AB LINAS AGRO GROUP
CODE OF LEGAL ENTITY 148030011
SMĖLYNĖS ST. 2C, PANEVĖŽYS
LITHUANIA

# CONFIRMATION 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 Lithuanian Securities Commission, 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 2014/15 ended June 30, 2015, 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 2014/15 financial year.

AB Linas Agro Group Managing Director — Darius Zubas

28 September 2015

AB Linas Agro Group Finance Director — Tomas Tumėnas

28 September 2015

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# CONSOLIDATED ANNUAL REPORT

## OF AB LINAS AGRO GROUP

**FOR THE FINANCIAL YEAR 2014/15 ENDED 30 JUNE 2015**

# MISSION

To create value along the chain of production, processing, and trading of agricultural and food produce.

To seek oportunities for professional development for employees in the organisation maintaining a high level of internal culture.

To seek constant growth of the company's value while ensuring maximum return on investments for shareholders and investors.

# CONTENT

# 1. LETTER TO THE SHAREHOLDERS

## DEAR SHAREHOLDERS,

Perhaps it would be fair for us to be called an export-oriented Group, as 75 percent of our income was received from the trade with foreign countries. Our company AB Linas Agro was the fifth largest exporter in Lithuania in 2014. Two Group companies - AB Linas Agro and Linas Agro AS - have been issued the GTP (European Good Trading Practice) certificates. We have a good reputation in the market. However, it is not always sufficient for achieving good financial performance.

There have been quiet periods, favorable for the activity, such as year 2012/13. This was not the case with the ended financial year, however, as it has brought a great number of challenges to our Group. Political disagreements over distribution of the EU funds, wars and unrest in our sourcing regions, embargoes as well as other politically driven bans, all of these have been faced in the course of the reporting year. Although this has not resulted in suspension of all our activities, yet it had a significant impact on our financial results and resulted in adjustments to the expansion plans. For example, the elimination of milk quotas in the EU and the Russian embargo on EU foodstuffs resulted in raw milk price drop to the detriment of the performance of the Group's agricultural companies; furthermore, the Russian embargo resulted in a surplus of poultry products in the European marked which subsequently led to reduced prices. There have been dramatic delays in the support from the EU structural funds to farmers and they had a huge impact on the results of trade in agricultural machinery in all the three Baltic States. Ultimately, we were unable to expand the area of own agricultural land as a law imposing restrictions on expansion of the holdings of legal and natural persons came into effect in Lithuania just before the start of the reporting period.

Some of the decisions had to be revised as well as future investments, manufacturing structures had to be improved and costs optimized. For example, we have revised and reduced the investments of "Dotnuvos Projektai" in Latvia, although the situation in Latvia regarding the EU support to farmers was by far the most optimistic: the sales of agricultural machinery started "moving forward" as early as in April. However, we remain optimistic and hope that the trade in agricultural machinery will recover in October in Lithuania, and in December or in the spring of 2016 in Estonia.

Upon the closing of the Russian market, the supply of poultry meat and competition increased in the Baltic region. Therefore, this year we started the restructuring of Latvian poultry farms managed by us, in order to improve the range of products and optimize the costs. This will allow our poultry companies to be efficient and competitive producers as well as to expand the range of products. We are planning upgrades to the production lines aimed at production of more poultry products and a wider variety thereof. Furthermore, we are merging the sales and also other departments of the poultry companies that perform similar functions. These processes are to continue in the financial year of 2015/16. The brands of poultry products, managed by us, are among the most popular in Latvia. In March 2015, the list of most popular brands of foodstuffs in Latvia, published by Forbes, the brand "Kekava" owned by AS Putnu Fabrika Kekava took the 3rd place for the third year in a row, whereas SIA Lielzeltini's brand "Bauska" took the 6th place.

We remain the market leaders in Latvia, although much remains to be done to achieve the same level of popularity in Lithuania and other countries.

One of the most proven of our strategic decisions was the expansion of the services offered to farmers. This year saw an increase of amount of grains accepted to our own silos by 16 percent. The crop yield is consistently increasing in Lithuania and it is not without our contribution. We contribute by providing agronomical advice to farmers, developing and testing new technologies of production, which in turn leads to higher yields and improved crop rotation. The demand for high-quality grain preparation services in Lithuania and Latvia in particular is not yet satisfied and therefore we will continue to expand our network of grain elevators. We have invested over EUR 5 million into it in the reporting period. We have built new grain storage facilities in Jungėnai, Kalvarija municipality, in Lithuania and in Jekabpils municipality in Latvia, which will open their doors in the financial year 2015/16.

By investing into technology, we are looking for unique and effective solutions. In Dotnuva (Lithuania), we have one of the largest seed processing factories in the Baltic States. During this financial year, we completed the first phase of its modernization. We have not only increased the seed cleaning performance from 8 to 16 tons per hour, but also we were the first in the Baltic region to install low speed bucket elevators, which cause absolutely no damage to seeds. Two more phases of the modernization of the factory are impending, which are scheduled for completion in the 2016/17 financial year. The total value of the modernization works amounts to EUR 700 thousand.

Our agricultural companies are able to work rather efficiently and productively. The yields of the majority of our cultivated crop were higher this year compared to the previous year and were well above the average in Lithuania. For example, wheat yields reached 7.0 t/ha (compared to the Lithuanian average of 4.3 t/ha), 3.3 t/ha of rapeseed (compared to the Lithuanian average of 2.3 t/ha), and 6.4 tons/ha of malting barley (compared to the Lithuanian average of 3.8 t/ha). During the reporting period, an average of 8.62 tons of milk per cow were milked, which is 27 percent more than average in Lithuania. The agricultural company Šakiai District Lukšių ŽŪB was especially successful, becoming the most efficient milk supplier in the year 2014, having achieved average annual milk yield of 9.5 tons per cow. In addition, Šakiai District Lukšių ŽŪB was announced the most advanced livestock farm in Lithuania in 2015.

Our cooperation with farmers was not limited to the trainings offered to them, practical field days or daily counselling. This year, we completed one large-scale work: working in cooperation with our long-time partner, emeritus professor Albinas Algirdas Šiuliauskas, we published a practical large-scale publication in the field of agricultural science, in the Lithuanian language. In is the first and so far the only book of its kind in the entire history of farming of independent Lithuania.

We are pleased to know that our growth is also reflected in Deloitte's annual list of 500 largest companies in Central Europe, in which AB Linas Agro Group rose by 18 positions to the 378th position in 2015.

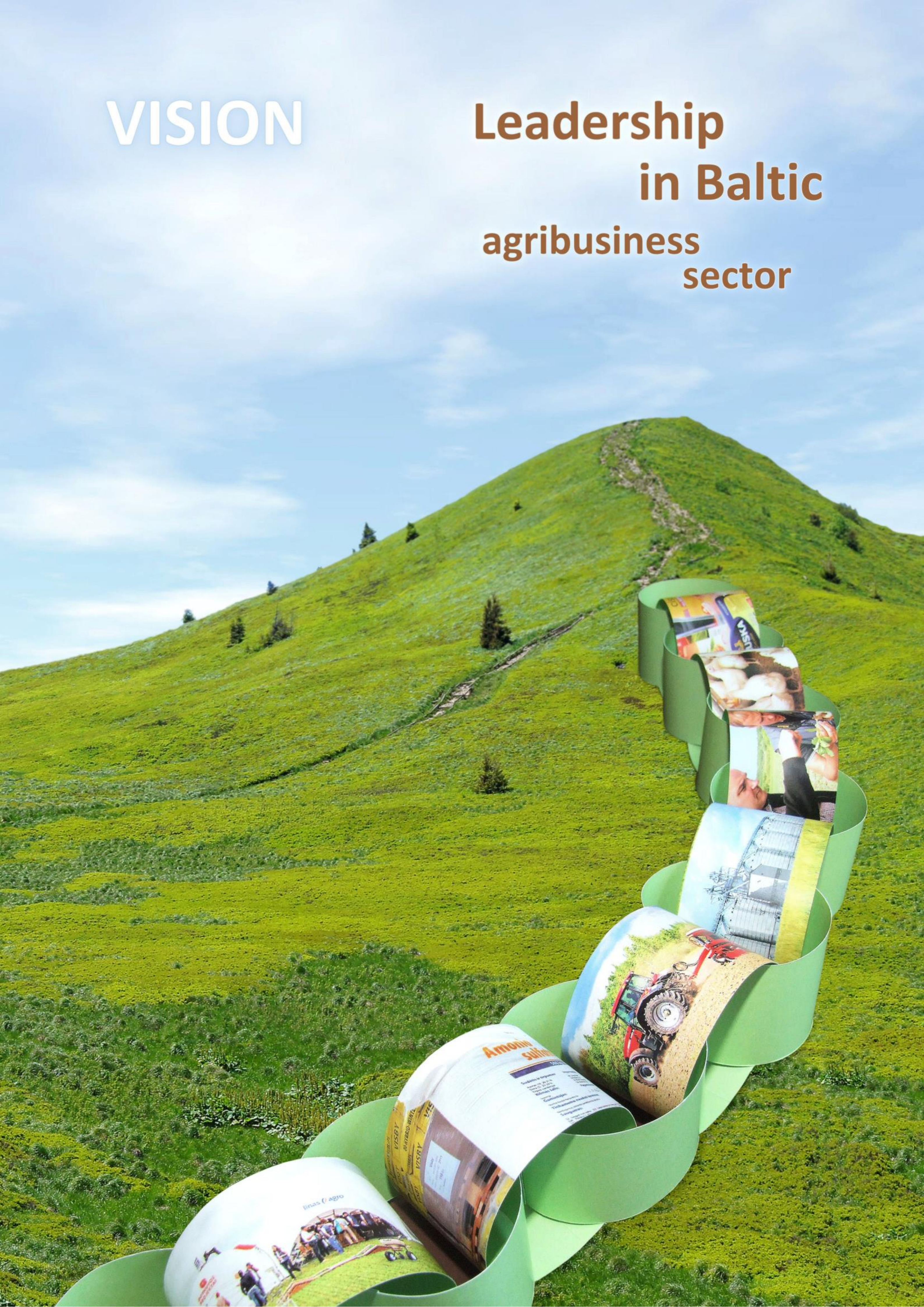
The financial year of 2014/15 was, in fact, not the most profitable in the history of our business, but we believe that there will be less political challenges in the future or we will be ready for them.

Sincerely yours,

Managing Director Darius Zubas

# VISION

## Leadership in Baltic agribusiness sector



# 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 2014/15 financial year, and all the figures are stated as at 30 June 2015 unless it is indicated otherwise.

# 3. 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.

On 1 January 2015 the currency of Lithuanian Republic litas was replaced by the euro at the rate of 3.4528 to 1, therefore all data in this report was recalculated and presented in euros.

## CONTACT PERSONS:

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Finance Director

+370 45 507 393

t.tumenas@linasagro.lt

Agnė Barauskaitė

Investor Relations Specialist

+370 45 507 346

a.barauskaite@linasagro.lt

# 4. 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 OMX 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. As at 30 June, 2015 the total headcount of the Group amounted to 2,334 employees. The financial year of the Group begins on 1 July.

The Company does not have any branches and representative offices.

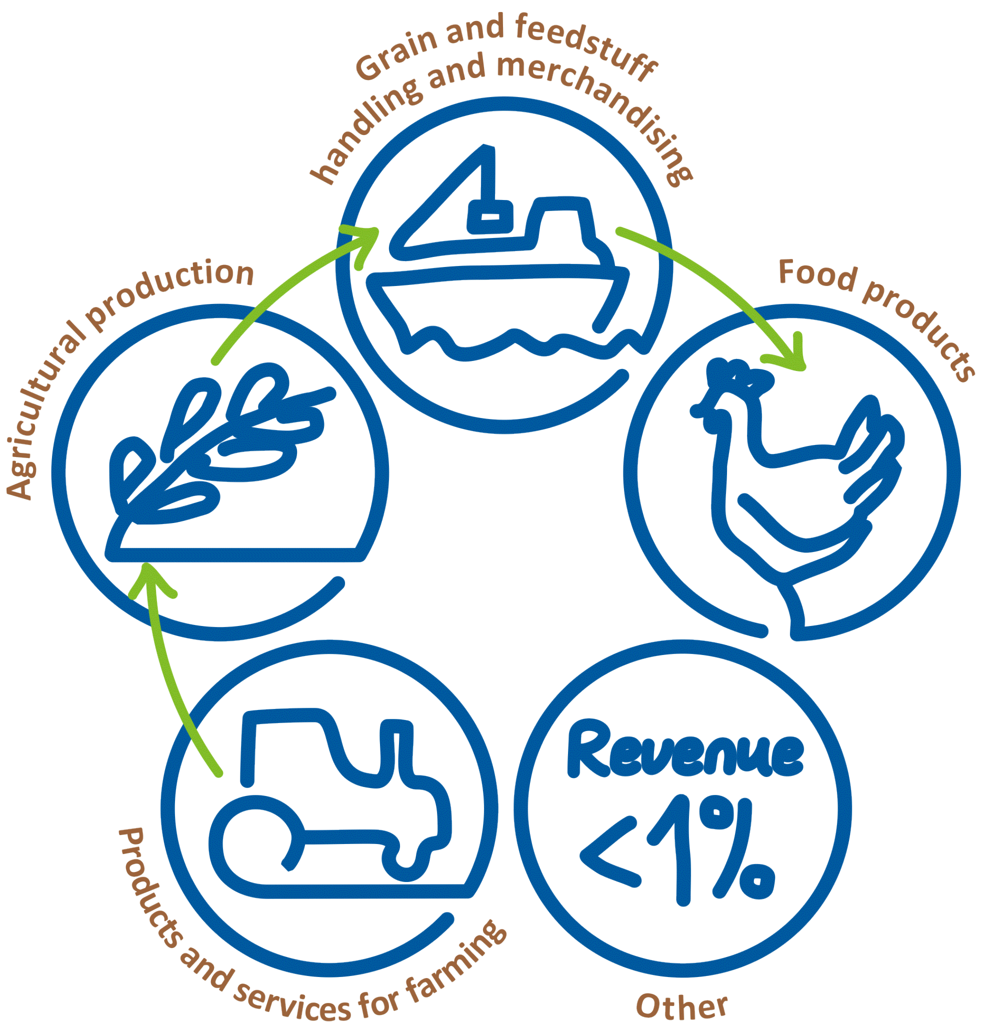
## 4. 1. ACTIVITIES

The subsidiaries controlled by the Company produce, handle and merchandise agricultural and food products, 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: *Grain and Feedstuff Handling and Merchandising, Products and Services for Farming, Agricultural Production, Food products* and *Other*. Division into separate Segments is dictated by different types of products and character of related activities; however, activities of the Segments are often interconnected. Business Segment *Other* is very small as includes activities, not attributable to other Segments.

