	0.62	0.66	1,054,685	13,294		
Q2 2016	0.67	0.33	0.66	5,730,519	1,592,432		

# AGREEMENTS CONCLUDED WITH INTERMEDIARIES OF THE PUBLIC SECURITIES MARKET

On 11 November 2009, the Company signed the Issuer's Securities Accounting Management Agreement with Swedbank, AB represented by the Securities Transactions Department (Code 112029651; address: Konstitucijos ave. 20A, LT-03502 Vilnius).

The securities of the subsidiaries of the Company are not traded on regulated markets.

## AB LINAS AGRO GROUP SHARE PRICE AND TURNOVER

Information on changes in the prices of Company's shares and turnover from 01/07/2012 until the end of the reporting period, i. e. 30 June 2016, is presented in the following diagram:



### AB LINAS AGRO GROUP SHARE PRICE VS OMX VILNIUS INDEX



# 14 PROCEDURE FOR AMENDING THE COMPANY'S ARTICLES OF ASSOCIATION

The Company's Articles of Association shall be amended in accordance with the procedure provided for in the laws of the Republic of Lithuania and the Company's Articles of Association. Adoption of a decision to amend the Company's Articles of Association shall be the jurisdiction of the Company's General Meeting of Shareholders subject to a qualified majority of 2/3 of votes of the shareholders participating in the Meeting, with the exception of cases specified in the Law of the Republic of Lithuania on Companies.

Following the decision by the General Meeting of Shareholders to amend the Articles of Association of the Company, the full text of the amended Articles of Association shall be drawn up and signed by the person authorized by the General Meeting of Shareholders.

All and any amendments to the Articles of Association of the Company shall enter into force only after registering them in accordance with the procedure stipulated by the legal acts of the Republic of Lithuania.

# ESSENTIAL AGREEMENT TO WHICH THE COMPANY IS A PARTY AND WHICH MAY BE IMPORTANT IN CASE OF CHANGE IN THE CONTROL OF THE COMPANY

During the reporting period, no essential agreements to which the Company is a party and which entered into force, were amended or expired in case of change in the control of the Company.

# 16 MAJOR TRANSACTIONS WITH RELATED PARTIES

Major transactions of the Company with related parties are provided in Note #31 of the Explanatory Note to the Consolidated Annual Financial Statements for 2015/16 financial year.

# 17 INFORMATION ABOUT THE COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

The Company complies with the company management procedures stipulated in the Law of the Republic of Lithuania on Companies. The Company complies with the essential management principles for the companies listed on AB Nasdaq Vilnius. The managing bodies of the Company are the General Meeting of Shareholders, the Board of the Company and the Head of the Company (Managing Director). The Company does not have the Supervisory Board. The Company's Board consists of seven members to be elected for a period of four years, but the Chairman of the Board is also the Head of the Company (Managing Director). The Company has the Audit Committee.

The information about compliance with the Management Code for companies listed on AB Nasdaq Vilnius Stock Exchange is disclosed in Annex 1 to this Annual Report in accordance with the form approved by the Stock Exchange.

# 18 SOCIAL AND ENVIRONMENTAL RESPONSIBILITY

### SOCIAL RESPONSIBILITY IN RELATIONS WITH EMPLOYEES

Social guarantees are provided to employees of the Group companies: an allowance is paid after the death of a family member; a gift to an employee after a child is born; a gift on occasion of the anniversary birthday of an employee. Employees with the uninterrupted work experience of 20 years are granted 1,000 items of the Company shares.

Employees have the opportunity for studying, raising their qualification, participating in various seminars and trainings in Lithuania and abroad. During the reporting period trainings for top-level managers, product managers and junior managers have been organized to improve sales, negotiation, communication and teamwork skills.

As of 1 April 2015, AB Linas Agro contributes to the financial stability of its employees: 60 employees of the company participate in the pension accumulation program: they have concluded individual contracts for pension accumulation. The employer allocates the same amount for pension accumulation. It is planned to implement a pension accumulation program in the other companies of the Group in the future.

Employees of twenty two companies of the Group in Lithuania and Latvia have been granted the possibility to get the necessary medical care as they have been insured by the voluntary health insurance. Health of employees is checked free of charge in some companies, employees working in fields are vaccinated against tick-borne encephalitis.

There were no incidents with regard to employee discrimination because of race, gender, religion, political views, nationality, social background or other reasons recorded in the Group over the reporting period.

# RESPONSIBILITY TO THE SOCIETY, SOCIAL PROJECTS

The Group is actively cooperating with local communities, participated in their projects in the fields of culture, civic education and scientific education, as well as is continuing the long-term friendship with the farmers' organizations. A total of 120 support and co-operation projects have been implemented in the reporting period, the Group allocated over 104 thousand euros for them.

The Group has several social partners and every year participates in selected social projects. For instance, in cooperation with the 5th gymnasium of Panevėžys, the Group has for the twelfth time already organised a contest 'Citizen of the school' (Lith. — Mokyklos pilietis) dedicated to elect leaders among schoolchildren and excellently performing public activists. It has been for quite a number of years that the Group in Lithuania sponsors a social project "Christmas Game" for children of Lithuanian foster homes and Linelis, a kindergarten for children with impaired vision in Panevėžys. This year the Group decided to start implementing local community projects with greater lasting value — it donated a tennis table for outdoor

activities to Panevėžys city, started supporting a homeless cat sterilisation project launched by an animal care organization. The Group plans to continue implementing long-term social projects.

In designating the support, the companies of AB Linas Agro Group prioritized the following projects and partners:

- 17,782.00 euros were allocated to cultural, recreational and sports events of local communities;
- 17,140.67 euros were allocated to local communities;
- 8,588.00 euros were allocated to educational and research institutions, as well as their events,
- 6,049.09 euros were allocated to the disabled, foster homes for children, children's medical institutions;
- 5,8450.0 euros were allocated to farmers' organizations;
- 5,732.66 euros were allocated to children and youth engagement projects;
- 3,600.00 euros were allocated to educational and public spirit promoting projects.

### ENVIRONMENTAL RESPONSIBILITY

The Group did not receive penalties or warnings for failure to comply with the norms of environmental legislation or other legal acts regulating the field of environmental protection.

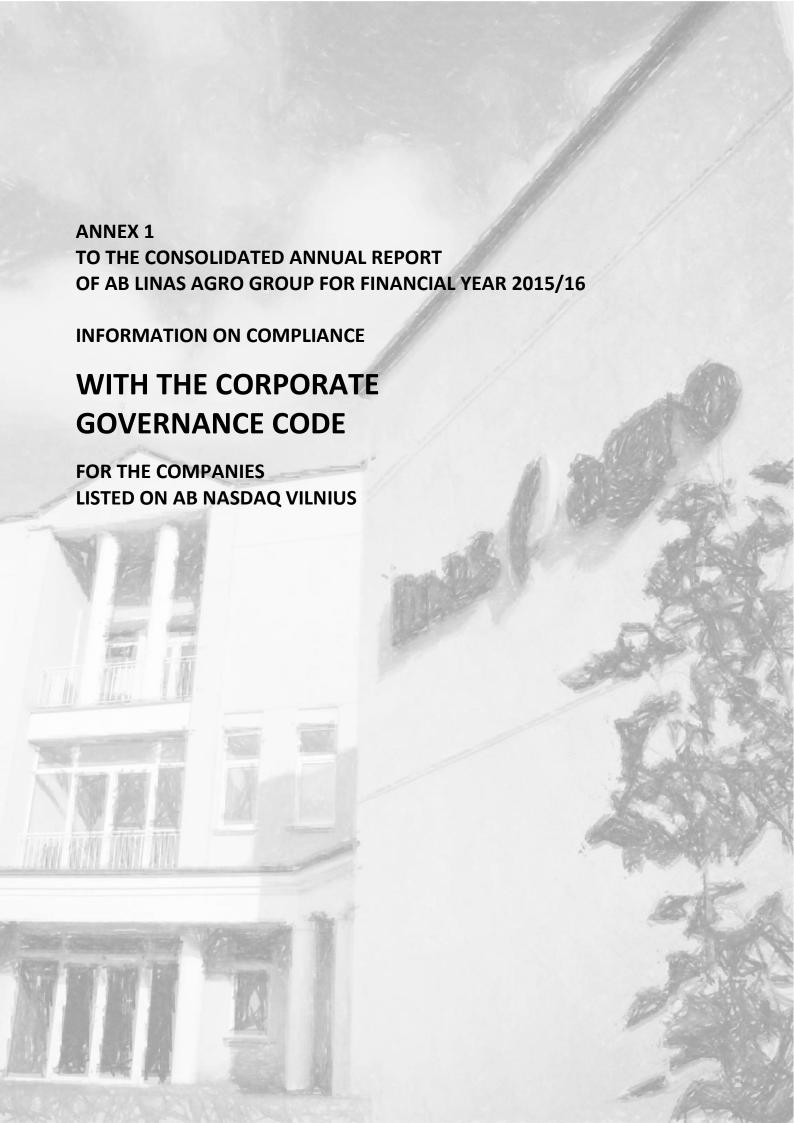
While implementing its activities, the Group observes the environmental laws of the countries in which it operates.

The Group has agreements with packaging waste management companies.

The Group organizes the collection of taxable products, automotive batteries, hydraulic shockabsorbers, oil, fuel and air filters, tire over 3 kg and transportation to waste treatment facilities.

In some companies, f.i. UAB Dotnuvos Baltic, the dust and waste resulting from the cleaning of the accepted products are collected in containers and transferred in accordance with signed agreements to the companies that use them for heat production.