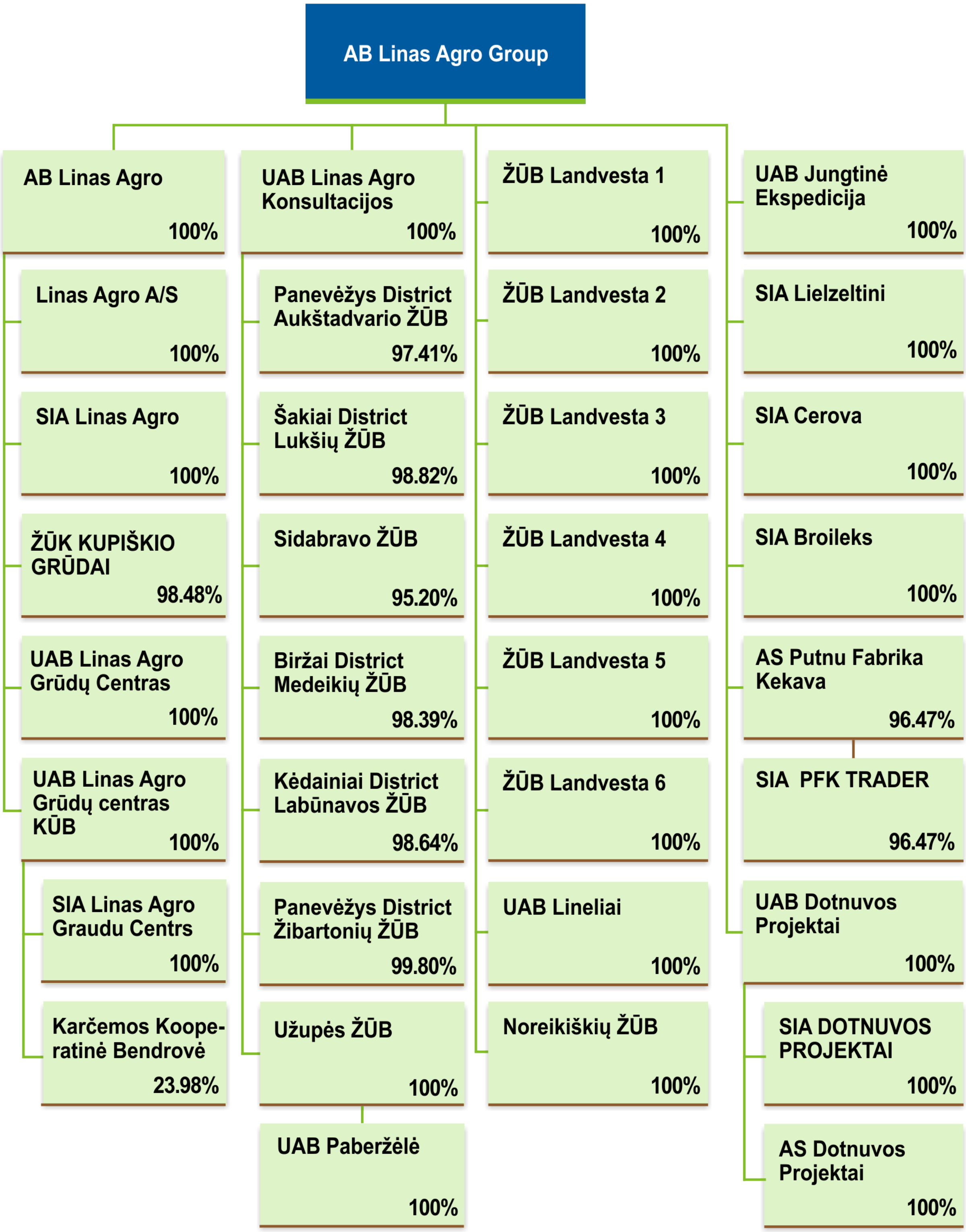
*Food products* – quite a new activity Segment that appeared in 2013/14 financial year after the Company acquired a group of Latvian poultry companies.



## 4. 2. INFORMATION ABOUT SUBSIDIARIES OF THE COMPANY

As at 30 June, 2015 the Company controlled 38 companies in Lithuania, Latvia, Estonia and Denmark. Structural chart of the effective stock held by AB Linas Agro Group (as at 30 June 2015)*:

**Dormant companies UAB Gerera (100% shares), UAB Dotnuvos Technika (100% shares), UAB Žemės Ūkio Investicijos (100% shares, in liquidation) and SIA Erfolg Group (96.47% shares) not included.*



## SHAREHOLDING STRUCTURE OF THE COMPANIES

As at 30 June 2015, AB Linas Agro Group controlled, either directly or indirectly, the following companies*:

**Dormant companies UAB Gerera (100% shares owned by AB Linas Agro, UAB Dotnuvos Technika (100% shares owned by UAB Dotnuvos Projektai), UAB Žemės Ūkio Investicijos (100% shares owned by UAB Linas Agro Konsultacijos) and SIA Erfolg Group (100 % shares owned by AS Putnu Fabrika Kekava) are not included.*

*** AB Linas Agro Group and UAB Linas Agro Grūdų Centras hold 50 % of votes each in UAB Linas Agro Grūdų Centras KŪB.*

| **Company** | **Status** | **Share of the stock held by companies** | | | | | **Share of the stock held by the Group** |
|---|---|---|---|---|---|---|---|
| | | **AB Linas Agro Group** | **AB Linas Agro** | **UAB Linas Agro Konsultacijos** | **UAB Linas Agro Grūdų Centras** | **UAB Dotnuvos Projektai** | |
| 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 Agro“ Grūdų centras KŪB owns 100% shares of the company | | | | | 100 % |
| UAB Linas Agro Konsultacijos | Subsidiary | 100% | | | | | 100% |
| Noreikiškių ŽŪB | Subsidiary | 99.93% | | 0.07% | | | 100% |
| Panevėžys District Aukštadvario ŽŪB | Subsidiary | | | 97.41% | | | 97.41% |
| Sidabravo ŽŪB | Subsidiary | | | 95.20% | | | 95.20% |
| Šakiai District Lukšių ŽŪB | Subsidiary | | | 98.82% | | | 98.82% |
| Biržai District Medeikių ŽŪB | Subsidiary | | | 98.39% | | | 98.39% |
| Kėdainiai District Labūnavos ŽŪB | Subsidiary | | | 98.64% | | | 98.64% |
| Užupės ŽŪB | Subsidiary | 0.05% | | 99.95% | | | 100% |

| Company | Status | Share of the stock held by companies | | | | | Share of the stock held by the Group |
|---|---|---|---|---|---|---|---|
| | | AB Linas Agro Group | AB Linas Agro | UAB Linas Agro Konsultacijos | UAB Linas Agro Grūdų Centras | UAB Dotnuvos Projektai | |
| UAB Paberžėlė | Subsidiary | Užupės ŽŪB owns 100% shares of the company | | | | | 100% |
| UAB Lineliai | Subsidiary | 100% | | | | | 100% |
| Panevėžys District Žibartonių ŽŪB | Subsidiary | 0.10% | | 99.70% | | | 99.80% |
| 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 | 19.77% | 80.23% | | | | 100% |
| ŽŪB Landvesta 5 | Subsidiary | 41.48% | 58.52% | | | | 100% |
| ŽŪB Landvesta 6 | Subsidiary | 15.51% | 84.49% | | | | 100% |
| ŽŪK KUPIŠKIO GRŪDAI | Subsidiary | Lukšių ŽŪB, Aukštadvario ŽŪB and Sidabravo ŽŪB helds 9.09%, Medeikių ŽŪB – 45.46%, AB Linas Agro – 27.27% shares of the company | | | | | 98.48% |
| UAB Dotnuvos Projektai | Subsidiary | 100% | | | | | 100% |
| SIA DOTNUVOS PROJEKTAI | Subsidiary | | | | | 100% | 100% |
| AS Dotnuvos Projektai | Subsidiary | | | | | 100% | 100% |

| Company | Status | Share of the stock held by companies | | | Share of the stock held by the Group |
|---|---|---|---|---|---|
| | | AB Linas Agro Group | AS Putnu Fabrika Kekava | SIA Lielzeltini | |
| UAB Jungtinė ekspedicija | Subsidiary | 100% | | | 100% |
| AS Putnu Fabrika Kekava | Subsidiary | 60.19% | | 36.28% | 96.47% |
| SIA PFK Trader | Subsidiary | | 100% | | 96.47% |
| 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 3.99% parts of the company | | | 23.99% |

*** The Group owns 23.98% shares of Karčemos Kooperatinė Bendrovė, but controls this company and consolidates in the financial statements.*

# ACTIVITIES AND CONTACT DATA OF THE COMPANIES OF THE GROUP

## SUBSIDIARIES IN LITHUANIA *

** Dormant companies are not included:*

1. *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. *The company on liquidation: UAB Žemės Ūkio Investicijos, private limited liability company, founded 6/10/ 2003, code of legal entity 126343167, address Smolensko St. 10, 03201 Vilnius, Lithuania, company register – State Enterprise Centre of Registers (Valstybės įmonė Registrų centras).*
4. *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.*

| 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, VĮ Registrų centras | Smėlynės St. 2C, LT-35143 Panevėžys, Lithuania<br>Ph. +370 45 507 333<br>Fax +370 45 507 444<br>E-mail *info@linasagro.lt*<br>*www.linasagro.lt , www.rapsai.lt* |
| 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<br>Ph. +370 45 507 365<br>Fax +370 45 507 344<br>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<br>Ph. +370 45 507 343<br>Fax +370 45 507 344<br>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<br>Ph. +370 688 674 29<br>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 | Smėlynės St. 2C, LT-35143 Panevėžys, Lithuania<br>Ph. +370 45 507 406<br>Fax +370 45 507 404<br>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<br>Ph. +370 45 507 406<br>Fax +370 45 507 404<br>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<br>Ph. +370 45 507 406<br>Fax +370 45 507 404<br>E-mail *info@landvesta.lt* |

| Company name | Principal activities | Registration date, code of legal entity, legal form, company register | Contact data |
|---|---|---|---|
| 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<br>Ph. +370 45 507 406<br>Fax +370 45 507 404<br>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<br>Ph. +370 45 507 406<br>Fax +370 45 507 404<br>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<br>Ph. +370 45 507 406<br>Fax +370 45 507 404<br>E-mail *info@landvesta.lt* |
| UAB Dotnuvos Projektai | 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<br>Ph.+370 347 370 30<br>Fax +370 347 370 40<br>E-mail *info@dotnuvosprojektai.lt*<br>*www.dotnuvosprojektai.lt* |
| 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<br>Ph.+370 45 507 333<br>Fax +370 45 507 444<br>E-mail *noreikiskes@linasagro.lt* |
| Užupės ŽŪB | Growing and sale of crop | 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<br>Ph. +370 698 58583<br>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<br>Ph. +370 698 58583<br>E-mail *paberzele@linasagro.lt* |

| Company name | Principal activities | Registration date, code of legal entity, legal form, company register | Contact data |
|---|---|---|---|
| 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 | Smėlynės St. 2C, LT-35143 Panevėžys, Lithuania<br>Ph. +370 45 507 406<br>Fax +370 45 507 404<br>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<br>Ph. +370 345 442 88<br>Fax +370 345 442 25<br>E-mail *luksiai@linasagro.lt* |
| 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<br>Ph. + 370 347 34 4166<br>Fax. + 370 347 34 180<br>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<br>Ph. +370 450 584 22<br>Fax +370 450 584 12<br>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<br>Ph. +370 459 529 16<br>Fax +370 459 529 16<br>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<br>Ph./fax +370 45 592 651<br>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<br>Ph. +370 422 477 27<br>Fax +370 422 476 18<br>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<br>Ph. +370 46 310 163<br>Fax +370 46 312 529<br>E-mail *info@je.lt*<br>*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<br>Ph. +370 45 557 444<br>Fax +370 45 557 486<br>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<br>Ph. +370 45 454 051<br>Fax +370 45 454 054<br>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<br>Ph. +45 988 430 70<br>Fax +45 988 440 07<br>E-mail *info@linasagro.dk*<br>*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<br>Ph. +371 630 840 24<br>Fax +371 630 842 24<br>E-mail *info@linasagro.lv*<br>*www.rapsim.lv* |

| Company name | Principal activities | Registration date, code of legal entity, company register | Contact data |
|---|---|---|---|
| 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 | Bauskas St. 2, LV-3001 Jelgava, Latvija<br>Ph. +371 630 840 24<br>Fax +371 630 842 24<br>E-mail *graudu.centrs@linasagro.lv* |
| SIA DOTNUVOS PROJEKTAI | 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<br>Ph. +371 679 131 61<br>Fax +371 677 602 52<br>E-mail *info@dotnuvosprojektai.lv*<br>*www.dotnuvosprojektai.lv* |
| AS Dotnuvos Projektai | 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<br>Ph. +372 661 2800<br>Fax +372 661 8004<br>E-mail<br>*info@dotnuvosprojektai.ee*<br>*www.dotnuvosprojektai.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<br>Ph. +371 6787 4000<br>Fax +371 6787 4001<br>E-mail *info@pfkekava.lv*<br>*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<br>Ph. +371 6787 4000<br>Fax +371 6787 4001<br>E-mail *info@pfkekava.lv*<br>*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<br>Ph. +371 6396 0770<br>Fax +371 6396 0768<br>E-mail *lielzeltini@lielzeltini.lv*<br>*www.lielzeltini.lv* |

| Company name | Principal activities | Registration date, code of legal entity, company register | Contact data |
|---|---|---|---|
| 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<br>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<br>Ph. +371 2633 4110<br>Fax +371 6392 6234<br>E-mail *cerova@latnet.lv* |

## 4. 3. STRATEGY AND OBJECTIVES

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. Due to the political risk the Group does not plan investments in the CIS countries in the near future, but will actively develop commercial relations.

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 in 2014/15 financial year totaled EUR 574 million and went down 2% as compared to previous year (EUR 585 million).

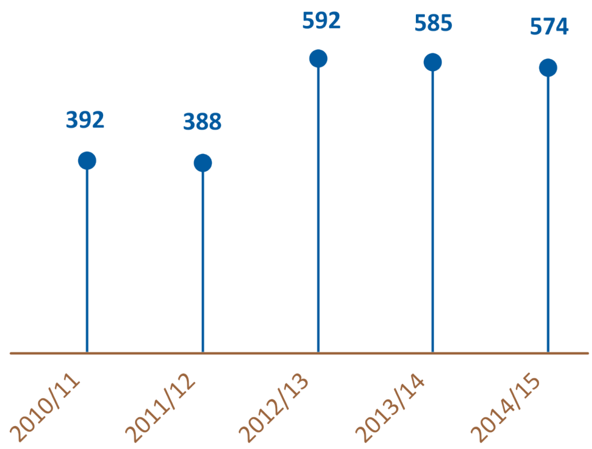
The Group's gross profit was above EUR 41.5 million and went down 4% as compared to the previous year (EUR 43.2 million).

Consolidated EBITDA declined to EUR 21.7 million from EUR 34.7 million last year. Excluding one-off effects for FY2013/14, Group's EBITDA stayed almost unchanged compared to EUR 21.5 million in previous year.

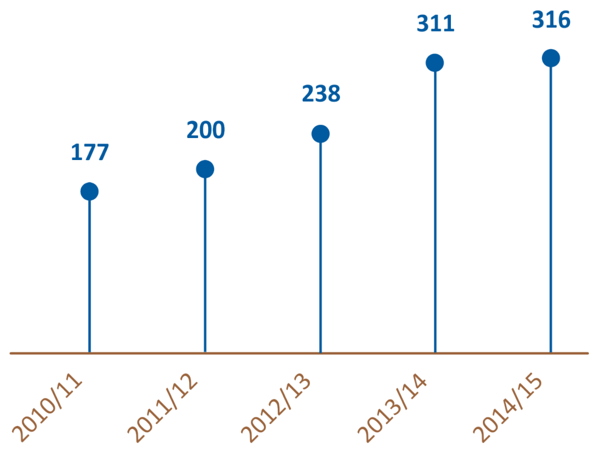
The Group's operating profit reached EUR 12.3 million or was 53% less as compared to the respective period of the previous year (EUR 26.3 million). Excluding one-off effects (EUR 13 million) on Group's profit-loss statement of 2013/14 financial year, the operating profit was 5% less as compared to the previous year (EUR 13 million).

Profit before taxes was over EUR 10 million (compared to EUR 24 million in previous year). The net profit attributable to the Group stood at almost EUR 9 million (previously EUR 24 million or EUR 10 million excluding one-off effects).

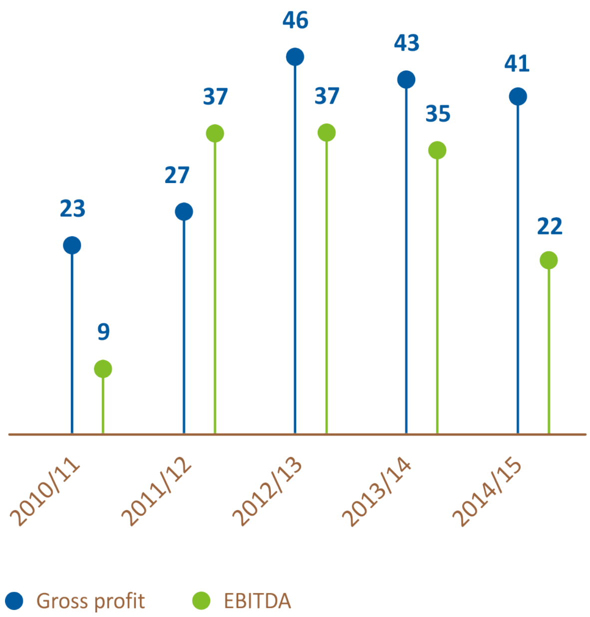
## SALES REVENUE, EUR MILLION




## ASSETS, EUR MILLION




## GROSS PROFIT AND EBITDA, EUR MILLION




## OPERATING AND NET PROFIT, EUR MILLION

## 5. 1. FINANCIAL RATIOS

| | 2011/12 | 2012/13 | 2013/14 | 2014/15 | Change 2014/15 compared to 2013/14 (thousand EUR) | Change 2014/15 compared to 2013/14 (%) |
|---|---|---|---|---|---|---|
| **Sales revenues (thousand EUR)** | **387,500** | **591,734** | **584,557** | **573,766** | **-10,787** | **-1.85** |
| **Sales in tons** | **1,348,619** | **1,767,224** | **2,339,135** | **1,968,469** | **-370,666** | **-15.85** |
| Gross profit (thousand EUR) | 27,474 | 45,831 | 43,199 | 41,480 | -1,719 | -4.00 |
| **EBITDA (thousand EUR)** | **36,788** | **36,828** | **34,731** | **21,736** | **- 12,950** | **-37.29** |
| Operating profit (thousand EUR) | 33,185 | 30,138 | 26,287 | 12,337 | - 13,950 | -53.07 |
| Earnings before taxes EBT (thousand EUR) | 33,473 | 29,282 | 24,005 | 10,360 | - 13,645 | -56.84 |
| **Net profit (thousand EUR)** | **27,311** | **26,210** | **23,640** | **9,194** | **- 14,445** | **-61.11** |
| **Margins, %** | | | | | | |
| Gross profit margin | 7.09 | 7.75 | 7.39 | 7.23 | -0.16 | -2.17 |
| EBITDA margin | 9.49 | 6.22 | 5.94 | 3.79 | -2.15 | -36.19 |
| Operating profit margin | 8.56 | 5.09 | 4.50 | 2.15 | -2.35 | -52.19 |
| Earnings before taxes margin | 8.64 | 4.95 | 4.11 | 1.81 | -2.30 | -56.03 |
| Net profit margin | 7.05 | 4.43 | 4.04 | 1.60 | -2.44 | -60.38 |
| **Solvency and efficiency ratios** | | | | | | |
| Current ratio | 1.78 | 1.76 | 1.63 | 1.59 | -0.04 | -2.45 |
| Debt / Equity ratio | 0.65 | 0.47 | 0.66 | 0.63 | -0.03 | -4.55 |
| Net financial debt / EBITDA | 1.38 | 1.35 | 2.63 | 4.31 | 1.68 | 63.50 |
| Return on equity (ROE), % | 26.48 | 20.54 | 15.54 | 5.79 | -9.75 | -62.74 |
| Return on capital employed (ROCE), % | 20.02 | 16.72 | 10.5 | 3.99 | -6.51 | -62.00 |
| Return on assets (ROA), % | 13.65 | 11.02 | 7.60 | 2.91 | -4.69 | -61.71 |
| Basic and diluted earnings per share (EUR) (EPS) | 0.16 | 0.17 | 0.15 | 0.06 | -0.09 | -60.16 |
| Price earnings ratio (P/E)* | 3.10 | 4.42 | 4.55 | 11.42 | 6.87 | 150.92 |

**The last close price of AB Linas Agro Group financial year*

## 5. 2. OVERVIEW

The consolidated revenue of AB Linas Agro Group of this financial year amounted to EUR 574 million and was 2% less as compared to the same period last year (EUR 585 million). The main reason for the drop in revenue was 8–10% reduction in world market prices for grain and feedstuff (*Source – Matif*). This was affected by a big word grain harvest and high level of carryover stocks (according to data of International Grains Council, world carryover grain stocks amounted to 444 million tons in 2014/15 year as compared to 407 million tons in 2013/14). According to IGC data, world grain harvest amounted to 2.013 billion tons in 2014/15 - compared to 2.006 billion tons in 2013/14 marketing year. The decline in prices for other raw materials like oil, gas and etc. also had an impact for drop in grain price.

The Group's sales volume in tons reached almost 2 million tons of various grains, agricultural inputs and other products and was 16% less as compared to previous year (2.34 million tons), that also have included sale of lignin stock of 0.39 million tons. Therefore, excluding the sale of lignin, Group's sales volumes in tons grew by slightly from 1.94 million tons to 1.97 million tons. Sales volumes by tons increased in grains (7.4%), products and services for farming (5.2%). Sales in oilseeds and feedstuffs have shrunken (20%). There was an increase in agricultural production (13.2%) and poultry production (140%).

Sales of grain and feedstuffs made up the greatest share of the Group's revenue and accounted for EUR 388 million or 68 percent of the Group's total revenue, while EUR 125 million or 22 percent of the total revenue was derived for products and services for farming. The poultry business generated 11 percent of the Group's total revenue (EUR 62 million).

The greater part of the Group's production is sold in foreign markets, i.e. trade with foreign countries accounts for 75 percent of the turnover. The main regions for export were Europe (50 percent), Asia (20 percent) and African countries (3 percent).

The Group exported its production to more than 28 countries around the world, where major export regions were Scandinavian countries, Saudi Arabia and Iran. The Group also entered into a new export market such as Mozambique. The main flows of goods were shipped from the Baltic seaports: 1.8 million tons of cargo departed from these ports with 1.3 million tons of cargo being sent from Lithuanian ports. The Group remained one the largest grain exporters in the Baltic region.

The Group's revenue from its largest business segment, which is the international trade in grain and feedstuff, fell from EUR 422 million to EUR 388 million. Another important reason, that negatively influenced revenue of the Group, was absence of subsidy program from the EU structural funds, which caused decrease in revenue from trade in agricultural machinery and grain processing equipment from EUR 50 million to EUR 44 million, resulting in 11% decrease in revenue of UAB Dotnuvos Projektai. Due to decline in raw milk purchase price (approx. 21%), the revenue from this activity has also shrunken from almost EUR 8.9 million to EUR 7.5 million. Revenue from the poultry business' *s* amounted to EUR 62 million (EUR 34 million in FY 2013/14, when the Group's consolidated revenue included the operating results of AS Putnu Fabrika Kekava for 8 months and the operating results of other poultry companies for 5 months).

The Group's cost of the goods sold (COGS) dropped from EUR 541 million to EUR 532 million (1.7 %). The main reason why COGS has dropped was 8-10% decline in grain prices on global markets. The increased sales volume in trade of various grains lifted logistic costs from EUR 34.5 million to EUR 42.6 million, which account for 8% of total COGS.

The fall in grain and milk purchase prices had a negative effect on the profitability of the Group's agricultural companies. Moreover, the fact that the governments had not protractedly approved the subsidy program from the EU structural funds had negative effect on trade in agricultural machinery throughout the Baltic countries. The excess supply of grains in the world market and tough competition had a pressure on grain profit margins. The tense political, economic and financial situation in major feedstuff sourcing markets (Ukraine and Russia) also negatively affected profitability in grain and feedstuff trading business. These were the main reasons why the Group's profitability went down.

The gross profit of AB Linas Agro Group dropped 4.6% from EUR 43.2 million to EUR 41.5 this year. The Group's gross profit margin fell from 7.4% to 7.2%.

The consolidated operating costs of the Group over the reporting period made up EUR 31 million and were higher by 4 percent as compared to the previous period when it accounted for EUR 29.7 million. The main reason affected such increase was increased costs of wages and taxes thereto as those grew up by 12 percent. The number of Group employees grew by 68 over the year as the Group expanded its agricultural machinery and service and trading centers.

The EBITDA of AB Linas Agro Group amounted to EUR 21.7 million compared to EUR 34.7 million in 2013/14 financial year.