The grain elevators of UAB Linas Agro Grūdų centras KŪB take constant care of the environment protection: air filters and oil traps are cleaned periodically, sales contracts of industrial waste have been concluded in all repositories of grains.





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AB Linas Agro Group, following Article 22 paragraph 3 of the Law on Securities of the Republic of Lithuania and item 24.5 of the Listing Rules of AB Nasdaq Vilnius, below discloses its compliance with the Corporate Governance Code for the Companies Listed on AB Nasdaq Vilnius, and its specific provisions. In case of noncompliance with the Code and some of its provisions, the specific provisions and the reasons for such noncompliance are indicated.



## PRINCIPLE. BASIC PROVISIONS

The overriding objective of a company should be to operate in common interests of all the shareholders by optimizing over time shareholder value.

#### 1.1. Recommendation:

A company should adopt and make public the company's development strategy and objectives by clearly declaring how the company intends to meet the interests of its shareholders and optimize shareholder value.

#### Company's commentary:

The main trends of the Company's development are publicly announced in Company's annual reports and interim reports. Also, the trends of the Company's development are disclosed in notifications on material events and reports to investors about the activities of the Company, also in the statements of the Company's management in the media.

#### 1.2. Recommendation

All management bodies of a company should act in furtherance of the declared strategic objectives in view of the need to optimize shareholder value.

#### Company's commentary:

The Board of the Company has formed the long-term and short-term strategic objectives of the development of the Company's activities. The Company's management and managers of respective fields make every effort for the implementation of those objectives. Managers of the Company and the Group's companies are responsible for the implementation of the objectives and the optimization of shareholder value.

#### 1.3. Recommendation:

A company's supervisory and management bodies should act in close co-operation in order to attain maximum benefit for the company and its shareholders.

#### Company's commentary:

The Board is formed in the Company, which represents the interests of the Company's shareholders. The Board makes the strategic decisions, adopts the strategy of the Company's activities, annual budget, main material contracts, etc. The decisions adopted by the Board are implemented by the Company's Managing Director, who is directly responsible to the Board, and responsible managers of respective fields, who are subordinate to him. The Company's Board also acts as a supervisor of the implementation of the mentioned strategic decisions. The Board representing the shareholders' interests holds sessions according to the need.

#### 1.4. Recommendation:

A company's supervisory and management bodies should ensure that the rights and interests of persons other than the company's shareholders (e.g. employees, creditors, suppliers, clients, local community), participating in or connected with the company's operation, are duly respected.

#### Company's commentary:

The Company's managing bodies seek, in their activities, to ensure the interests of all people related to the Company's operations. The Company's management and managers of separate fields of the Group's companies give much time to communication with clients, suppliers, creditors in order to find the most optimum solutions. The Company follows the obligations undertaken and set in the legal acts, and it helps to maintain the long-term development of the Company's activities. The Company's employees are continuously informed by the management and managers of separate fields about news in the Company's activities, achievements, losses and other internal changes via the Company's channels of internal communication.



### THE CORPORATE GOVERNANCE FRAMEWORK

The corporate governance framework should ensure the strategic guidance of the company, the effective oversight of the company's management bodies, an appropriate balance and distribution of functions between the company's bodies, protection of the shareholders' interests.

#### 2.1. Recommendation:

Besides obligatory bodies provided for in the Law on Companies of the Republic of Lithuania – a general shareholders' meeting and the chief executive officer, it is recommended that a company should set up both a collegial supervisory body and a collegial management body. The setting up of collegial bodies for supervision and management facilitates clear separation of management and supervisory functions in the company, accountability and control on the part of the chief executive officer, which, in its turn, facilitate a more efficient and transparent management process.

#### Company's commentary:

There is one collegiate managing body in the Company – the Board, which consists of 7 (seven) members.

The collegiate supervisory body, or the Supervisory Board, is not formed.

The Board of the Company performs certain functions of the Supervisory Board as far as it concerns the supervision of the activities of the Company and complies with the provisions of the Law on Companies.

The Company's Managing Director is responsible to the Board and periodically reports to the Board on the Company's activities and implementation of the strategic decisions.

#### 2.2. Recommendation:

A collegial management body is responsible for the strategic management of the company and performs other key functions of corporate governance. A collegial supervisory body is responsible for the effective supervision of the company's management bodies.

#### Company's commentary:

The Board performs these functions in the Company, as specified in Clause 2.1.

#### 2.3. Recommendation:

Where a company chooses to form only one collegial body, it is recommended that it should be a supervisory body, i.e. the supervisory board. In such a case, the supervisory board is responsible for the effective monitoring of the functions performed by the company's chief executive officer.

#### Company's commentary:

Whereas the Company operates in various activities, the Board as collegial body is necessary. The Board of the Company successfully makes business decisions and is able to properly perform the supervision of implementation of adopted strategic decisions and is able to control of the management of the Company.

If needed, the Supervisory Board may be formed in the future.

#### 2.4. Recommendation:

The collegial supervisory body to be elected by the general shareholders' meeting should be set up and should act in the manner defined in Principles III and IV. Where a company should decide not to set up a collegial supervisory body but rather a collegial management body, i.e. the board, Principles III and IV should apply to the board as long as that does not contradict the essence and purpose of this body. <sup>1</sup>

#### Company's commentary:

The set principles are followed by the Board as specified in Clauses 2.1. and 2.3. The essential requirements are not violated.

#### 2.5. Recommendation:

Company's management and supervisory bodies should comprise such number of board (executive directors) and supervisory (non-executive directors) board members that no individual or small group of individuals can dominate decision-making on the part of these bodies.<sup>2</sup>

#### Company's commentary:

The Board of the Company consists of 7 (seven) members responsible for different fields of activities. The Board can adopt a decision only when at least two thirds of its members are in attendance and with a majority vote.

Provisions of Principles III and IV are more applicable to those instances when the general shareholders' meeting elects the supervisory board, i.e. a body that is essentially formed to ensure oversight of the company's board and the chief executive officer and to represent the company's shareholders. However, in case the company does not form the supervisory board but rather the board, most of the recommendations set out in Principles III and IV become important and applicable to the board as well. Furthermore, it should be noted that certain recommendations, which are in their essence and nature applicable exclusively to the supervisory board (e.g. formation of the committees), should not be applied to the board, as the competence and functions of these bodies according to the Law on Companies of the Republic of Lithuania (Official Gazette, 2003, No 123-5574) are different. For instance, item 3.1 of the Code concerning oversight of the management bodies applies to the extent it concerns the oversight of the chief executive officer of the company, but not of the board itself; item 4.1 of the Code concerning recommendations to the management bodies applies to the extent it relates to the provision of recommendations to the company's chief executive officer; item 4.6 of the Code concerning independence of the collegial body elected by the general meeting from the company's management bodies is applied to the extent it concerns independence from the chief executive officer.

<sup>&</sup>lt;sup>2</sup> Definitions 'executive director' and 'non-executive director' are used in cases when a company has only one collegial body.

#### 2.6. Recommendation:

Non-executive directors or members of the supervisory board should be appointed for specified terms subject to individual re-election, at maximum intervals provided for in the Lithuanian legislation with a view to ensuring necessary development of professional experience and sufficiently frequent reconfirmation of their status. A possibility to remove them should also be stipulated however this procedure should not be easier than the removal procedure for an executive director or a member of the management board.

#### Company's commentary:

Not applicable. The Supervisory Board is not formed in the Company.

#### 2.7. Recommendation:

Chairman of the collegial body elected by the general shareholders' meeting may be a person whose current or past office constitutes no obstacle to conduct independent and impartial supervision. Where a company should decide not to set up a supervisory board but rather the board, it is recommended that the chairman of the board and chief executive officer of the company should be a different person. Former company's chief executive officer should not be immediately nominated as the chairman of the collegial body elected by the general shareholders' meeting. When a company chooses to departure from these recommendations, it should furnish information on the measures it has taken to ensure impartiality of the supervision.

#### Company's commentary:

The head of the Company - Managing Director - and the Chairman of the Board is the same person.

Managing Director reports to the Board of the Company thus the impartiality of the decision-making is ensured. The decisions are adopted in compliance with the order stipulated in the Articles of the Association of Company, which clearly indicates the competence as well as its limits of the manager's decision-making.



The order of the formation a collegial body to be elected by a general shareholders' meeting should ensure representation of minority shareholders, accountability of this body to the shareholders and objective monitoring of the company's operation and its management bodies. <sup>3</sup>

#### 3.1. Recommendation:

The mechanism of the formation of a collegial body to be elected by a general shareholders' meeting (hereinafter in this Principle referred to as the 'collegial body') should ensure objective and fair monitoring of the company's management bodies as well as representation of minority shareholders.

Attention should be drawn to the fact that in the situation where the collegial body elected by the general shareholders' meeting is the board, it is natural that being a management body it should ensure oversight not of all management bodies of the company, but only of the single-person body of management, i.e. the company's chief executive officer. This note shall apply in respect of item 3.1 as well.

The mechanism of the formation of the Company's Board, set in the Articles of the Association of Company, ensures the objective supervision of managing bodies.

#### 3.2. Recommendation:

Names and surnames of the candidates to become members of a collegial body, information about their education, qualification, professional background, positions taken and potential conflicts of interest should be disclosed early enough before the general shareholders' meeting so that the shareholders would have sufficient time to make an informed voting decision. All factors affecting the candidate's independence, the sample list of which is set out in Recommendation 3.7, should be also disclosed. The collegial body should also be informed on any subsequent changes in the provided information. The collegial body should, on yearly basis, collect data provided in this item on its members and disclose this in the company's annual report.

#### Company's commentary:

These provisions are set in the Articles of the Association of Company and are followed. The information about members of the Board is on a regular basis updated and submitted in the releases prepared by the Company and on its internet website.

#### 3.3. Recommendation:

Should a person be nominated for members of a collegial body, such nomination should be followed by the disclosure of information on candidate's particular competences relevant to his/her service on the collegial body. In order shareholders and investors are able to ascertain whether member's competence is further relevant, the collegial body should, in its annual report, disclose the information on its composition and particular competences of individual members which are relevant to their service on the collegial body.

#### Company's commentary:

The general meeting of shareholders shall be submitted the curricula vitae of the candidate members of the Board providing complete information of the respective candidate's educational background, professional experience and his/her competence.

#### 3.4. Recommendation:

In order to maintain a proper balance in terms of the current qualifications possessed by its members, the desired composition of the collegial body shall be determined with regard to the company's structure and activities, and have this periodically evaluated. The collegial body should ensure that it is composed of members who, as a whole, have the required diversity of knowledge, judgment and experience to complete their tasks properly. The members of the audit committee, collectively, should have a recent knowledge and relevant experience in the fields of finance, accounting and/or audit for the stock exchange listed companies. At least one of the members of the remuneration committee should have knowledge of and experience in the field of remuneration policy.

#### Company's commentary:

The composition of the Board and the number of its members meets the scope of the Company's activities and the size of the current structure.

The members of the Company's Board have sufficient experience in the fields, where the Company performs its main activities; also, all members have versatile knowledge in the fields of finance, economics, investment management and maintenance.

The Audit Committee members have experience in the fields of finance and accounting of the listed companies.

Remuneration Committee has not been formed.

#### 3.5. Recommendation:

All new members of the collegial body should be offered a tailored program focused on introducing a member with his/her duties, corporate organization and activities. The collegial body should conduct an annual review to identify fields where its members need to update their skills and knowledge.

#### Company's commentary:

Not applicable as the Members of the Company's Board are long-term employees of the Group's companies; therefore, they are well aware of the Company's activities.

The Board's members update their skills and knowledge while performing their functions.

If an elected Company's Member of the Board is not an employee of the Group, the Company would provide full access to relevant information.

#### 3.6. Recommendation:

In order to ensure that all material conflicts of interest related with a member of the collegial body are resolved properly, the collegial body should comprise a sufficient <sup>4</sup> number of independent <sup>5</sup> members.

#### Company's commentary:

The issue of independent members as well as their sufficient number in the collegiate managing body (the Board) may be discussed in the future. The Audit Committee has one independent member.

#### 3.7. Recommendation:

A member of the collegial body should be considered to be independent only if he is free of any business, family or other relationship with the company, its controlling shareholder or the management of either, that creates a conflict of interest such as to impair his judgment. Since all cases when member of the collegial body is likely to become dependent are impossible to list, moreover, relationships and circumstances associated with the determination of independence may vary amongst companies and the best practices of solving this problem are yet to evolve in the course of time, assessment of independence of a member of the collegial body should be based on the contents of the relationship and circumstances rather than their form. The key criteria for identifying whether a member of the collegial body can be considered to be independent are the following:

The Code does not provide for a concrete number of independent members to comprise a collegial body. Many codes in foreign countries fix a concrete number of independent members (e.g. at least 1/3 or 1/2 of the members of the collegial body) to comprise the collegial body. However, having regard to the novelty of the institution of independent members in Lithuania and potential problems in finding and electing a concrete number of independent members, the Code provides for a more flexible wording and allows the companies themselves to decide what number of independent members is sufficient. Of course, a larger number of independent members in a collegial body is encouraged and will constitute an example of more suitable corporate governance.

It is notable that in some companies all members of the collegial body may, due to a very small number of minority shareholders, be elected by the votes of the majority shareholder or a few major shareholders. But even a member of the collegial body elected by the majority shareholders may be considered independent if he/she meets the independence criteria set out in the Code.

- 1) He/she is not an executive director or member of the board (if a collegial body elected by the general shareholders' meeting is the supervisory board) of the company or any associated company and has not been such during the last five years;
- 2) He/she is not an employee of the company or some any company and has not been such during the last three years, except for cases when a member of the collegial body does not belong to the senior management and was elected to the collegial body as a representative of the employees;
- 3) He/she is not receiving or has been not receiving significant additional remuneration from the company or associated company other than remuneration for the office in the collegial body. Such additional remuneration includes participation in share options or some other performance based pay systems; it does not include compensation payments for the previous office in the company (provided that such payment is no way related with later position) as per pension plans (inclusive of deferred compensations);
- 4) He/she is not a controlling shareholder or representative of such shareholder (control as defined in the Council Directive 83/349/EEC Article 1 Part 1);
- 5) He/she does not have and did not have any material business relations with the company or associated company within the past year directly or as a partner, shareholder, director or superior employee of the subject having such relationship. A subject is considered to have business relations when it is a major supplier or service provider (inclusive of financial, legal, counseling and consulting services), major client or organization receiving significant payments from the company or its group;
- 6) He/she is not and has not been, during the last three years, partner or employee of the current or former external audit company of the company or associated company;
- 7) He/she is not an executive director or member of the board in some other company where executive director of the company or member of the board (if a collegial body elected by the general shareholders' meeting is the supervisory board) is non-executive director or member of the supervisory board, he/she may not also have any other material relationships with executive directors of the company that arise from their participation in activities of other companies or bodies;
- 8) He/she has not been in the position of a member of the collegial body for over than 12 years;
- 9) He/she is not a close relative to an executive director or member of the board (if a collegial body elected by the general shareholders' meeting is the supervisory board) or to any person listed in above items 1 to 8 Close relative is considered to be a spouse (common-law spouse), children and parents.

According to the comment of Clause 3.6, the provision is not applicable to the Company.

#### 3.8. Recommendation:

The determination of what constitutes independence is fundamentally an issue for the collegial body itself to determine. The collegial body may decide that, despite a particular member meets all the criteria of independence laid down in this Code, he cannot be considered independent due to special personal or company-related circumstances.

According to the comment of Clause 3.6, the provision is not applicable to the Company.

#### 3.9. Recommendation:

Necessary information on conclusions the collegial body has come to in its determination of whether a particular member of the body should be considered to be independent should be disclosed. When a person is nominated to become a member of the collegial body, the company should disclose whether it considers the person to be independent. When a particular member of the collegial body does not meet one or more criteria of independence set out in this Code, the company should disclose its reasons for nevertheless considering the member to be independent. In addition, the company should annually disclose which members of the collegial body it considers to be independent.

#### Company's commentary:

By providing candidate of new Board member the Board of the Company discloses whether it considers him/her independent.

#### 3.10. Recommendation:

When one or more criteria of independence set out in this Code has not been met throughout the year, the company should disclose its reasons for considering a particular member of the collegial body to be independent. To ensure accuracy of the information disclosed in relation with the independence of the members of the collegial body, the company should require independent members to have their independence periodically re-confirmed.

#### Company's commentary:

According to the comment of Clause 3.6, the provision is not applicable to the Company.

#### 3.11. Recommendation:

In order to remunerate members of a collegial body for their work and participation in the meetings of the collegial body, they may be remunerated from the company's funds. The general shareholders' meeting should approve the amount of such remuneration.

#### Company's commentary:

According to the comment of Clause 3.6, the provision is not applicable to the Company.

It is notable that currently it is not yet completely clear, in what form members of the supervisory board or the board may be remunerated for their work in these bodies. The Law on Companies of the Republic of Lithuania (Official Gazette, 2003, No 123-5574) provides that members of the supervisory board or the board may be remunerated for their work in the supervisory board or the board by payment of annual bonuses (tantiems) in the manner prescribed by Article 59 of this Law, i.e. from the company's profit. The current wording, contrary to the wording effective before 1 January 2004, eliminates the exclusive requirement that annual bonuses (tantiems) should be the only form of the company's compensation to members of the supervisory board or the board. So it seems that the Law contains no prohibition to remunerate members of the supervisory board or the board for their work in other forms, besides bonuses, although this possibility is not expressly stated either.

# PRINCIPLE: THE DUTIES AND LIABILITIES OF A COLLEGIAL BODY ELECTED BY THE GENERAL SHAREHOLDERS' MEETING

The corporate governance framework should ensure proper and effective functioning of the collegial body elected by the general shareholders' meeting, and the powers granted to the collegial body should ensure effective monitoring <sup>7</sup> of the company's management bodies and protection of interests of all the company's shareholders.

#### 4.1. Recommendation:

The collegial body elected by the general shareholders' meeting (hereinafter in this Principle referred to as the 'collegial body') should ensure integrity and transparency of the company's financial accountability and the control system. The collegial body should issue recommendations to the company's management bodies and monitor and control the company's management performance.

#### Company's commentary:

The member of the Board responsible for the finance policy and its supervision in the Company continuously maintains the contact and holds regular meetings with the Company's Chief Accountant, the Group's Head of Treasury to discuss the financial state of the Company as well as last essential financial changes, if any. The Chairman of the Board continuously maintain the contact and regularly meets with the managers to discuss the changes that occurred or are occurring in the activities of the Company, essential issues of organization of operations, the development of the Company's activities.

The Company's Board analyses and assesses the material about the Company's activities and finance supplied by the Company's Managing Director and Finance Director, if necessary give recommendations and suggestions, initiate urgent meetings and visits.