It should be noted that the operating profit for FY 2013/14 included the profit resulting from the acquisition of Panevėžys District Žibartonių ŽŪB (EUR 2.8 million) and Latvian poultry companies (EUR 3.6 million). In addition, the Group recognized the one-off revenue of EUR 4 million resulting from writing off creditor liabilities. Also it has sold a lignin stock for a EUR 2.7 million. Excluding aforementioned factors, Group's operating and net profits declined by 5% and 12% and amounted to EUR 12 million and EUR 9 million respectively (in 2014/15 financial year), while Group's EBITDA remained almost unchanged and was EUR 21.7 million as compared to EUR 21.5 million.

As no significant acquisitions or disposals were recorded, the Group's income from other activities remained quite stable and amounted to EUR 2.5 million versus EUR 13.6 million in previous financial year. Losses from other activities remained the same and stood at EUR 0.8 million (EUR 0.8 million in FY 2013/14).

Losses from financial activities amounted to EUR 2.6 million or were almost the same as compared to previous financial year (EUR 2.9 million). Financial expenses over referenced period amounted to EUR 2.6 million and declined by 11% as compared to 2013/14 financial year (EUR 2.9 million). Despite the fact that amount of financial loans slightly increased from EUR 97 million to EUR 100 million, the decline in interest rate basis resulted into lower financials costs for the Group.

The net profit of the Group amounted to nearly EUR 9 million and was by 2.5 times lower than in the financial year 2013/14 when it reached EUR 23.6 million. Net profit attributable to the shareholders of the Company amounted to EUR 8.7 million (compared to EUR 21.2 million in the 2013/14 financial year). Net profit margin of the Group made up 1.6 percent.

The land management companies of the Group could not acquire agricultural land since May 1, 2014 as restrictions on legal and natural persons to acquire agricultural land were legitimized in Lithuania. At present, the area of the farming land owned by the Group including land leased from the state is over 6.7 thousand hectares.

The Group continued a successful implementation of the investment program aimed at the strengthening of trading activities in the Baltics - development and upgrading of grain storage facilities, strengthening fertilizer marketing and agricultural production.

The Group continues to expand the network of grain storage and fertilizer warehouses to be closer to its clients. The Group will expand its own storage capacity by 16 thousand tons for the new 2015/16 marketing season by opening new grain storages in Jungenai (Kalvarijos district, Lithuania) and Jekabpils (Latvia). The total Groups' own storage capacity for grain, feedstuffs and other agricultural produce will reach 254 thousand tons.

UAB Dotnuvos Projektai invested over EUR 1.7 million in the development. The first scheduled stage of modernization of a seed factory Dotnuva was completed: the annual seed preparation capacity increased from 15 thousand up to 22 thousand tons. The company's branches in Vilkaviškis and Joniškis (Lithuania) have been renovated, the agricultural machinery tire fitting service in Dotnuva (Lithuania), a branch in Valmiera, Latvia and a modern trade and service center in Talačkonys village of Pasvalys district (Lithuania) were opened.

The agricultural companies have invested almost EUR 2 million in the necessary renovation of agricultural machinery, equipment and buildings.

The group embarked on a program of investment in poultry companies managed by it, which is aimed at modernization of this activity and improving of its efficiency. In the reporting period, the Group invested EUR 2.2 million in the development of the rearing of poultry and renovation of poultry processing equipment and other machinery. The further investment in the companies mentioned above is planned during the next three years, with the aim of increasing the operating income from EUR 62 million to EUR 90 million.

The Group companies introduced a number of new products to the market - seeds of twelve varieties, two kinds of water-soluble fertilizers, specialized fertilizers for lawns, four kinds of plant protection products. This year, Linas Agro was granted exclusive rights to trade in several varieties of cereal and rapeseed in Lithuania for the first time. The seed storage service was launched in Kėdainiai. UAB Dotnuvos Projektai has opened an online shop and has ventured into a new field of activity - the trade in innovative and extremely cow-friendly milking equipment produced by BouMatic Robotics. A great number of new seasonal products are produced in Latvian poultry companies each year.

The Group companies have been consistently improving their collaboration with partners and customers, actively providing agronomic advice, conducted trainings for farmers. Seminars in agricultural science have been organized in early spring in five regions of the country, small groups of farmers have been formed in spring - a period of intense agricultural activities - in districts for dealing with relevant issues in the fields, demonstration tours of agricultural machinery have taken place in Latvia. In June, field days have been organized in five regions of Lithuania. In spring, a weekly radio broadcast was aired, presenting a brief overview of the most relevant problems related to crops, and their solutions.

"Dotnuvos Projektai" has implemented a customer relationship management system and direct advising of clients on its website, updated a customer database, founded the service department at Vilnius branch, increased the number of employees in Viljandi and Tartu branches in Estonia, is planning to open a branch in the city of Jekabpils (Latvia). In order to boost sales, the company started offering an extended warranty service period for some products sold in Estonia and started offering an opportunity for the farmers to test agricultural machinery in their fields in Latvia. In order to select the most promising varieties, company launched the precision cultivation trials of 28 well-known and new winter wheat varieties in Lithuania.

The issue of an extensive practical publication in the field of agricultural science was funded by the Group, which covers all major cereal and rapeseed cultivation techniques. Communication with farmers has been intensified in social networks as well.

UAB Dotnuvos Projektai was awarded a medal in the exhibition "Ką pasėsi... 2015" (Lithuania). The tractors brought by "Dotnuvos Projektai" won the first, second and two fourth places in the annual exhibition Traktordienās 2015 which took place in May 2015 in Latvia.

On 28 November 2014, AB Linas Agro received the marketing authorization from PI Ekoagros to trade organic products. Two Group companies - AB Linas Agro and Linas Agro AS - have been granted the GTP (European Good Trading Practice) certificates.

## 5. 3. CASH FLOWS AND LIQUIDITY

The Group's goal is to have sufficient financial resources, retain a high liquidity level and the quality of balance, secure some flexibility and freedom in borrowing as well as meet the Group's needs for working capital and investment.

On its balance sheet date, the Group had almost EUR 7 million of cash and cash equivalents (in 2013/14 the amount was EUR 9 million) while its current solvency ratio was 1.59. The debt-to-capital ratio reached 0.63 (last year it was 0.66). The Group's net debt and EBITDA ratio increased from 2.63 to 4.30. This is due to a lower Group’s EBITDA which over the year dropped from EUR 34.7 million to EUR 21.8 million. The total financial debt of the Group (excluding financial lease contracts) amounted to EUR 100.3 million (in 2013/14 it was EUR 97.4 million) and increased moderately by 3 percent (mainly due to new financial loans granted for construction of two new grain elevators). The short-term debts of the Group accounts to 77 percent, the major part of which are used for working capital financing and are covered with inventory and receivables.

The Group's cash flow from operating activities before changes in working capital decreased from EUR 24.7 million to EUR 18.3 million. Cash flow from operating activities after the change in working capital was positive and amounted to EUR 15.4 million (in the same period of the financial year 2013/14 it amounted to EUR 2.9 million). This is the normal business situation as the season ended and majority of Group’s stocks has been sold, what had a positive impact on Group’s operating cash flow.

The Group's cash flow from investment activity was negative and amounted to EUR 16.0 million (compared to EUR 16.9 million in the financial year 2013/14). All Group-owned companies were actively involved in development including the expansion of the grain storage network, renewal of the fixed assets of agricultural companies, and investments into poultry business.

The Group's cash flow from financial activity was negative amounting to EUR 1.3 million, which was basically determined by an increase in the financial loans (EUR 12.6 million).

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

## 5. 4. ACTIVITY 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:

| | 2014/15 | 2013/14 | 2012/13 | 2011/12 |
|---|---|---|---|---|
| Grain and feedstuff handling and merchandising | 7,484 | 10,978 | 23,379 | 9,189 |
| Product and services for farming | 965 | 1,796 | 7,645 | 25,835 |
| Agricultural production | 3,532 | 4,848 | 8,232 | 2,479 |
| Food products | 3,193 | 9,888 | n.d. | n.d. |
| Other | 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. The Group has been operating in this field since 1991. This activity generates most of the Group’s revenue.

“Grains” 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.). “Feedstuff” 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.

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

| Main financial indicators | 2010/11 | 2011/12 | 2012/13 | 2013/14 | 2014/15 | Change 2014/15 compared to 2013/14 (%) |
|---|---|---|---|---|---|---|
| Sales in tons | 941,875 | 962,970 | 1,541,250 | 1,621,885 | 1,596,754 | -1.5 |
| Sales revenue, thousand EUR | 252,036 | 262,538 | 472,629 | 421,622 | 388,313 | -7.9 |
| Gross profit, thousand EUR | 4,275 | 13,346 | 29,227 | 18,795 | 13,318 | -29,1 |
| Gross profit margin | 6.0% | 4.6% | 6.2% | 4.5% | 3.4% | -23.9 |

Due to the impact of lower world market prices for grain and oilseed, the revenue of this operating segment went down from EUR 421 million to EUR 388 million and the operating profit was EUR 7.5 million (EUR 10.9 million in FY 2013/14). Operating profit margin dropped from 2.6% to 1.9%. High supply of grains for export had a negative impact on grain trading profitability, also unstable situation in major feedstuff sourcing markets like Ukraine and Russia negatively affected their trading profitability as well. Nonetheless, the decrease in traded volume was insignificant and made 1.5% - from 1.62 to 1.59 million tons. The volume of traded grain went up from 1.1 to 1.2 million tons, but the volume of traded feedstuff dropped from 533 thousand tons in FY 2013/14 to 427 thousand tons.

The Group's grain elevators collected and processed almost 497 thousand tons of grain which was 16% more than over the same period last year (429 thousand tons).

## PRODUCTS AND SERVICES FOR FARMING

This business Segment includes the sale of seeds, plant protection products, fertilizers, agricultural and forestry machinery, grain storage and other equipment.

Supply of certified seeds, fertilizers, plant protection products to farmers is a long term activity of the Group. The grounds of this activity trace back to 1993, when the Group began entering into future production purchase contracts with farmers and crediting agricultural activities in exchange for the grown products. A great share of certified seeds is prepared at UAB Dotnuvos Projektai seed processing factory.

Supply of agricultural machinery is business activity, developed in three countries – Lithuania, Latvia and Estonia. This activity includes wholesale and retail trade of new and used agricultural and forest machinery and spare parts, as well as design and installation of grain cleaning, drying and storage facilities.

## PERFORMANCE RESULTS OF PRODUCTS AND SERVICES FOR FARMING SEGMENT

| Main financial indicators | 2010/11 | 2011/12 | 2012/13 | 2013/14 | 2014/15 | Change 2014/15 compared to 2013/14 (%) |
|---|---|---|---|---|---|---|
| Sales in tons | 450,006 | 333,469 | 144,197 | 205,298 | 215,947 | 5.2 |
| Sales revenue, thousand EUR | 139,383 | 120,172 | 114,920 | 127,962 | 125,376 | -2.0 |
| Gross profit, thousand EUR | 12,915 | 11,120 | 11,684 | 13,243 | 12,426 | -6.2 |
| Gross profit margin | 9.3% | 9.3% | 10.2% | 10.3% | 9.9% | -4.4 |

This operating segment experienced  fall and there were objective reasons for that: absence of funding from the EU structural funds for purchase of agricultural machinery in all three Baltic countries, low grain prices and a strong decrease in milk purchase price.

The revenue of this operating segment went down from EUR 128 million to EUR 125 million, while operating profit has shrunken by 46% amounting to EUR 0.9 million.

Sales in agricultural machinery fell most, i.e. from EUR 49.7 million to EUR 44.1 million, which represents 11% reduction, although sales have started to pick up in the last months of the financial year. The sub-group of UAB Dotnuvos Projektai, which is trading these products, first time in its history finished financial year with a EUR 1.7 million loss. Despite that, the Group has sold 914 units of new and used agricultural machinery and equipment in the Baltic States - almost the same as in previous year (920 units). Also it has constructed 21 grain storage and collecting facilities or 28% less than in FY 2013/14 (27 grain storage and collecting facilities).

Sales of agricultural machinery went up in Lithuania, but had a big decline in Estonia, where the market has not yet started to recover since EU support program “Investments for increasing the productivity of agricultural companies” was missing during the reporting period. Tractor sales in Estonia have shrunken by 2.5 times up to 19 units, meanwhile in Lithuania they have grown by 16% to 108 units and in Latvia - by 76% up to 30 units.

Trade in fertilizers grew from EUR 51.8 million to EUR 52 million, and trade in plant protection products went up from EUR 11.8 million to EUR 14.9 million. Although the winter was favorable to farmers, they did not almost lost winter crops and the demand for seeds was lower in spring, seeds sales remained almost unchanged and amounted to EUR 14.4 million (EUR 14.6 million in FY 2013/14).

The governments of the Baltic countries have approved of the current rules of allocation of the EU support for the acquisition of agricultural machinery by the end of the reporting period. However, the implementation of respective projects is about to start, f. i., the Estonian market recovery is expected as early as spring 2016.

The Group has signed quite a number of supply contracts for sales agricultural machinery and installation of grain storage and preparation facilities, but their implementation will start only when the farmers will have received the support funds, therefore, major of the contracts will only be finalized in FY 2015/16. The first sales orders under EU structural funds support will commence at the earliest in October 2015.

According to the Group's forecast, the sales volume and profitability of this operating segment will grow next financial year.