#### 4.2. Recommendation:

Members of the collegial body should act in good faith, with care and responsibility for the benefit and in the interests of the company and its shareholders with due regard to the interests of employees and public welfare. Independent members of the collegial body should:

- a) under all circumstances maintain independence of their analysis, decision-making and actions,
- b) do not seek and accept any unjustified privileges that might compromise their independence,
- c) clearly express their objections should a member consider that decision of the collegial body is against the interests of the company.

Should a collegial body have passed decisions independent member has serious doubts about, the member should make adequate conclusions. Should an independent member resign from his office, he should explain the reasons in a letter addressed to the collegial body or audit committee and, if necessary, respective company-not-pertaining body (institution).

<sup>7</sup> See note 3.

<sup>8</sup> See note 3. In the event the collegial body elected by the general shareholders' meeting is the board, it should provide recommendations to the company's single-person body of management, i.e. the company's chief executive officer.

The members of the Board act responsibly and in goodwill in favor of the Company and its shareholders, seek to maintain their independence in making the decisions and taking into consideration the interests of the third parties.

#### 4.3. Recommendation:

Each member should devote sufficient time and attention to perform his duties as a member of the collegial body. Each member of the collegial body should limit other professional obligations of his (in particular any directorships held in other companies) in such a manner they do not interfere with proper performance of duties of a member of the collegial body. In the event a member of the collegial body should be present in less than a half <sup>9</sup> of the meetings of the collegial body throughout the financial year of the company, shareholders of the company should be notified.

#### Company's commentary:

Members of the Company's Board, each individually and all collectively, pay sufficient time and attention to have the function attributed to the competence of the Board duly performed. The members of the Board take part in the sessions, the time of which is agreed among the members so that all members of the Board could take part in the session. If any of the members cannot participate in the session due to a valid excuse, the conditions are arranged for the member to cast his advance vote in writing. During the 2015/16 financial year, the Members of the Company's Board were all 100 percent involved in making the decisions.

#### 4.4. Recommendation:

Where decisions of a collegial body may have a different effect on the company's shareholders, the collegial body should treat all shareholders impartially and fairly. It should ensure that shareholders are properly informed on the company's affairs, strategies, risk management and resolution of conflicts of interest. The company should have a clearly established role of members of the collegial body when communicating with and committing to shareholders.

#### Company's commentary:

The Board of the Company seeks, in its work, to conduct in good faith and impartially with all shareholders, and, according to the available data, there has been no case, so far, that it were vice versa. The Chairman of the Board is, by adjusting and coordinating interactions with other members of the Board and managers, obliged and authorized to, in the name of the Board, communicate with the shareholders, inform the shareholders about the Company's activities, strategy, other essential matters and provide official binding clarifications.

#### 4.5. Recommendation:

It is recommended that transactions (except insignificant ones due to their low value or concluded when carrying out routine operations in the company under usual conditions), concluded between the company and its shareholders, members of the supervisory or managing bodies or other natural or legal persons that exert or may exert influence on the company's management should be subject to approval of the collegial body. The decision concerning approval of such transactions should be deemed adopted only provided the majority of the independent members of the collegial body voted for such a decision.

It is notable that companies can make this requirement more stringent and provide that shareholders should be informed about failure to participate at the meetings of the collegial body if, for instance, a member of the collegial body participated at less than 2/3 or 3/4 of the meetings. Such measures, which ensure active participation in the meetings of the collegial body, are encouraged and will constitute an example of more suitable corporate governance.

All transactions specified in this recommendation, if they are not insignificant due to their low value, are concluded upon the decision and agreement of the Board. The decision of the Board can be adopted only in case of the required quorum and following the provisions of the Article of the Association of Company that comply with the Law on Companies. The same order is applied in all the Group's companies.

#### 4.6. Recommendation:

The collegial body should be independent in passing decisions that are significant for the company's operations and strategy. Taken separately, the collegial body should be independent of the company's management bodies <sup>10</sup>. Members of the collegial body should act and pass decisions without an outside influence from the persons who have elected it. Companies should ensure that the collegial body and its committees are provided with sufficient administrative and financial resources to discharge their duties, including the right to obtain, in particular from employees of the company, all the necessary information or to seek independent legal, accounting or any other advice on issues pertaining to the competence of the collegial body and its committees. When using the services of a consultant with a view to obtaining information on market standards for remuneration systems, the remuneration committee should ensure that the consultant concerned does not at the same time advice the human resources department, executive directors or collegial management organs of the company concerned.

#### Company's commentary:

The Board of the Company adopts the decision following only the interests of the Company, therefore, the independence of the members in making the decision significant to the activities and strategy of the Company have to be assessed in accordance with the interest of the Company and its shareholders. The members of the Board are provided with all possibilities and they have the right to all resources necessary to properly perform their duties, including the possibilities to apply to the independent external legal, accounting and other specialists. The Company's Managing Director ensures that the managers or employees of separate fields provide the members of the Board with all required information directly or through the Managing Director so that they are able to duly perform their functions and solve the issues attributed to their competence.

#### 4.7. Recommendation:

Activities of the collegial body should be organized in a manner that independent members of the collegial body could have major influence in relevant areas where chances of occurrence of conflicts of interest are very high. Such areas to be considered as highly relevant are issues of nomination of company's directors, determination of directors' remuneration and control and assessment of company's audit. Therefore when the mentioned issues are attributable to the competence of the collegial body, it is recommended that the collegial body should establish nomination, remuneration, and audit committees<sup>11</sup>. Companies should

In the event the collegial body elected by the general shareholders' meeting is the board, the recommendation concerning its independence from the company's management bodies applies to the extent it relates to the independence from the company's chief executive officer.

The Law of the Republic of Lithuania on Audit (Official Gazette, 2008, No 82-3233) determines that an Audit Committee shall be formed in each public interest entity (including, but not limited to public companies whose securities are traded in the regulated market of the Republic of Lithuania and/or any other member state).

ensure that the functions attributable to the nomination, remuneration, and audit committees are carried out. However they may decide to merge these functions and set up less than three committees. In such case a company should explain in detail reasons behind the selection of alternative approach and how the selected approach complies with the objectives set forth for the three different committees. Should the collegial body of the company comprise small number of members, the functions assigned to the three committees may be performed by the collegial body itself, provided that it meets composition requirements advocated for the committees and that adequate information is provided in this respect. In such case provisions of this Code relating to the committees of the collegial body (in particular with respect to their role, operation, and transparency) should apply, where relevant, to the collegial body as a whole.

#### Company's commentary:

The Company has formed the Audit Committee.

According to the scope of the Company's activities, results and objective needs as well as the fact that the Board consists of 7 (seven) members, the Company is not in a need of establishment of other committees indicated in this recommendation though the foundation of Nomination and Remuneration Committees will be considered in the future.

#### 4.8. Recommendation:

The key objective of the committees is to increase efficiency of the activities of the collegial body by ensuring that decisions are based on due consideration, and to help organize its work with a view to ensuring that the decisions it takes are free of material conflicts of interest. Committees should exercise independent judgement and integrity when exercising its functions as well as present the collegial body with recommendations concerning the decisions of the collegial body. Nevertheless the final decision shall be adopted by the collegial body. The recommendation on creation of committees is not intended, in principle, to constrict the competence of the collegial body or to remove the matters considered from the purview of the collegial body itself, which remains fully responsible for the decisions taken in its field of competence.

#### Company's commentary:

The Audit Committee chooses its operation order and procedures autonomously and operates in accordance with the Regulations of the Audit Committee.

#### 4.9. Recommendation:

Committees established by the collegial body should normally be composed of at least three members. In companies with small number of members of the collegial body, they could exceptionally be composed of two members. Majority of the members of each committee should be constituted from independent members of the collegial body. In cases when the company chooses not to set up a supervisory board, remuneration and audit committees should be entirely comprised of non-executive directors.

Chairmanship and membership of the committees should be decided with due regard to the need to ensure that committee membership is refreshed and that undue reliance is not placed on particular individuals.

#### Company's commentary:

The Audit Committee is composed of three members, including one independent member.

#### 4.10. Recommendation:

Authority of each of the committees should be determined by the collegial body. Committees should perform their duties in line with authority delegated to them and inform the collegial body on their activities and performance on regular basis. Authority of every committee stipulating the role and rights and duties of the committee should be made public at least once a year (as part of the information disclosed by the company annually on its corporate governance structures and practices). Companies should also make public annually a statement by existing committees on their composition, number of meetings and attendance over the year, and their main activities. Audit committee should confirm that it is satisfied with the independence of the audit process and describe briefly the actions it has taken to reach this conclusion.

#### Company's commentary:

The Regulations of activity of the Audit Committee is approved on the General Meeting of the Company's Shareholders.

The Company's Audit Committee activity report for the financial year is announced once per financial year. The Company also in its Consolidated Annual Report announces about the members of its Audit Committee.

#### 4.11. Recommendation:

In order to ensure independence and impartiality of the committees, members of the collegial body that are not members of the committee should commonly have a right to participate in the meetings of the committee only if invited by the committee. A committee may invite or demand participation in the meeting of particular officers or experts. Chairman of each of the committees should have a possibility to maintain direct communication with the shareholders. Events when such are to be performed should be specified in the regulations for committee activities.

#### Company's commentary:

The Audit Committee shall be provided all conditions for holding meetings of the committee, furthermore, at the discretion of the committee, the employees responsible for the areas considered at the committee may be invited to meetings of the committee or requested to submit complete required information.

#### 4.12. Recommendation in regards to Nomination Committee:

- 4.12.1. Key functions of the nomination committee should be the following:
- 1) Identify and recommend, for the approval of the collegial body, candidates to fill board vacancies. The nomination committee should evaluate the balance of skills, knowledge and experience on the management body, prepare a description of the roles and capabilities required to assume a particular office, and assess the time commitment expected. Nomination committee can also consider candidates to members of the collegial body delegated by the shareholders of the company;
- 2) Assess on regular basis the structure, size, composition and performance of the supervisory and management bodies, and make recommendations to the collegial body regarding the means of achieving necessary changes;
- 3) Assess on regular basis the skills, knowledge and experience of individual directors and report on this to the collegial body;
- 4) Properly consider issues related to succession planning;

- 5) Review the policy of the management bodies for selection and appointment of senior management.
- 4.12.2. Nomination committee should consider proposals by other parties, including management and shareholders. When dealing with issues related to executive directors or members of the board (if a collegial body elected by the general shareholders' meeting is the supervisory board) and senior management, chief executive officer of the company should be consulted by, and entitled to submit proposals to the nomination committee.

Not applicable. The Nomination Committee was not formed according to the circumstances set out in Clause 4.7.

#### 4.13. Recommendation in regards to Remuneration Committee:

- 4.13.1. Key functions of the remuneration committee should be the following:
- 1) Make proposals, for the approval of the collegial body, on the remuneration policy for members of management bodies and executive directors. Such policy should address all forms of compensation, including the fixed remuneration, performance-based remuneration schemes, pension arrangements, and termination payments. Proposals considering performance-based remuneration schemes should be accompanied with recommendations on the related objectives and evaluation criteria, with a view to properly aligning the pay of executive director and members of the management bodies with the long-term interests of the shareholders and the objectives set by the collegial body;
- 2) Make proposals to the collegial body on the individual remuneration for executive directors and member of management bodies in order their remunerations are consistent with company's remuneration policy and the evaluation of the performance of these persons concerned. In doing so, the committee should be properly informed on the total compensation obtained by executive directors and members of the management bodies from the affiliated companies;
- 3) Ensure that remuneration of individual executive directors or members of management body is proportionate to the remuneration of other executive directors or members of management body and other staff members of the company;
- 4) Periodically review the remuneration policy for executive directors or members of management body, including the policy regarding share-based remuneration, and its implementation;
- 5) Make proposals to the collegial body on suitable forms of contracts for executive directors and members of the management bodies;
- 6) Assist the collegial body in overseeing how the company complies with applicable provisions regarding the remuneration-related information disclosure (in particular the remuneration policy applied and individual remuneration of directors);
- 7) Make general recommendations to the executive directors and members of the management bodies on the level and structure of remuneration for senior management (as defined by the collegial body) with regard to the respective information provided by the executive directors and members of the management bodies.

- 4.13.2. With respect to stock options and other share-based incentives which may be granted to directors or other employees, the committee should:
- 1) Consider general policy regarding the granting of the above mentioned schemes, in particular stock options, and make any related proposals to the collegial body;
- 2) Examine the related information that is given in the company's annual report and documents intended for the use during the shareholders meeting;
- 3) Make proposals to the collegial body regarding the choice between granting options to subscribe shares or granting options to purchase shares, specifying the reasons for its choice as well as the consequences that this choice has.
- 4.13.3. Upon resolution of the issues attributable to the competence of the remuneration committee, the committee should at least address the chairman of the collegial body and/or chief executive officer of the company for their opinion on the remuneration of other executive directors or members of the management bodies.
- 4.13.4. The remuneration committee should report on the exercise of its functions to the shareholders and be present at the annual general meeting for this purpose.

Not applicable. The Nomination Committee was not formed according to the circumstances set out in Clause 4.7.

#### 4.14. Recommendation in regards to Audit Committee:

- 4.14.1. Key functions of the audit committee should be the following:
- 1) Observe the integrity of the financial information provided by the company, in particular by reviewing the relevance and consistency of the accounting methods used by the company and its group (including the criteria for the consolidation of the accounts of companies in the group);
- 2) At least once a year review the systems of internal control and risk management to ensure that the key risks (inclusive of the risks in relation with compliance with existing laws and regulations) are properly identified, managed and reflected in the information provided;
- 3) Ensure the efficiency of the internal audit function, among other things, by making recommendations on the selection, appointment, reappointment and removal of the head of the internal audit department and on the budget of the department, and by monitoring the responsiveness of the management to its findings and recommendations. Should there be no internal audit authority in the company, the need for one should be reviewed at least annually;
- 4) Make recommendations to the collegial body related with selection, appointment, reappointment and removal of the external auditor (to be done by the general shareholders' meeting) and with the terms and conditions of his engagement. The committee should investigate situations that lead to a resignation of the audit company or auditor and make recommendations on required actions in such situations;
- 5) Monitor independence and impartiality of the external auditor, in particular by reviewing the audit company's compliance with applicable guidance relating to the rotation of audit partners, the level of fees paid by the company, and similar issues. In order to prevent occurrence of material conflicts of interest, the committee, based on the auditor's disclosed inter alia data on all remunerations paid by the company to the auditor and network, should at all times monitor nature and extent of the non-audit services. Having

regard to the principals and guidelines established in the 16 May 2002 Commission Recommendation 2002/590/EC, the committee should determine and apply a formal policy establishing types of non-audit services that are (a) excluded, (b) permissible only after review by the committee, and (c) permissible without referral to the committee;

- 6) Review efficiency of the external audit process and responsiveness of management to recommendations made in the external auditor's management letter.
- 4.14.2. All members of the committee should be furnished with complete information on particulars of accounting, financial and other operations of the company. Company's management should inform the audit committee of the methods used to account for significant and unusual transactions where the accounting treatment may be open to different approaches. In such case a special consideration should be given to company's operations in offshore centers and/or activities carried out through special purpose vehicles (organizations) and justification of such operations.
- 4.14.3. The audit committee should decide whether participation of the chairman of the collegial body, chief executive officer of the company, chief financial officer (or superior employees in charge of finances, treasury and accounting), or internal and external auditors in the meetings of the committee is required (if required, when). The committee should be entitled, when needed, to meet with any relevant person without executive directors and members of the management bodies present.
- 4.14.4. Internal and external auditors should be secured with not only effective working relationship with management, but also with free access to the collegial body. For this purpose the audit committee should act as the principal contact person for the internal and external auditors.
- 4.14.5. The audit committee should be informed of the internal auditor's work program, and should be furnished with internal audit's reports or periodic summaries. The audit committee should also be informed of the work program of the external auditor and should be furnished with report disclosing all relationships between the independent auditor and the company and its group. The committee should be timely furnished information on all issues arising from the audit.
- 4.14.6. The audit committee should examine whether the company is following applicable provisions regarding the possibility for employees to report alleged significant irregularities in the company, by way of complaints or through anonymous submissions (normally to an independent member of the collegial body), and should ensure that there is a procedure established for proportionate and independent investigation of these issues and for appropriate follow-up action.
- 4.14.7. The audit committee should report on its activities to the collegial body at least once in every six months, at the time the yearly and half-yearly statements are approved.

#### Company's commentary:

The Audit Committee follows the functions assigned to it.

#### 4.15. Recommendation:

Every year the collegial body should conduct the assessment of its activities. The assessment should include evaluation of collegial body's structure, work organization and ability to act as a group, evaluation of each of the collegial body member's and committee's competence and work efficiency and assessment whether the collegial body has achieved its objectives. The collegial body should, at least once a year, make public (as part of the information the company annually discloses on its management structures and practices) respective information on its internal organization and working procedures, and specify what material changes were made as a result of the assessment of the collegial body of its own activities.

So far there has been no practice in the Company for the Board to perform the assessment of its activities and to separately inform the shareholders about it. Information about members of the Board is presented to shareholders before electing a new Board or before electing a separate member of the Board so that the Company's shareholders could evaluate experience, competence and determination to act in the interests of the Company of each candidate. The Company also regularly updates information about members of the Board and submits it to the semi-annual and annual reports of the Company.

The Company's management structure is also announced in the Company's annual report.



The working procedure of supervisory and management bodies established in the company should ensure efficient operation of these bodies and decision-making and encourage active co-operation between the company's bodies.

#### 5.1. Recommendation:

The company's supervisory and management bodies (hereinafter in this Principle the concept 'collegial bodies' covers both the collegial bodies of supervision and the collegial bodies of management) should be chaired by chairpersons of these bodies. The chairperson of a collegial body is responsible for proper convocation of the collegial body meetings. The chairperson should ensure that information about the meeting being convened and its agenda are communicated to all members of the body. The chairperson of a collegial body should ensure appropriate conducting of the meetings of the collegial body. The chairperson should ensure order and working atmosphere during the meeting.

#### Company's commentary:

The Chairman of the Board heads the Board, he implements all the requirements set out in this clause.

#### 5.2. Recommendation:

It is recommended that meetings of the company's collegial bodies should be carried out according to the schedule approved in advance at certain intervals of time. Each company is free to decide how often to convene meetings of the collegial bodies, but it is recommended that these meetings should be convened at such intervals, which would guarantee an interrupted resolution of the essential corporate governance issues. Meetings of the company's supervisory board should be convened at least once in a quarter, and the company's board should meet at least once a month <sup>12</sup>.

#### Company's commentary:

The sessions of the Company's Board are held once a quarter according to the Schedule approved in advance. In need, the sessions of the Board are held more frequently.