## 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 seven 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, Užupės ŽŪB and Sidabravo ŽŪB. Agricultural companies are cultivating 16,911 ha of land. The Group owns 5,556 ha of own land and 1,188 ha is under long term lease from the State.

On September 2013 the Group acquired agricultural company Panevėžys District Žibartonių ŽŪB. The company has been consolidated into the Group since September 2013.

### PERFORMANCE RESULTS OF AGRICULTURAL PRODUCTION SEGMENT

| Main financial indicators | 2010/11 | 2011/12 | 2012/13 | 2013/14 | 2014/15 | Change 2014/15 compared to 2013/14 (%) |
|---|---|---|---|---|---|---|
| Sales in tons | 41,221 | 42,907 | 77,484 | 100,319 | 113,531 | 13.2 |
| Sales revenue, thousand EUR | 11,424 | 13,622 | 23,305 | 27,603 | 25,153 | -8.9 |
| Gross profit, thousand EUR | 5,574 | 3,554 | 4,890 | 4,344 | 6,049 | 39.2 |
| Gross profit margin | 48.8% | 26.1% | 21.0% | 15.7% | 24.0% | 52.8 |

The farming companies of the Group harvested 42.6 thousand tons of wheat, 17.7 thousand tons of malting barley and 10.4 thousand tons of rapeseed over the reporting period. Also 13.36 thousand tons of sugar beet was grown or 10.5% more than a year before. Beans have been cultivated for the first time and 1,645 tons gained.

The average yield for wheat was 7.0 tons/ha (last year – 6.1 tons/ha), rapeseed – 3.3 tons/ha (the same in previous year), malting barley – 6.4 tons/ha (5.7 tons/ha in previous year).

The Group's agricultural companies sold almost 79 thousand tons of crop products over the reporting period, which is 13% more than last year (70 thousand tons). 67 thousand tons accounted for a various grains and 11.7 thousand tons for sugar beet.

There are 3,209 dairy cows in the Group's farms, i.e. 7% more than last year (2,999). The average milk yield per cow was 8.62 tons over the reporting period or 8% more than the previous year (7.96 tons). As many as 31 thousand tons of raw milk were sold, i.e. 17% more than last year (27 thousand tons). The purchase price of raw milk fell by as many as 21% as compared to the previous reporting period. The Group estimates that it has not received up to EUR 1.4 million in revenues because of decrease in milk purchase price (if milk purchase price would have remained similar to that in FY 2013/14).

In 2014, farming company Šakiai district Lukšių ŽŪB was announced the most efficient milk producer in Lithuania. It is also the sixth largest milk producer in Lithuania.

1,279 tons of beef cattle were sold – atmost the same like a year before (1,299 tonnes). As compared to the previous year, the purchase price for meat went down by 16%.

Low purchase prices of grain and milk had a negative impact on the revenue of this operating segment which went down from EUR 28 million to EUR 25 million. Meanwhile, due to increased yields and already made provisions in 2013/14 for decline in milk prices what negatively affected Group's biological assets, operating profit of this business segments amounted to EUR 3.5 million as compared to EUR 4.8 million in FY 2013/14 (If the profit gained from acquisition of the agricultural company, amounting to EUR 2.8 million and accounted in FY 2013/14 would be eliminated, the operating profit for the respective period of FY 2013/14 would have been EUR 2.1 million).

In the last quarter of this financial year the allocated EU support funds (EUR 2.8 million) was accounted for and recognized, and the expected harvest from the biological assets (crops) also has been evaluated.

## FOOD PRODUCTS

This business Segment includes a whole 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. The company SIA Putnu Fabrika Kekava is included in the Group as from November 2013, and the other companies as from February 2014, respectively, their results are consolidated in the Group's results since then.

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 operates 25 retail shops all over Latvia. The company sold 18,890 tons of poultry meat over the respective period, a little bit more than a year before (18,755 tons).

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. The company sold 12,308 tons of poultry meat over the respective period or 14% more than during the corresponding period of previous year (10,760 tons).

SIA Broileks grows and sells live chicken. The company produced over 1,336 tons of live weight of broilers over the respective period.

SIA Cerova incubate eggs and sells day-old chicks. The company produced almost 6.5 million day-old chicks over the respective period or 2.5 % more than previous year(6.3 million).

### PERFORMANCE RESULTS OF FOOD PRODUCTS SEGMENT

| Main financial indicators | 2010/11 | 2011/12 | 2012/13 | 2013/14 | 2014/15 | Change 2014/15 compared to 2013/14 (%) |
|---|---|---|---|---|---|---|
| Sales in tons | - | - | - | 17,023 | 40,881 | 140.2 |
| Sales revenue, thousand EUR | - | - | - | 33,600 | 62,180 | 85.1 |
| Gross profit, thousand EUR | - | - | - | 5,657 | 9,642 | 70.4 |
| Gross profit margin | - | - | - | 16.8% | 15.5% | -7.9 |

The poultry companies sold over 31 thousand tons of poultry and poultry products over the reporting period.

Due to favorable market prices for feedstuff and improving operational efficiency, this operating segment of the Group is one of the most profitable in comparison with others. Sales revenue of the segment amounted to EUR 62 million and its operating profit was EUR 3.2 million (as compared to EUR 9.9 million in FY 2013/14 or EUR 2.1 million after elimination of one-off effect of acquisition).

<1%

## OTHER

After the Group has sold lignin stock, this business Segment includes an insignificant remaining Group's income not attributable to the other Segments, f. i., services of elevators to the third parties, sales of minor assets, etc.

### PERFORMANCE RESULTS OF OTHER SEGMENT

| Main financial indicators | 2010/11 | 2011/12 | 2012/13 | 2013/14 | 2014/15 | Change 2014/15 compared to 2013/14 (%) |
|---|---|---|---|---|---|---|
| Sales in tons | 49,962 | 9,273 | 4,293 | 394,610 | 1,356 | -99.7 |
| Sales revenue, thousand EUR | 3,669 | 2,648 | 3,110 | 1,678 | 21 | -100.0 |
| Gross profit, thousand EUR | 686 | 446 | 31 | 1,159 | 21 | -100.0 |
| Gross profit margin | 18.7% | 16.8% | 1.0% | 69.08% | 100.0% | 44.8 |

The sales and operating profit of the Segment were the same and totalled EUR 97 thousand. The Group sold lignin stock in previous FY 2013/14, and then Segment's revenue amounted to EUR 1.67 million and operating profit stood at EUR 2.74 million.

## 5. 5. INVESTMENTS

During the reporting period the Group's subsidiaries have invested nearly EUR 14 million. Major investments of the Group by character:

| Investment object | Investment amount, thousand EUR |
|---|---|
| Grain storage equipment, warehouses, buildings, various appliances and other machinery | 5,002 |
| Purchase and upgrade of agricultural machinery, vehicles, equipment, buildings and purchase of land | 5,970 |
| Modernization and renovation of poultry farms | 2,561 |
| Other investments | 436 |

# 6. THE PUBLICLY DISCLOSED INFORMATION AND OTHER EVENTS OF THE REPORTING PERIOD

## 6. 1. THE PUBLICLY DISCLOSED INFORMATION

During the reporting period ended June 30, 2015, the Company publicly disclosed and distributed via Nasdaq GlobeNewswire system and in Company's website the following information:

| | | | |
|---|---|---|---|
| 28/05/2015 13:00:31 EEST | Notification about interim 9 months financial results of the financial year 2014/2015 | Interim information | Lt, En |
| 13/05/2015 11:17:32 EEST | Linas Agro Group updates processing capacities and merges sales departments in Latvian poultry companies | Notification on material event | Lt, En |
| 04/05/2015 09:02:30 EEST | Linas Agro Group participates in ERGO pension accumulation program | Other information | Lt, En |
| 18/03/2015 10:53:32 EET | CORRECTION: AB Linas Agro Group investor's calendar for the 2015 | Other information | Lt, En |
| 27/02/2015 10:13:32 EET | Notification about interim 6 months financial results of the financial year 2014/2015 | Interim information | Lt, En |

| | | | |
|---|---|---|---|
| 23/12/2014 09:00:32 EET | AB Linas Agro Group investor's calendar for the 2015 | Other information | Lt, En |
| 28/11/2014 10:03:31 EET | Notification about interim 3 months financial results of the financial year 2014/2015 | Interim information | Lt, En |
| 30/10/2014 16:00:31 EET | Procedure for the payout of dividends for the financial year ended 30 June 2014 | Notification on material event | Lt, En |
| 30/10/2014 16:00:31 EET | AB Linas Agro Group notification about the Annual information of the financial year 2013/2014 | Annual information | Lt, En |
| 30/10/2014 16:00:31 EET | Results of voting of the Annual General Meeting of AB Linas Agro Group, held on 30 October, 2014 | Notification on material event | Lt, En |
| 08/10/2014 09:00:31 EEST | Notice on Annual general Meeting of Shareholders of AB Linas Agro Group | Notification on material event | Lt, En |
| 16/09/2014 09:00:34 EEST | AB Linas Agro Group presentation to investors | Other information | Lt, En |
| 29/08/2014 09:31:42 EEST | AB Linas Agro Group notification about interim twelve months financial results of the financial year 2013/2014 | Interim information | Lt, En |
| 05/08/2014 09:00:31 EEST | Credit line of LTL 228 million granted to company AB Linas Agro by SEB Bankas | Notification on material event | Lt, En |
| 28/07/2014 09:00:30 EEST | SEB and DNB Banks grants €30 million for SIA Linas Agro expansion | Other information | En |
| 11/07/2014 10:57:31 EEST | Notification on Linas Agro Group AB manager's related party transaction | Notifications on transactions concluded by managers of the companies | Lt, En |

## 6. 2. OTHER EVENTS DURING THE REPORTING PERIOD

| | |
|---|---|
| Nov, 2014-Jun, 2015 | The Company additionally acquired 18,688 shares of AS Putnu Fabrika Kekava. |
| Aug, 2014-Jun, 2015 | The share capital of Noreikiškių ŽŪB was increased from 359,997.68 to 433,000 euros. |
| 27/05/2015 | Panevėžys District Žibartonių ŽŪB sold 5,630.22 shares of Karčemos Kooperatinė Bendrovė. |
| March-May, 2015 | UAB Linas Agro Konsultacijos additionally acquired 1,272.01 shares of Panevėžys District Aukštadvario ŽŪB. |

| | |
|---|---|
| Jul, 2014-May, 2015 | UAB Linas Agro Konsultacijos additionally acquired 6,729.68 shares of Sidabravo ŽŪB. |
| Aug, 2014-March, 2015 | The authorized capital of UAB Lineliai was increased from 466,288.23 to 553,000 euros. |
| 27/03/2015 | UAB Linas Agro Konsultacijos additionally acquired 68.39 shares of Panevėžys District Žibartonių ŽŪB. |
| 04/02/2015 | The Council of SIA Linas Agro was formed and representatives of the Group from Lithuania – Darius Zubas, Vytautas Šidlauskas and Dainius Pilkauskas– were elected the members of it. |
| 09/01/2015 | The new version of the Articles of Association of UAB Dotnuvos Projektai entered into force and the newly formed Board of the company with the members Darius Zubas, Andrius Pranckevičius and Tomas Tumėnas started operating. |
| 08/01/2015 | There was made a decision to liquidate the company UAB Žemės Ūkio Investicijos. |
| 19/12/2014 | The share capital of ŽŪB Landvesta 2 was increased from 342,330.86 to 349,571.37 euros. |
| 04/12/2014 | The authorized capital of SIA Linas Agro Graudu Centrs was increased from 2,828 to 1,656,828 euros. |
| 26/11/2014 | After the completion of the reorganization of UAB Fossio the company was deregistered, and its rights and obligations were passed to UAB Linas Agro Grūdų Centras. After merging UAB Fossio, the authorized capital of UAB Linas Agro Grūdų Centras increased from 37,650.60 to 171,037.76 euros. |
| Jul-Oct, 2014 | The authorized capital of AS Putnu Fabrika Kekava was increased from 12,768,771.95 to 18,928,084 euros. |
| 27/10/2014 | AS Putnu Fabrika Kekava acquired the company SIA Erfolg Group. |
| 30/09/2014 | The Council of SIA Lielzeltini was formed and representatives of the Group from Lithuania Darius Zubas, Andrius Pranckevičius and Gintaras Maželis were elected the members of it. They all are the members of the Council of AS Putnu Fabrika Kekava as well. |
| 22/09/2014 | UAB Linas Agro Konsultacijos and AB Linas Agro sold shares of the farming company Panevėžys District Ėriškių ŽŪB. |

## 6. 3. SUBSEQUENT EVENTS

| | |
|---|---|
| 18/08/2015 | The company UAB Žemės Ūkio Investicijos was liquidated and delisted from the Center of Register of Republic of Lithuania. |
| Jul-Aug, 2015 | The share capital of Noreikiškių ŽŪB was increased from 433,000 to 449,000 euros. |

| | |
|---|---|
| 30/07/2015 | The Company additionally acquired 299 shares of AS Putnu Fabrika Kekava. |
| 17/07/2015 | The authorized capital of ŽŪB Landvesta 4 was increased from 553,753.48 to 603,777.11 euros. |
| 14/07/2015 | There was made a decision to increase authorized capital of UAB Lineliai from 553,000 to 638,000 euros. |

# 7. SCOPE OF RISK AND MANAGEMENT THEREOF

## 7.1. 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.

This risk did not manifest itself as regards the Company and the Group in FY 2014/15.

## 7.2. 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 2014/15.

### 7.3. 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.

The Group has been affected by such risk in FY 2014/15 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;

2. The delay in funding rural development by EU Structural Funds was significant. The European Commission approved the Lithuanian, Latvian and Estonian rural development programs for the period 2014-2020 in February, 2015 only and this had a negative impact on sales of agricultural machinery and equipment in all Baltic States.

3. Due to certain prohibition to acquire agricultural land in Lithuania after the new Law has come into force in May, 2014, the Group was not able to purchase new arable land.

### 7.4. 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 2014/15.

## 7.5. COUNTERPARTY RISK

The Group enters forward contracts with more than 1,300 clients 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.

In 2014/15 financial year, the Group according its risk management policy has been 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 2014/15.

# 8. EMPLOYEES

As at 30 June 2015 the number of employees of the Group was 2,334 or 68 employees more than as at 30 June 2014 (2,266).

The number of employees of the Company remained unchanged and was 9 (9 as at 30 June 2014).

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

| | The number of employees at the end of financial year | | Average monthly salary before taxes in EUR | |
|---|---|---|---|---|
| | 30 June 2015 | 30 June 2014 | 30 June 2015 | 30 June 2014 |
| Managers | 132 | 118 | 2,447 | 2,340 |
| Specialists | 612 | 583 | 1,336 | 1,247 |
| Workers | 1,590 | 1,565 | 734 | 409 |
| **Total** | **2,334** | **2,266** | | |

## 8. 2. DISTRIBUTION OF EMPLOYEES OF THE GROUP BY EDUCATION DEGREE HELD:

| | 30 June 2015 | 30 June 2014 |
|---|---|---|
| Graduate academic | 408 | 388 |
| Higher education | 446 | 369 |
| Secondary education | 1,146 | 1,119 |
| Primary | 334 | 390 |
| **Total** | **2,334** | **2,266** |

## 8. 3. DISTRIBUTION OF EMPLOYEES OF THE GROUP BY GEOGRAPHICAL LOCATIONS:

| | 30 June 2015 | 30 June 2014 |
|---|---|---|
| Lithuania | 1,097 | 1,052 |
| Latvia | 1,184 | 1,175 |
| Estonia | 47 | 33 |
| Denmark | 6 | 6 |
| **Total** | **2,334** | **2,266** |

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.

# 9. STRUCTURE OF THE AUTHORISED CAPITAL

There were no changes in authorized capital since 17 of February 2010.

On 30 June, 2015 the authorized capital of the Company amounted to EUR 46,032,321.01. 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.

| 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 | 46,032,321.01 | 100 |
| **Total** | **158,940,398** | **–** | **46,032,321.01** | **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 790,972 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.

## 9. 1. INFORMATION ABOUT THE COMPANY'S OWN SHARES

At the end of the reporting period, the Company holds 788,972 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.

Annual General Meeting of AB Linas Agro Group, held on 24 of October 2013 assigned Board of the Company to purchase up to 1,589,403 ordinary registered shares of the Company, i.e. up to 1% of all Company shares, in 18 months period with the purpose to maintain and increase the price of the Company's shares. The reserve of EUR 1.825 million (LTL 6,300,000) has been formed for acquisition of the own shares. The decision has not been implemented and has ceased to be valid on April 24, 2015.

# 10. SHAREHOLDERS

The number of Company's shareholders at the end of the reporting period (30 June 2015) totaled 1,020.

## 10. 1. 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 | 120,902,117 | 75.07% |
| Individuals | 1,363,918 | 0.86% |
| **Resident investors** | | |
| Companies | 2,820,311 | 1.77% |
| Individuals | 33,854,052 | 21.30% |
| **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, 2015:

| | Number of shares held | Portion in the authorized capital and voting rights |
|---|---|---|
| Akola ApS (Company Code 2517487; registration address: c/o Advokat Henrik Christensen, Algade 31, 9000 Aalborg, Denmark) | 88,984,443 | 55.99% |
| Darius Zubas | 17,049,995 | 10.73% |
| SEB SA OMNIBUS (Luxembourg) clients | 12,026,834 | 7.57% |
| Swedbank AS (Estonia) clients | 10,720,893 | 6.75% |

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.

In their activities, the Company's bodies must follow the following principles:

1. The activities of all bodies of the Company should be focused on the implementation of the strategic goals of the Company taking into account the need of increasing the equity of the Company's shareholders.

2. The Company's management and supervisory bodies should maintain close mutual cooperation seeking maximum possible benefit to the Company and shareholders.

3. The Company's bodies should ensure that not only the rights and interests of the shareholders would be respected, but also those of other persons participating in the activities of the Company or related to those activities (employees, creditors, suppliers, customers, and local communities).

4. A member of a management body of the Company may not use the assets of the Company for private purposes, the use whereof was not discussed with him/her specifically, with his/her own assets or to use such assets or information received by such person in the capacity of a member of a body of the Company for personal benefit or for the benefit of a third person without consent of the Board of the Company.

5. A member of a management body of the Company should refrain from voting when decisions related to transactions or other issues, wherewith he/she is related by personal or business interest, are to be adopted.

6. The Company's bodies should act in a fair, diligent and responsible manner in respect to the benefits and interests of the Company and its shareholders taking into account the interests of the employees and public welfare.

7. The Company's management bodies, when adopting decisions assigned to their competence, should follow the recommendations specified in the Management Code for companies listed on AB NASDAQ OMX Vilnius Stock Exchange as far as it is reasonable and relevant according to the activities carried out by the Company and its objectives.

## 11. 1. GENERAL MEETING OF SHAREHOLDERS

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

In addition to the exclusive rights of a general meeting of shareholders specified in Article 20 of the Law of the Republic of Lithuania on Companies, the Company's General Meeting of Shareholders, with the right of consultative vote (which is not obligatory unless it is approved by the Company's Board) has a right to consider and approve, at an Annual General Meeting of Shareholders, the following:

1. The Company's Remuneration Policy or any material change in the Company's Remuneration Policy as well as the report on the Remuneration Policy;

2. Schemes (including changes thereof), under which the Head of the Company and Board Members of the Company are to be remunerated in the form of the Company's shares, share options or other rights for the acquisition of shares, or are to be remunerated on the basis of changes in share prices. The approval should be related to the scheme itself, and the shareholders shall not be entitled to decide on the share-based benefit to be granted to separate persons according to that scheme;

3. In addition to the aforementioned schemes and changes thereof:

a. Allocation of the remuneration to the Head of the Company and Board Members of the Company on the basis of share-based schemes including share options;

b. Establishment of the maximum number of shares and basic conditions of the procedure for the granting of shares;

c. The period during which options can be exercised;

d. Conditions for establishing the change in the price of each further exercise of options provided that it is allowed by laws;

e. All other long-term schemes for the motivation of the Head of the Company and Board Members of the Company which are not offered to all other employees of the Company on similar conditions.

One general meeting of shareholders was held during FY 2014/15 – on 30th of October, 2014.

## 11. 2. 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. 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 consider and approve the following:

1. The business strategy of the Company. The Board shall be responsible for preparing the Company's Business strategy. The Company's business strategy and objectives shall be made public. Shareholders shall be familiarized with the implementation of the strategy at the General Meeting of Shareholders;
2. The Company's Annual Report;
3. The Company's management structure and personnel positions;
4. Positions to which employees shall be employed only by holding competitions;
5. The Company's Remuneration Policy;
6. Reports on the Company's Remuneration Policy (with regard to the voting of the General Meeting of Shareholders);
7. The regulations of the Company's branches and representative offices.

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.

The Board shall stipulate the information to be treated as commercial (industrial) secret of the Company. No information which must be public in accordance with the Law of the Republic of Lithuania on Companies and other laws of the Republic of Lithuania may be treated as commercial (industrial) secret.

The Board shall adopt the following:

1. Decisions on the Company's becoming an incorporator or participant of other legal entities;
2. Decisions on the establishment of branches and representative offices of the Company;
3. Decisions on the investment, transfer, and lease of fixed assets, the book value whereof exceeds EUR 593,721.04 (to be calculated separately for each type of the transactions);
4. Decisions on the pledge or mortgage of fixed assets, the book value whereof exceeds EUR 593,721.04 (to be calculated for the total amount of the transactions);
5. Decisions on offering surety or guarantee for the discharge of obligations of third persons, the amount whereof exceeds EUR 593,721.04;
6. Decisions on the acquisition of fixed assets, the price whereof exceeds EUR 593,721.04;

7. Decisions on the Company's transactions, the value whereof exceeds EUR 593,721.04;
8. Decisions on taking and providing loans, the value whereof exceeds EUR 593,721.04;
9. Decisions to issue the Company's bonds;
10. Decisions to restructure the Company in the cases stipulated by the Law of the Republic of Lithuania on Restructuring of Enterprises;
11. Other decisions assigned to the competence of the Board in the Articles of Association and decisions of the General Meeting of Shareholders.

The Board analyzes and evaluates the materials provided by the Head of the Company on the following:

1. Implementation of the business strategy of the Company;
2. Organization of the activities of the Company;
3. Financial condition of the Company;
4. Results of the business activities, estimates of incomes and expenses, and data of inventorying and other data of other accounting of changes in the assets.

The Board analyzes and evaluates the set of the annual financial statements and the draft of the profit (loss) appropriation of the Company, and shall provide them to the General Meeting of Shareholders alongside with the Annual Report of the Company. The Board shall establish the calculation methods for depreciation of tangible assets and amortization of intangible assets to be applied in the Company.

The Board is responsible for the timely convening and arrangement of the General Meetings of Shareholders. The Company's Board elects the Chairperson of the Board from among its members.

As at 30 June 2015, the number of the Company's board members was 7.  The Company does not have independent members of the Board.

Twelve meetings of the Board have been organized and held during 2014/15 financial year, the members of the Board attended the meetings 100 percent.

**THE MEMBERS OF THE BOARD** (as at 30 June, 2015):

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. Graduated from Veterinary Academy of Lithuanian University of Health Sciences in 1988. Managing Director of the Company since 1997.

**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. In 2004, he attended the ACT (Association of Corporate Treasurers) corporate treasury courses in the UK. Joined the Group in 1993. Head of treasury in AB Linas Agro Group since 2010. Member of the Audit Committee of the Company.

**Tomas Tumėnas** (b. 1972) obtained the diploma in Economics from Vilnius University in 1995 and a certificate in International Business Economics from Aalborg University. In 2011 obtained MBA (Master of Business Administration, Program for (Full) Financial Specialist & Managers) at Manchester Business School, The University of Manchester. Has been employed with the Group since 2001. 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.  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). Joined the Group in 1999. 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 1,557 thousand (including EUR 1,042 thousand bonuses) for the year ended 30 June 2015. Average remuneration to the member of management board was EUR 225 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 Dotnuvos Projektai | 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 |
| *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 |

| Person / Companies | Position | Since | Until | Held currently |
|---|---|---|---|---|
| SIA Linas Agro | Deputy Chairman of the Supervisory Board | 2015 | | 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 |
| *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 |
| | Business Development Manager | 2003 | 2005 | No |
| | Project Manager | 2000 | 2003 | No |
| | Marketing Manager of Veterinary Department | 1999 | 2000 | No |
| AS Dotnuvos Projektai | Member of Supervisory Board | 2010 | – | Yes |
| AS Putnu Fabrika Kekava | Member of Supervisory Board | 2014 | – | Yes |
| UAB Dotnuvos Projektai | Deputy Chairman of the Management Board | 2015 | – | Yes |
| SIA Lielzeltini | Member of the Supervisory Boar | 2015 | – | Yes |
| *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 |

| Person / Companies | Position | Since | Until | Held currently |
|---|---|---|---|---|
| *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 |

## 11. 3. THE HEAD OF THE COMPANY

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

The Head of the Company shall be responsible for the following:

1. Organization of the Company's activities and implementation of its objectives;
2. Drawing up of the set of the annual financial statements and preparation of the Annual Report of the Company;
3. Conclusion of the agreement with the firm of auditors when audit is obligatory in accordance with the laws or the Company's Articles of Association;
4. Submission of information and documents to the General Meeting of Shareholders and the Board in the cases stipulated by Law of the Republic of Lithuania on Companies or at the request of the aforementioned bodies;
5. Submission of documents and particulars of the Company to the Administrator of the Register of Legal Entities;
6. Provision of the Company's documents to the Securities Commission and the Central Securities Depository of Lithuania if it is required according to the effective legal acts;
7. Publication of the information stipulated by the Law of the Republic of Lithuania on Companies in the daily newspapers specified in the Company's Articles of Association;
8. Provision of information to shareholders;
9. Performance of other duties stipulated in the Law on Companies and other laws and legal acts of the Republic of Lithuania as well as in the Company's Articles of Association and office regulations of the Head of the Company.

The Head of the Company, within the scope of his/her competence, shall conclude transactions with third persons and represent the Company in all institutions and relations with third persons. The Head of the Company shall be obliged to receive a written approval of the Board of the Company for transactions to be concluded on behalf of the Company with third persons when the approval of such transactions lies within the scope of the competence of the Board. The Board's approval shall not annul the responsibility of the Head of the Company for the conclusion of the transactions specified in this Clause.

The Head of the Company shall organize daily activities of the Company, employ and dismiss employees, conclude and terminate employment contracts with them, and motivate and impose penalties on them.

The Head of the Company shall establish the rates of depreciation of assets to be applied in the Company and has the right to issue procurations.