The frequency of meetings of the collegial body provided for in the recommendation must be applied in those cases when both additional collegial bodies are formed at the company, the board and the supervisory board. In the event only one additional collegial body is formed in the company, the frequency of its meetings may be as established for the supervisory board, i.e. at least once in a quarter.

#### 5.3. Recommendation:

Members of a collegial body should be notified about the meeting being convened in advance in order to allow sufficient time for proper preparation for the issues on the agenda of the meeting and to ensure fruitful discussion and adoption of appropriate decisions. Alongside with the notice about the meeting being convened, all the documents relevant to the issues on the agenda of the meeting should be submitted to the members of the collegial body. The agenda of the meeting should not be changed or supplemented during the meeting, unless all members of the collegial body are present or certain issues of great importance to the company require immediate resolution.

#### Company's commentary:

The work procedure of the Board is stipulated in the regulations of the Board's work and ensures the compliance with this clause's provisions.

#### 5.4. Recommendation:

In order to co-ordinate operation of the company's collegial bodies and ensure effective decision-making process, chairpersons of the company's collegial bodies of supervision and management should closely co-operate by co-coordinating dates of the meetings, their agendas and resolving other issues of corporate governance. Members of the company's board should be free to attend meetings of the company's supervisory board, especially where issues concerning removal of the board members, their liability or remuneration are discussed.

#### Company's commentary:

Not applicable. Only one collegiate managing body – the Board - is formed in the Company.

# VI PRINCIPLE: THE EQUITABLE TREATMENT OF SHAREHOLDERS AND SHAREHOLDER RIGHTS

The corporate governance framework should ensure the equitable treatment of all shareholders, including minority and foreign shareholders. The corporate governance framework should protect the rights of the shareholders.

#### 6.1. Recommendation:

It is recommended that the company's capital should consist only of the shares that grant the same rights to voting, ownership, dividend and other rights to all their holders.

#### Company's commentary:

The Company's capital consists only of ordinary nominal intangible shares which grant the same rights to the Company's shareholders.

#### 6.2. Recommendation:

It is recommended that investors should have access to the information concerning the rights attached to the shares of the new issue or those issued earlier in advance, i.e. before they purchase shares.

The Articles of the Association of the Company which complies with the Law on Companies guarantee the rights to shareholders.

The Company's Articles of the Association are publicly accessed to all investors on the Company's website in Lithuanian and English languages.

#### 6.3. Recommendation:

Transactions that are important to the company and its shareholders, such as transfer, investment, and pledge of the company's assets or any other type of encumbrance should be subject to approval of the general shareholders' meeting <sup>13</sup>. All shareholders should be furnished with equal opportunity to familiarize with and participate in the decision-making process when significant corporate issues, including approval of transactions referred to above, are discussed.

#### Company's commentary:

The approval of the indicated decisions in the general shareholders meeting could interfere with the effectiveness and efficiency of the Company's activity. These decisions are passed in the procedure prescribed in the Articles of Association of the Company.

#### 6.4. Recommendation:

Procedures of convening and conducting a general shareholders' meeting should ensure equal opportunities for the shareholders to effectively participate at the meetings and should not prejudice the rights and interests of the shareholders. The venue, date, and time of the shareholders' meeting should not hinder wide attendance of the shareholders.

#### Company's commentary:

The information about the general meeting of shareholders will be announced through Nasdaq GlobeNewswire information system as well as on the Company's website in the Lithuanian and English languages, and in the source indicated in the Articles of Association of the Company.

The place for the general shareholders meeting will be selected according to the shareholders' interests so that everyone willing to participate will be able to do that.

The meetings will be held on the working day at 10 a.m. so that all shareholders could easily arrive and participate in the session.

The Law on Companies of the Republic of Lithuania (Official Gazette, 2003, No 123-5574) no longer assigns resolutions concerning the investment, transfer, lease, mortgage or acquisition of the long-terms assets accounting for more than 1/20 of the company's authorized capital to the competence of the general shareholders' meeting. However, transactions that are important and material for the company's activity should be considered and approved by the general shareholders' meeting. The Law on Companies contains no prohibition to this effect either. Yet, in order not to encumber the company's activity and escape an unreasonably frequent consideration of transactions at the meetings, companies are free to establish their own criteria of material transactions, which are subject to the approval of the meeting. While establishing these criteria of material transactions, companies may follow the criteria set out in items 3, 4, 5 and 6 of paragraph 4 of Article 34 of the Law on Companies or derogate from them in view of the specific nature of their operation and their attempt to ensure uninterrupted, efficient functioning of the company.

#### 6.5. Recommendation:

If it is possible, in order to ensure shareholders living abroad the right to access to the information, it is recommended that documents on the course of the general shareholders' meeting should be placed on the publicly accessible website of the company not only in Lithuanian language, but in English and /or other foreign languages in advance. It is recommended that the minutes of the general shareholders' meeting after signing them and/or adopted resolutions should be also placed on the publicly accessible website of the company. Seeking to ensure the right of foreigners to familiarize with the information, whenever feasible, documents referred to in this recommendation should be published in Lithuanian, English and/or other foreign languages. Documents referred to in this recommendation may be published on the publicly accessible website of the company to the extent that publishing of these documents is not detrimental to the company or the company's commercial secrets are not revealed.

#### Company's commentary:

The Company announces to the general meeting of shareholders the prepared draft decisions through the Nasdaq GlobeNewswire information system and on the Company's website in the Lithuanian and English languages. The decisions adopted by the general shareholders meeting are announced through Nasdaq GlobeNewswire information system no later than within one day since their adoption in the Lithuanian and English languages. The decisions adopted by the general meeting of shareholders are also provided on the Company's website.

#### 6.6. Recommendation:

Shareholders should be furnished with the opportunity to vote in the general shareholders' meeting in person and in absentia. Shareholders should not be prevented from voting in writing in advance by completing the general voting ballot.

#### Company's commentary:

The shareholders of the Company may exercise their right to take part in the general shareholders' meeting both in person and through a representative, if the latter has a due authority or the contract on transfer of the voting right which was concluded according to the order stipulated by the legal acts.

The Company provides the shareholders with the possibility to vote by completing a voting ballot as is indicated in the Law on Companies.

#### 6.7. Recommendation:

With a view to increasing the shareholders' opportunities to participate effectively at shareholders' meetings, the companies are recommended to expand use of modern technologies by allowing the shareholders to participate and vote in general meetings via electronic means of communication. In such cases security of transmitted information and a possibility to identify the identity of the participating and voting person should be guaranteed. Moreover, companies could furnish its shareholders, especially shareholders living abroad, with the opportunity to watch shareholder meetings by means of modern technologies.

#### Company's commentary:

In the future the Company will discuss such possibilities by taking into account necessary financial resources, current legal regulations and objective distribution of the Company's shareholders as well as their wishes. There were no such requests received from the shareholders of the Company.

# VII PRINCIPLE: THE AVOIDANCE OF CONFLICTS OF INTEREST AND THEIR DISCLOSURE

The corporate governance framework should encourage members of the corporate bodies to avoid conflicts of interest and assure transparent and effective mechanism of disclosure of conflicts of interest regarding members of the corporate bodies.

#### 7.1. Recommendation:

Any member of the company's supervisory and management body should avoid a situation, in which his/her personal interests are in conflict or may be in conflict with the company's interests. In case such a situation did occur, a member of the company's supervisory and management body should, within reasonable time, inform other members of the same collegial body or the company's body that has elected him/her, or to the company's shareholders about a situation of a conflict of interest, indicate the nature of the conflict and value, where possible.

#### Company's commentary:

The members of the Board avoid situations where their personal interests may conflict with the interests of the Company. The members of the Board abstain from voting or refuse to vote when the matter is related to his person.

#### 7.2. Recommendation:

Any member of the company's supervisory and management body may not mix the company's assets, the use of which has not been mutually agreed upon, with his/her personal assets or use them or the information which he/she learns by virtue of his/her position as a member of a corporate body for his/her personal benefit or for the benefit of any third person without a prior agreement of the general shareholders' meeting or any other corporate body authorized by the meeting.

#### **Company's commentary:**

The members of the Board act in favor of the Company's interests, and their competence as well as their personal traits allow to claim that they conduct so that the conflicts of interest would not arise and they did not occur in the practice so far.

#### 7.3. Recommendation:

Any member of the company's supervisory and management body may conclude a transaction with the company, a member of a corporate body of which he/she is. Such a transaction (except insignificant ones due to their low value or concluded when carrying out routine operations in the company under usual conditions) must be immediately reported in writing or orally, by recording this in the minutes of the meeting, to other members of the same corporate body or to the corporate body that has elected him/her or to the company's shareholders. Transactions specified in this recommendation are also subject to recommendation 4.5.

#### Company's commentary:

The members of the Company's Board, during reporting period, have not concluded the transactions of high value of those under nonstandard conditions with the Company.

#### 7.4. Recommendation:

Any member of the company's supervisory and management body should abstain from voting when decisions concerning transactions or other issues of personal or business interest are voted on.

#### Company's commentary:

The Law on Companies stipulates that the member of the Board has no right to vote when the session of the Board deals with the question related to his activities or that of his liability. The members of the Board are aware of this provision and apply it broader than required by the Law, i.e. they abstain from voting of refuse to vote when it is related to his person and the Company or when it may cause the conflict of interest.



### VIII PRINCIPLE: COMPANY'S REMUNERATION POLICY

Remuneration policy and procedure for approval, revision and disclosure of directors' remuneration established in the company should prevent potential conflicts of interest and abuse in determining remuneration of directors, in addition it should ensure publicity and transparency both of company's remuneration policy and remuneration of directors.