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.

## 11. 4. 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 2015:

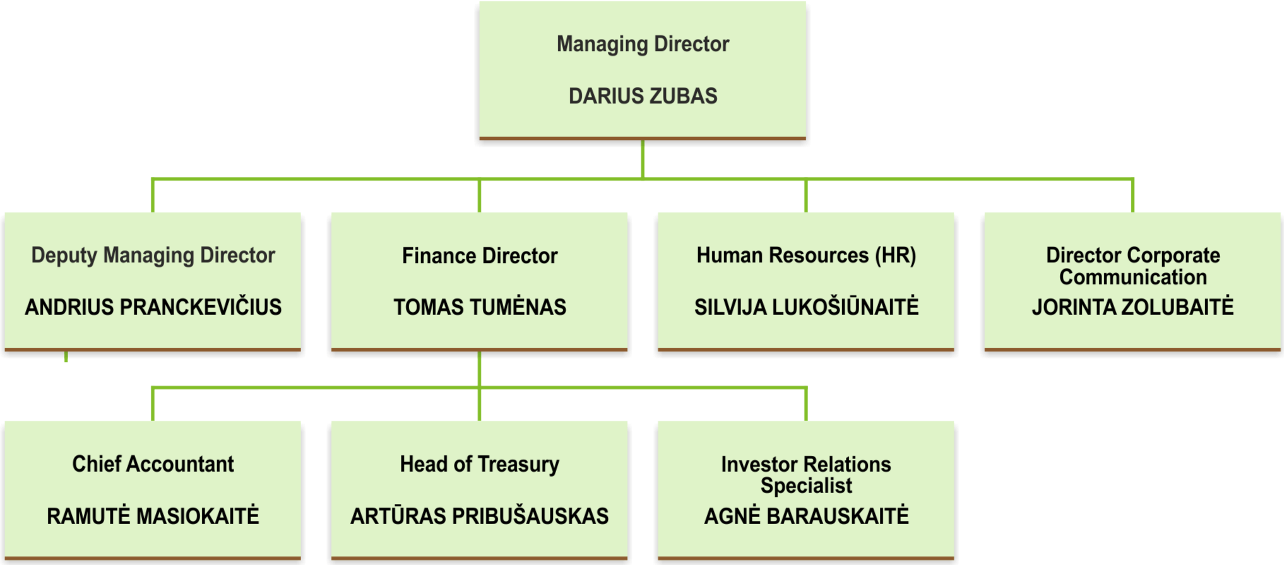
**Andrius Drazdys** – independent member of the Audit Committee. Term of office began on 30 October 2014, term of office ends on 30 October 2018. Does not own shares of the Company. Employed at UAB Vilniaus margarino gamykla as a Chief Finance Officer**.**

**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 Accountant.

# 12. THE COMPANY'S ADMINISTRATION

## 12. 1. THE SCHEME OF ADMINISTRATIVE MANAGEMENT




## 12. 2. MANAGEMENT OF THE COMPANY

Company Management as of 30 June 2015:

Darius Zubas | Andrius Pranckevičius | Tomas Tumėnas | Ramutė Masiokaitė

| 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 4 thousand.

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 2014 to 30 June 2015, all 158,940,398 ordinary registered shares of the Company were included in the Official List of AB NASDAQ OMX Vilnius Stock Exchange (ISIN Code of the shares is LT0000128092). The ticker of the shares on AB NASDAQ OMX Vilnius Stock Exchange is LNA1L. Trading in the Company's shares on AB NASDAQ OMX Vilnius Stock Exchange started on 17 February 2010.

## 13. 1. 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 2014 to 30 June 2015:

| Year and quarter | Price EUR | | Turnover EUR | | Last trading days of the period | | | Total turnover | |
|---|---|---|---|---|---|---|---|---|---|
| | Max. | Min. | Max. | Min. | Price EUR | Turnover EUR | Date | Units | EUR |
| Q3 2014 | 0.738 | 0.652 | 1,466,718.88 | 0.00 | 0.707 | 1,820.70 | 30/09/2014 | 4,492,718 | 3,150,266.58 |
| Q4 2014 | 0.710 | 0.665 | 312,856.63 | 0.00 | 0.690 | 51,429.25 | 30/12/2014 | 2,215,169 | 1,516,151.23 |
| Q1 2015 | 0.738 | 0.685 | 250,656.22 | 0.00 | 0.693 | 1,403.43 | 31/03/2015 | 2,143,119 | 1,513,650.24 |
| Q2 2015 | 0.710 | 0.683 | 205,500.00 | 0.00 | 0.685 | 0.00 | 30/06/2015 | 1,365,852 | 941,161.34 |

## 13. 2. CAPITALISATION OF THE COMPANY'S SHARES

| Date | Capitalization, EUR | Share Price, EUR |
|---|---|---|
| 30/09/2014 | 112,370,861.39 | 0.707 |
| 30/12/2014 | 109,668,874.62 | 0.690 |
| 31/03/2015 | 110,145,685.81 | 0.693 |
| 30/06/2015 | 108,874,172.63 | 0.685 |

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

| Year and quarter | Price, EUR | | | Total turnover for the quarter units | |
|---|---|---|---|---|---|
| | Max | Min | Avg | Cash payments | Non-cash payments |
| Q3 2014 | 0.72 | 0.32 | 0.60 | 6,673,693 | 2,617,346 |
| Q4 2014 | 0.70 | 0.34 | 0.63 | 9,643,418 | 2,294,187 |
| Q1 2015 | 0.70 | 0.33 | 0.59 | 4,723,610 | 1,362,691 |
| Q2 2015 | 0.71 | 0.23 | 0.48 | 5,382,926 | 247,000 |

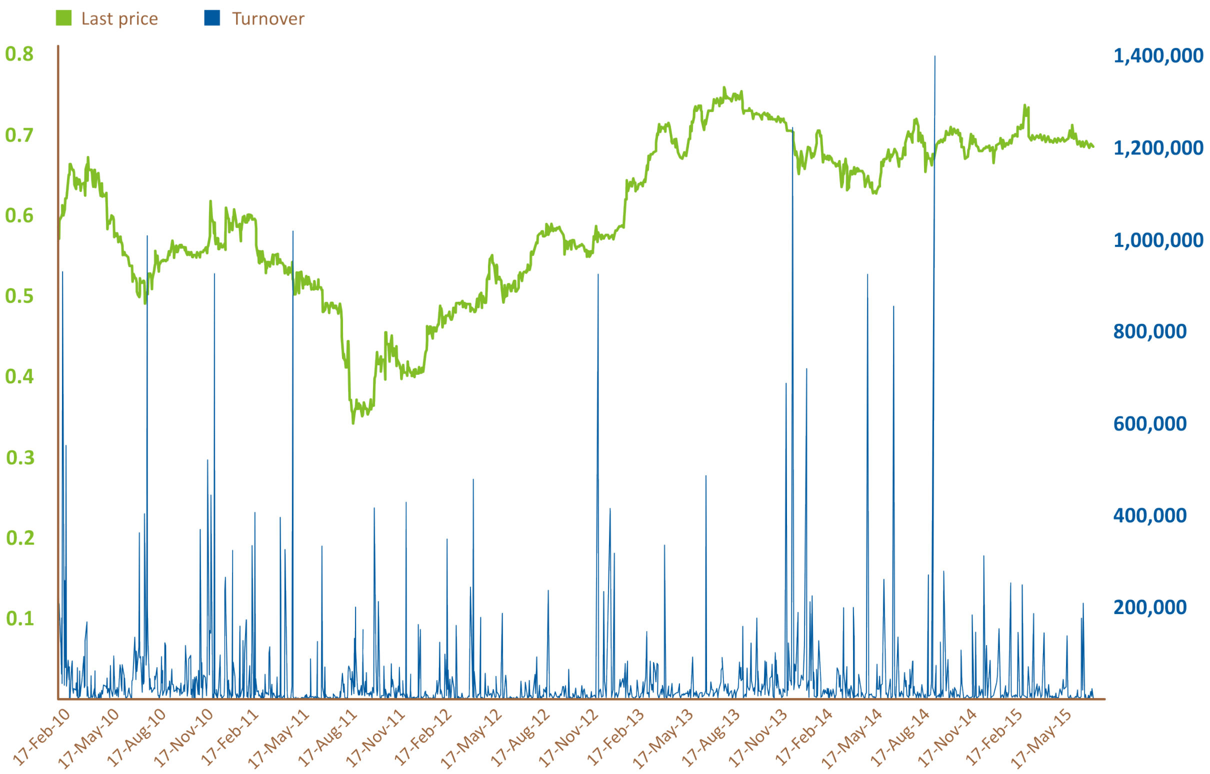
## 13. 4. AGREEMENTS CONCLUDED WITH INTERMEDIARIES OF THE PUBLIC SECURITIES MARKET

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.

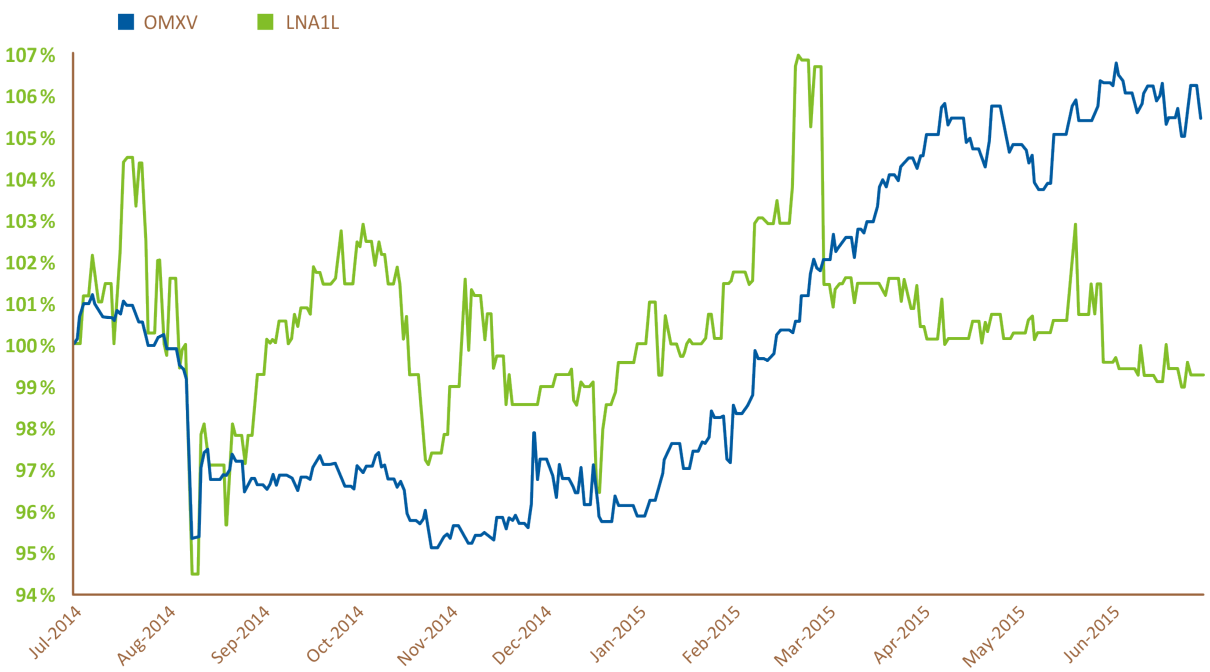
## 13. 5. AB LINAS AGRO GROUP SHARE PRICE AND TURNOVER

Information on changes in the prices of Company's shares and turnover from starting trade (17 February, 2010) until the end of the reporting period, i. e. 30 June 2015, is presented in the following diagram:




## 13. 6. LINAS AGRO GROUP SHARE PRICE VS OMX BALTIC BENCHMARK GI INDEX FLUCTUATION

AB Linas Agro Group is included in the composition of the comparative index OMX Baltic Benchmark of the stock exchanges of the Baltic countries from 1 July 2010.



# 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.

# 15. 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 **#32** of the Explanatory Note to the Consolidated Annual Financial Statements for 2014/15 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 OMX 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 OMX 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

## 18. 1. 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. A continuous training project was completed during the reporting period, which included studies of self-motivation, teamwork, influence making, negotiation and effective work planning. Various trainings are also organized by the Group itself: sellers of agricultural machinery are taken to manufactures and agronomists have trips to foreign producers, where they get acquainted with innovations in production of plant protection products and micronutrients).

As of 1 April 2015, AB Linas Agro contributes to the financial stability of its employees: 60 employees of the company expressed willingness to participate in the pension accumulation program: to conclude individual contracts for pension accumulation. The employer will allocate the same amount for pension accumulation. If pension accumulation program becomes successful and is enjoyed by employees, it will be implemented in the other companies of the Group.

Employees of sixteen 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.

A joint summer event is organized for the employees of the Group, the aim of which is to form conditions for employees working in companies in four countries to get acquainted with each other in informal surroundings, to strengthen the communication and cooperation in the collective. The majority of companies of the Group organize summer and Christmas events to their employees as well as birthdays of companies independently.

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.

## 18. 2. RESPONSIBILITY TO THE SOCIETY, SOCIAL PROJECTS

The Group is actively cooperating with local communities and international organizations and 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 132 support and co-operation projects have been implemented in the reporting period. The Group's social investments were EUR 225 306.