#### 8.1. Recommendation:

A company should make a public statement of the company's remuneration policy (hereinafter the remuneration statement) which should be clear and easily understandable. This remuneration statement should be published as a part of the company's annual statement as well as posted on the company's website.

#### Company's commentary:

The Company has not prepared the remuneration approval, revision and publication procedure; therefore, it does not prepare remuneration policy statement.

The information about the Company's payments to the members of the issuer's managing bodies and the senior management during the previous period is announced according to the order stipulated by the legal acts. In the opinion of the Company and the Board, such information is off-the-record (confidential) and is currently considered as a trade secret of the Company according to the competitive environment and economic conditions for activities in Lithuania and other markets where the Company operates.

The issue on the need for and preparation of the remuneration policy report is expected to be dealt with in the future alongside with the change of market conditions and competitive environment.

#### 8.2. Recommendation:

Remuneration statement should mainly focus on directors' remuneration policy for the following year and, if appropriate, the subsequent years. The statement should contain a summary of the implementation of the remuneration policy in the previous financial year. Special attention should be given to any significant changes in company's remuneration policy as compared to the previous financial year.

#### Company's commentary:

Not applicable. The Company has no remuneration statement due to the reasons specified in Clause 8.1.

#### 8.3. Recommendation:

Remuneration statement should leastwise include the following information:

- 1) Explanation of the relative importance of the variable and non-variable components of directors' remuneration;
- 2) Sufficient information on performance criteria that entitles directors to share options, shares or variable components of remuneration;
- 3) An explanation how the choice of performance criteria contributes to the long-term interests of the company;
- 4) An explanation of the methods, applied in order to determine whether performance criteria have been fulfilled;
- 5) Sufficient information on deferment periods with regard to variable components of remuneration;
- 6) Sufficient information on the linkage between the remuneration and performance;
- 7) The main parameters and rationale for any annual bonus scheme and any other non-cash benefits;
- 8) Sufficient information on the policy regarding termination payments;
- 9) Sufficient information with regard to vesting periods for share-based remuneration, as referred to in point 8.13 of this Code;
- 10) Sufficient information on the policy regarding retention of shares after vesting, as referred to in point 8.15 of this Code;
- 11) Sufficient information on the composition of peer groups of companies the remuneration policy of which has been examined in relation to the establishment of the remuneration policy of the company concerned;
- 12) A description of the main characteristics of supplementary pension or early retirement schemes for directors;
- 13) Remuneration statement should not include commercially sensitive information.

#### Company's commentary:

Not applicable. The Company has no remuneration statement due to the reasons specified in Clause 8.1.

#### 8.4. Recommendation:

Remuneration statement should also summarize and explain company's policy regarding the terms of the contracts executed with executive directors and members of the management bodies. It should include, inter alia, information on the duration of contracts with executive directors and members of the management bodies, the applicable notice periods and details of provisions for termination payments linked to early termination under contracts for executive directors and members of the management bodies.

#### Company's commentary:

Not applicable. The Company has no remuneration statement due to the reasons specified in Clause 8.1.

#### 8.5. Recommendation:

Remuneration statement should also contain detailed information on the entire amount of remuneration, inclusive of other benefits, that was paid to individual directors over the relevant financial year. This document should list at least the information set out in items 8.5.1 to 8.5.4 for each person who has served as a director of the company at any time during the relevant financial year.

- 8.5.1. The following remuneration and/or emoluments-related information should be disclosed:
- 1) The total amount of remuneration paid or due to the director for services performed during the relevant financial year, inclusive of, where relevant, attendance fees fixed by the annual general shareholders meeting;
- 2) The remuneration and advantages received from any undertaking belonging to the same group;
- 3) The remuneration paid in the form of profit sharing and/or bonus payments and the reasons why such bonus payments and/or profit sharing were granted;
- 4) If permissible by the law, any significant additional remuneration paid to directors for special services outside the scope of the usual functions of a director;
- 5) Compensation receivable or paid to each former executive director or member of the management body as a result of his resignation from the office during the previous financial year;
- 6) Total estimated value of non-cash benefits considered as remuneration, other than the items covered in the above points.
- 8.5.2. As regards shares and/or rights to acquire share options and/or all other share-incentive schemes, the following information should be disclosed:
- 1) The number of share options offered or shares granted by the company during the relevant financial year and their conditions of application;
- 2) The number of shares options exercised during the relevant financial year and, for each of them, the number of shares involved and the exercise price or the value of the interest in the share incentive scheme at the end of the financial year;
- 3) The number of share options unexercised at the end of the financial year; their exercise price, the exercise date and the main conditions for the exercise of the rights;
- 4) All changes in the terms and conditions of existing share options occurring during the financial year.
- 8.5.3. The following supplementary pension schemes-related information should be disclosed:
- 1) When the pension scheme is a defined-benefit scheme, changes in the directors' accrued benefits under that scheme during the relevant financial year;
- 2) When the pension scheme is defined-contribution scheme, detailed information on contributions paid or payable by the company in respect of that director during the relevant financial year.
- 8.5.4. The statement should also state amounts that the company or any subsidiary company or entity included in the consolidated annual financial report of the company has paid to each person who has served as a director in the company at any time during the relevant financial year in the form of loans, advance payments or guarantees, including the amount outstanding and the interest rate.

Not applicable. The Company has no remuneration statement due to the reasons specified in Clause 8.1.

#### 8.6. Recommendation:

Where the remuneration policy includes variable components of remuneration, companies should set limits on the variable component(s). The non-variable component of remuneration should be sufficient to allow the company to withhold variable components of remuneration when performance criteria are not met.

#### Company's commentary:

Not applicable. There are no variable components of remuneration in the Company.

#### 8.7. Recommendation:

Award of variable components of remuneration should be subject to predetermined and measurable performance criteria.

#### Company's commentary:

Not applicable for the reasons specified in Clause 8.6.

#### 8.8. Recommendation:

Where a variable component of remuneration is awarded, a major part of the variable component should be deferred for a minimum period of time. The part of the variable component subject to deferment should be determined in relation to the relative weight of the variable component compared to the non-variable component of remuneration.

#### Company's commentary:

Not applicable for the reasons specified in Clause 8.6.

#### 8.9. Recommendation:

Contractual arrangements with executive or managing directors should include provisions that permit the company to reclaim variable components of remuneration that were awarded on the basis of data which subsequently proved to be manifestly misstated.

#### Company's commentary:

Not applicable for the reasons specified in Clause 8.6.

#### 8.10. Recommendation:

Termination payments should not exceed a fixed amount or fixed number of years of annual remuneration, which should, in general, not be higher than two years of the non-variable component of remuneration or the equivalent thereof.

#### Company's commentary:

The Company follows this recomendation, which sets up a maximum limit for a possible amount of remuneration.

#### 8.11. Recommendation:

Termination payments should not be paid if the termination is due to inadequate performance.

#### Company's commentary:

The company follows this recommendation. If losses occur due to a inadequate performance of Executive and Managing Director or Member of the Board, termination payments are not paid.

#### 8.12. Recommendation:

The information on preparatory and decision-making processes, during which a policy of remuneration of directors is being established, should also be disclosed. Information should include data, if applicable, on authorities and composition of the remuneration committee, names and surnames of external consultants whose services have been used in determination of the remuneration policy as well as the role of shareholders' annual general meeting.

#### Company's commentary:

Not applicable The Company has no remuneration statement due to the reasons specified in Clause 8.1.

#### 8.13. Recommendation:

Shares should not vest for at least three years after their award.

#### Company's commentary:

Not applicable. Salaries in the Company are not based on provision shares of the Company.

#### 8.14. Recommendation:

Share options or any other right to acquire shares or to be remunerated on the basis of share price movements should not be exercisable for at least three years after their award. Vesting of shares and the right to exercise share options or any other right to acquire shares or to be remunerated on the basis of share price movements, should be subject to predetermined and measurable performance criteria.

#### Company's commentary:

Not applicable for the reasons specified in Clause 8.13.

#### 8.15. Recommendation:

After vesting, directors should retain a number of shares, until the end of their mandate, subject to the need to finance any costs related to acquisition of the shares. The number of shares to be retained should be fixed, for example, twice the value of total annual remuneration (the non-variable plus the variable components).

#### Company's commentary:

Not applicable for the reasons specified in Clause 8.13.

#### 8.16. Recommendation:

Remuneration of non-executive or supervisory directors should not include share options.

Not applicable for the reasons specified in Clause 8.13.

#### 8.17. Recommendation:

Shareholders, in particular institutional shareholders, should be encouraged to attend general meetings where appropriate and make considered use of their votes regarding directors' remuneration.

#### Company's commentary:

Not applicable. The Board of the Company has a right to consider and approve the Company's remuneration policy.

#### 8.18. Recommendation:

Without prejudice to the role and organization of the relevant bodies responsible for setting directors' remunerations, the remuneration policy or any other significant change in remuneration policy should be included into the agenda of the shareholders' annual general meeting. Remuneration statement should be put for voting in shareholders' annual general meeting. The vote may be either mandatory or advisory.

#### Company's commentary:

Not applicable. The Company has no remuneration statement due to the reasons specified in Clause 8.1.

#### 8.19. Recommendation:

Schemes anticipating remuneration of directors in shares, share options or any other right to purchase shares or be remunerated on the basis of share price movements should be subject to the prior approval of shareholders' annual general meeting by way of a resolution prior to their adoption. The approval of scheme should be related with the scheme itself and not to the grant of such share-based benefits under that scheme to individual directors. All significant changes in scheme provisions should also be subject to shareholders' approval prior to their adoption; the approval decision should be made in shareholders' annual general meeting. In such case shareholders should be notified on all terms of suggested changes and get an explanation on the impact of the suggested changes.

#### Company's commentary:

Not applicable. Such remuneration schemes are not implemented in the Company.

#### 8.20. Recommendation:

The following issues should be subject to approval by the shareholders' annual general meeting:

- 1) Grant of share-based schemes, including share options, to directors;
- 2) Determination of maximum number of shares and main conditions of share granting;
- 3) The term within which options can be exercised;
- 4) The conditions for any subsequent change in the exercise of the options, if permissible by law;
- 5) All other long-term incentive schemes for which directors are eligible and which are not available to other employees of the company under similar terms. Annual general meeting should also set the deadline within which the body responsible for remuneration of directors may award compensations listed in this article to individual directors.

Not applicable. The remuneration in shares is not implemented in the Company.

#### 8.21. Recommendation:

Should national law or company's Articles of Association allow, any discounted option arrangement under which any rights are granted to subscribe to shares at a price lower than the market value of the share prevailing on the day of the price determination, or the average of the market values over a number of days preceding the date when the exercise price is determined, should also be subject to the shareholders' approval.

#### Company's commentary:

Not applicable.

#### 8.22. Recommendation:

Provisions of Articles 8.19 and 8.20 should not be applicable to schemes allowing for participation under similar conditions to company's employees or employees of any subsidiary company whose employees are eligible to participate in the scheme and which has been approved in the shareholders' annual general meeting.

#### Company's commentary:

Not applicable.

#### 8.23. Recommendation:

Prior to the annual general meeting that is intended to consider decision stipulated in Article 8.19, the shareholders must be provided an opportunity to familiarize with draft resolution and project-related notice (the documents should be posted on the company's website). The notice should contain the full text of the share-based remuneration schemes or a description of their key terms, as well as full names of the participants in the schemes. Notice should also specify the relationship of the schemes and the overall remuneration policy of the directors. Draft resolution must have a clear reference to the scheme itself or to the summary of its key terms. Shareholders must also be presented with information on how the company intends to provide for the shares required to meet its obligations under incentive schemes. It should be clearly stated whether the company intends to buy shares in the market, hold the shares in reserve or issue new ones. There should also be a summary on scheme-related expenses the company will suffer due to the anticipated application of the scheme. All information given in this article must be posted on the company's website.

#### Company's commentary:

Not applicable.

# PRINCIPLE: THE ROLE OF STAKEHOLDERS IN CORPORATE GOVERNANCE

The corporate governance framework should recognize the rights of stakeholders as established by law and encourage active co-operation between companies and stakeholders in creating the company value, jobs and financial sustainability. For the purposes of this Principle, the concept "stakeholders" includes investors, employees, creditors, suppliers, clients, local community and other persons having certain interest in the company concerned.

#### 9.1. Recommendation:

The corporate governance framework should assure that the rights of stakeholders that are protected by law are respected.

#### Company's commentary:

The Company performs its activities and is managed following the legal and other normative acts of the Republic of Lithuania, according to the reasonable and lawful interests of the community and the third parties, which do not contradict and do not cause the threat to violate the reasonable and lawful interests of the Company.

#### 9.2. Recommendation:

The corporate governance framework should create conditions for the stakeholders to participate in corporate governance in the manner prescribed by law. Examples of mechanisms of stakeholder participation in corporate governance include: employee participation in adoption of certain key decisions for the company; consulting the employees on corporate governance and other important issues; employee participation in the company's share capital; creditor involvement in governance in the context of the company's insolvency, etc.

#### **Company's commentary:**

All persons concerned and the third parties may access the publicly disclosed information about the activities of the Company on the websites of AB Nasdaq Vilnius Stock Exchange and the Company.

All persons concerned can address the Company's Investor Relations Specialist orally or in written form.

#### 9.3. Recommendation:

Where stakeholders participate in the corporate governance process, they should have access to relevant information.

#### Company's commentary:

All necessary information can be accessed on the websites of AB Nasdaq Vilnius Stock Exchange and the Company.

# X PRINCIPLE: INFORMATION DISCLOSURE AND TRANSPARENCY

The corporate governance framework should ensure that timely and accurate disclosure is made on all material information regarding the company, including the financial situation, performance and governance of the company.

#### 10.1. Recommendation:

The company should disclose information on:

- 1) The financial and operating results of the company;
- 2) Company objectives;
- 3) Persons holding by the right of ownership or in control of a block of shares in the company;
- 4) Members of the company's supervisory and management bodies, chief executive officer of the company and their remuneration;
- 5) Material foreseeable risk factors;
- 6) Transactions between the company and connected persons, as well as transactions concluded outside the course of the company's regular operations;
- 7) Material issues regarding employees and other stakeholders;
- 8) Governance structures and strategy.

This list should be deemed as a minimum recommendation, while the companies are encouraged not to limit themselves to disclosure of the information specified in this list.

#### Company's commentary:

The information about the Company specified in this clause is announced through Nasdaq GlobeNewswire information system, the reports (periodical information) of the Company prepared according to the order stipulated by the legal acts of the Republic of Lithuania, also, on the website of the Company. By presenting the information specified in this clause the Company announces the consolidated information of both the Company and the Group of companies.

#### 10.2. Recommendation:

It is recommended to the company, which is the parent of other companies, that consolidated results of the whole group to which the company belongs should be disclosed when information specified in item 1 of Recommendation 10.1 is under disclosure.

#### Company's commentary:

By presenting the information specified in this clause the Company announces the consolidated information of both the Company and the Group of companies.

#### 10.3. Recommendation:

It is recommended that information on the professional background, qualifications of the members of supervisory and management bodies, chief executive officer of the company should be disclosed as well as potential conflicts of interest that may have an effect on their decisions when information specified in item 4 of Recommendation 10.1 about the members of the company's supervisory and management bodies is under disclosure. It is also recommended that information about the amount of remuneration received from the company and other income should be disclosed with regard to members of the company's supervisory and management bodies and chief executive officer as per Principle VIII.

#### Company's commentary:

The company supplies the information specified in this clause in its annual reports.

#### 10.4. Recommendation:

It is recommended that information about the links between the company and its stakeholders, including employees, creditors, suppliers, local community, as well as the company's policy with regard to human resources, employee participation schemes in the company's share capital, etc. should be disclosed when information specified in item 7 of Recommendation 10.1 is under disclosure.

#### Company's commentary:

The company supplies the information specified in this clause in its financial and annual reports.

#### 10.5. Recommendation:

Information should be disclosed in such a way that neither shareholders nor investors are discriminated with regard to the manner or scope of access to information. Information should be disclosed to all simultaneously. It is recommended that notices about material events should be announced before or after a trading session on the AB NASDAQ Vilnius Stock Exchange, so that all the company's shareholders and investors should have equal access to the information and make informed investing decisions.

#### Company's commentary:

The information specified in this clause is announced through Nasdaq GlobeNewswire information system and on the Company's website in Lithuanian and English languages. The Company makes efforts to present all material events and information to investors not during the trade session, but before the session starts or after it ends.

The entire confidential information which may affect the price of securities issued by the Company shall be considered strictly confidential until the information is made public through Nasdaq GlobeNewswire information system.

#### 10.6. Recommendation:

Channels for disseminating information should provide for fair, timely and cost-efficient or in cases provided by the legal acts free of charge access to relevant information by users. It is recommended that information technologies should be employed for wider dissemination of information, for instance, by placing the information on the company's website. It is recommended that information should be published and placed on the company's website not only in Lithuanian, but also in English, and, whenever possible and necessary, in other languages as well.

The Company ensures impartial, timely and inexpensive access to the information by announcing it on the Company's website or through Nasdaq GlobeNewswire information system in Lithuanian and English languages.

#### 10.7. Recommendation:

It is recommended that the company's annual reports and other periodical accounts prepared by the company should be placed on the company's website. It is recommended that the company should annuance information about material events and changes in the price of the company's shares on the Stock Exchange on the company's website too.

#### Company's commentary:

This recommendation is fully implemented by the Company.

# XI PRINCIPLE: THE SELECTION OF THE COMPANY'S AUDITOR

The mechanism of the selection of the company's auditor should ensure independence of the firm of auditor's conclusion and opinion.

#### 11.1. Recommendation:

An annual audit of the company's financial reports and interim reports should be conducted by an independent firm of auditors in order to provide an external and objective opinion on the company's financial statements.

#### Company's commentary:

This recommendation is implemented partly.

The independent firm of auditors assesses the annual report and the annual statements. Since the legal acts of the Republic of Lithuania do not stipulate the assessment of interim financial reports and since it would cause additional costs and time expenses, the Company does not audit interim reports.

Despite that, the Company's interim reports are prepared according to IFRS requirements as adopted by the EU.

#### 11.2. Recommendation:

It is recommended that the company's supervisory board and, where it is not set up, the company's board should propose a candidate firm of auditors to the general shareholders' meeting.

#### Company's commentary:

This recommendation is fully implemented.

#### 11.3. Recommendation:

It is recommended that the company should disclose to its shareholders the level of fees paid to the firm of auditors for non-audit services rendered to the company. This information should be also known to the

company's supervisory board and, where it is not formed, the company's board upon their consideration which firm of auditors to propose for the general shareholders' meeting.

#### Company's commentary:

The auditors provided the Company with the consultations on tax issues in the financial year 2015/16.