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

1. 118,650 euros were allocated to educational and research institutions, as well as their events, from this number – 4,928 euros allocated as scholarships;
2. 32,635 euros were allocated to cultural, recreational and sports events of local communities;
3. 30,132 euros were allocated to children and youth engagement projects;
4. 11,327 euros were allocated to farmers' organizations;
5. 11,434 euros were allocated to the disabled, foster homes for children, children's medical institutions;
6. 4,445 euros were allocated to educational and public spirit promoting projects;
7. 1,148 euros were allocated to public health projects.

UAB Dotnuvos Projektai and Aleksandras Stulginskis University share the history of the years-long cooperation; the company was awarded the title of the Patron of the University back in 2004. This year, the company presented special gifts to two academic institutions where the future agricultural professionals are trained. Tractors "CASE IH Farmall U Pro 115" were donated to the Aleksandras Stulginskis University (Lithuania) and the Latvian Agricultural University, to be used for students' practical training.

## 18. 3. 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 shock-absorbers, oil, fuel and air filters, tire over 3 kg and transportation to waste treatment facilities.

In some companies, f.i. UAB Dotnuvos Projektai, 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. Shed have been constructed above old grain reception pits in Joniškis which enabled to reduce dusting during grain discharge markedly.

In Spring AS Putnu Fabrika Kekava completed the reconstruction of the manure tank. The Latvian State Environmental Agency has issued a pollution license of category A to AS Putnu Fabrika Kekava and of category B to SIA Lielzeltini, which confirms that the companies operate in accordance with the environmental requirements applied to their activities.

ANNEX 1 TO THE CONSOLIDATED ANNUAL REPORT
OF AB LINAS AGRO GROUP FOR FINANCIAL YEAR 2014/15

# AB LINAS AGRO GROUP

### INFORMATION ON COMPLIANCE

# WITH THE CORPORATE GOVERNANCE CODE

### FOR THE COMPANIES LISTED ON AB NASDAQ OMX VILNIUS

# CONTENT

AB Linas Agro Group, following Article 21 paragraph 3 of the Law on Securities of the Republic of Lithuania and item 24.5 of the Listing Rules of AB NASDAQ OMX Vilnius, below discloses its compliance with the Corporate Governance Code for the Companies Listed on AB NASDAQ OMX Vilnius, and its specific provisions.

# PRINCIPLE I. 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 by its corporate actions and reports to investors about the activities of the Company, communications presented in the statements of the Company's management in the press.

**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.

# PRINCIPLE II.
# 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:**

So far the Board is able to properly perform the supervision of implementation of adopted strategic decisions and the 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.[1]

[1] *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.*

**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.[2]

[2] *Definitions 'executive director' and 'non-executive director' are used in cases when a company has only one collegial body.*

**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.

**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.

# PRINCIPLE III.

# THE ORDER OF THE FORMATION OF A COLLEGIAL BODY TO BE ELECTED BY A GENERAL SHAREHOLDERS' MEETING

*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.*[3]

[3] *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.*

**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.

**Company's commentary:**

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 [4] number of independent [5] members.

[4] *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.*

[5] *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.*

**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:

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.

**Company's commentary:**

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.

**Company's commentary:**

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.[6] The general shareholders' meeting should approve the amount of such remuneration.

[6] *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.*

**Company's commentary:**

According to the comment of Clause 3.6, the provision is not applicable to the Company.

# PRINCIPLE IV. 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 [7] of the company's management bodies and protection of interests of all the company's shareholders.*

[7] *See note **3.***

**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. [8]

[8] *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.*

**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).

**Company's commentary:**

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 [9] of the meetings of the collegial body throughout the financial year of the company, shareholders of the company should be notified.

*9 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.*

**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 2014/15 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.

**Company's commentary:**

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[10]. 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.

*[10] 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.*

**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[11]. Companies should 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.

[11] *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).*

**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.

**Company's commentary:**

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.

**Company's commentary:**

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.

**Company's commentary:**

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.

# PRINCIPLE V. THE WORKING PROCEDURE OF THE COMPANY'S COLLEGIAL BODIES

*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 [12].

[12] *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.*

**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.

**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.

# PRINCIPLE VI. 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.

**Company’s commentary:**

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[13]. 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.

*[13] 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.*

**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 Globe Newswire information system as well as on the Company's website in the Lithuanian and English languages.

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.

**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 Globe Newswire 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 Globe Newswire 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.

# PRINCIPLE VII. 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.

# PRINCIPLE VIII. 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.

**Company's commentary:**

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.

**Company's commentary:**

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.

**Company's commentary:**

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 IX. 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 OMX Vilnius Stock Exchange or 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 OMX Vilnius Stock Exchange and the Company.

# PRINCIPLE X. 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 Globe Newswire 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 OMX 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 Globe Newswire information system and on the Company's website in Lithuanian and English languages. The Company makes efforts to present all corporate actions 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 Globe Newswire 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.

**Company's commentary:**

The Company ensures impartial, timely and inexpensive access to the information by announcing it on the Company's website or through Nasdaq Globe Newswire 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 announce 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.

# PRINCIPLE XI. 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 2014/15.

# AB LINAS AGRO GROUP

**CONSOLIDATED AND COMPANY'S**

# FINANCIAL STATEMENTS

**FOR THE FINANCIAL YEAR 2014/15**

**ENDED 30 JUNE 2015**

**PREPARED IN ACCORDANCE WITH**
**INTERNATIONAL FINANCIAL REPORTING STANDARDS,**
**AS ADOPTED BY THE EUROPEAN UNION,**
**PRESENTED TOGETHER WITH**
**INDEPENDENT AUDITOR'S REPORT**

EY
Building a better working world

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Juridinio asmens kodas 110878442
PVM mokėtojo kodas LT108784411
Juridinių asmenų registras

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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 2015, 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 2015, 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 2015 and have not noted any material inconsistencies between the financial information included in it and the financial statements for the year ended 30 June 2015.

UAB ERNST & YOUNG BALTIC
Audit company's licence No. 001335

Jonas Akelis
Auditor's licence
No. 000003

The audit was completed on 28 September 2015.

(all amounts are in thousand euros unless otherwise stated)

# STATEMENTS OF FINANCIAL POSITION

| **ASSETS** | **Notes** | **Group** | | **Company** | |
|---|---|---|---|---|---|
| | | **As at 30 June 2015** | **As at 30 June 2014** | **As at 30 June 2015** | **As at 30 June 2014** |
| **Non-current assets** | | | | | |
| Intangible assets | 5 | 901 | 366 | 269 | 165 |
| Property, plant and equipment | 6 | 104,213 | 101,882 | – | – |
| Investment property | 7 | 1,523 | 1,559 | 124 | 132 |
| Animals, livestock and poultry | 10 | 8,127 | 7,303 | – | – |
| Non-current financial assets | | | | | |
| Investments into subsidiaries | 3 | – | – | 94,975 | 89,494 |
| Investments into associates | 3 | – | – | 1,751 | 1,751 |
| Other investments and prepayments for financial assets | 8 | 17 | 17 | – | 2,820 |
| Non-current receivables | 9 | 903 | 1,624 | 647 | – |
| Non-current receivables from related parties | 9, 32 | 1,175 | 347 | 6,468 | 5,485 |
| Total non-current financial assets | | 2,095 | 1,988 | 103,841 | 99,550 |
| Deferred income tax asset | 28 | 1,955 | 2,185 | – | – |
| **Total non-current assets** | | **118,814** | **115,283** | **104,234** | **99,847** |
| **Current assets** | | | | | |
| Crops | 10 | 15,436 | 14,219 | – | – |
| Poultry | 10 | 1,997 | 1,953 | – | – |
| Inventories | 11 | 56,415 | 67,644 | – | – |
| Prepayments | 12 | 8,729 | 5,064 | 30 | 19 |
| Accounts receivable | | | | | |
| Trade receivables | 13 | 96,700 | 89,094 | – | – |
| Receivables from related parties | 32 | 19 | 265 | 3,830 | 3,749 |
| Income tax receivable | | 901 | 1,501 | – | 86 |
| Other accounts receivable | 14 | 9,500 | 6,822 | 720 | 1,372 |
| Total accounts receivable | | 107,120 | 97,682 | 4,550 | 5,207 |
| Other current financial assets | 15 | 519 | 627 | – | – |
| Cash and cash equivalents | 16 | 6,680 | 8,632 | 232 | 595 |
| **Total current assets** | | **196,896** | **195,821** | **4,812** | **5,821** |
| **Total assets** | | **315,710** | **311,104** | **109,046** | **105,668** |

*(cont'd on the next page)*

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

(all amounts are in thousand euros unless otherwise stated)

# STATEMENTS OF FINANCIAL POSITION (CONT'D)

| EQUITY AND LIABILITIES | Notes | Group | | Company | |
|---|---|---|---|---|---|
| | | As at 30 June 2015 | As at 30 June 2014 | As at 30 June 2015 | As at 30 June 2014 |
| **Equity attributable to equity holders of the parent** | | | | | |
| Share capital | 1 | 46,032 | 46,032 | 46,032 | 46,032 |
| Share premium | | 23,038 | 23,038 | 23,038 | 23,038 |
| Legal reserve | 17 | 2,704 | 2,360 | 2,704 | 2,360 |
| Reserve for own shares | 17 | 1,819 | 1,825 | 1,819 | 1,825 |
| Own shares | 17 | (457) | (458) | (457) | (458) |
| Foreign currency translation reserve | 17 | (22) | (44) | – | – |
| Retained earnings | | 84,197 | 76,550 | 26,890 | 24,025 |
| **Total equity attributable to equity holders of the parent** | | **157,311** | **149,303** | **100,026** | **96,822** |
| **Non-controlling interest** | 33 | **1,826** | **2,790** | – | – |
| **Total equity** | | **159,137** | **152,093** | **100,026** | **96,822** |
| | | | | | |
| **Liabilities** | | | | | |
| **Non-current liabilities** | | | | | |
| Grants and subsidies | 18 | 6,646 | 6,950 | – | – |
| Non-current borrowings | 19, 32 | 22,729 | 28,033 | 2,654 | 4,900 |
| Finance lease obligations | 20 | 1,789 | 1,682 | – | – |
| Non-current trade payables | | 183 | 325 | 175 | – |
| Non-current payables to related parties | 32 | – | – | 51 | 49 |
| Deferred income tax liability | 28 | 1,157 | 1,529 | – | – |
| Non-current employee benefits | | 266 | 194 | 3 | – |
| **Total non-current liabilities** | | **32,770** | **38,713** | **2,883** | **4,949** |
| | | | | | |
| **Current liabilities** | | | | | |
| Current portion of non-current borrowings | 19 | 13,313 | 6,283 | 4,900 | 1,400 |
| Current portion of finance lease obligations | 20 | 803 | 810 | – | – |
| Current borrowings | 19, 32 | 64,256 | 63,058 | 185 | 1,646 |
| Trade payables | 22 | 28,179 | 32,203 | 188 | 2 |
| Payables to related parties | 32 | 21 | 2,160 | 810 | 813 |
| Income tax payable | | 303 | 472 | 18 | – |
| Derivative financial instruments | 15 | 581 | 252 | – | – |
| Other current liabilities | 23 | 16,347 | 15,060 | 36 | 36 |
| **Total current liabilities** | | **123,803** | **120,298** | **6,137** | **3,897** |
| **Total equity and liabilities** | | **315,710** | **311,104** | **109,046** | **105,668** |

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

| | | | |
|---|---|---|---|
| Managing Director | Darius Zubas | | 28 September 2015 |
| Finance Director | Tomas Tumėnas | | 28 September 2015 |
| Chief Accountant | Ramutė Masiokaitė | | 28 September 2015 |

(all amounts are in thousand euros unless otherwise stated)

# CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

| | Notes | Financial year ended 30 June 2015 | 30 June2014 |
|---|---|---|---|
| Sales | 4 | 573,766 | 584,557 |
| Cost of sales | 24 | (532,286) | (541,358) |
| **Gross profit** | | **41,480** | **43,199** |
| Operating (expenses) | 25 | (30,887) | (29,688) |
| Other income | 26 | 2,540 | 13,588 |
| Other (expenses) | 26 | (796) | (812) |
| **Operating profit** | | **12,337** | **26,287** |
| Income from financing activities | 27 | 591 | 606 |
| (Expenses) from financing activities | 27 | (2,568) | (2,888) |
| **Profit before tax** | | **10,360** | **24,005** |
| Income tax | 28 | (1,166) | (365) |
| **Net profit** | | **9,194** | **23,640** |
| | | | |
| **Net profit attributable to:** | | | |
| Equity holders of the parent | | 8,726 | 21,257 |
| Non-controlling interest | | 468 | 2,383 |
| | | **9,194** | **23,640** |
| Basic and diluted earnings per share (EUR) | 29 | 0.06 | 0.13 |
| | | | |
| **Other comprehensive income** | | | |
| Other comprehensive income, to be reclassified to profit or loss in subsequent periods: | | | |
| Exchange differences on translation of foreign operations | | 22 | (4) |
| **Total other comprehensive income, to be reclassified to profit or loss in subsequent periods** | | **22** | **(4)** |
| **Total comprehensive income, after tax** | | **9,216** | **23,636** |
| | | | |
| **Total comprehensive income attributable to:** | | | |
| The shareholders of the Company | | 8,748 | 21,253 |
| Non-controlling interest | | 468 | 2,383 |
| | | **9,216** | **23,636** |

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

(all amounts are in thousand euros unless otherwise stated)

# COMPANY'S STATEMENT OF COMPREHENSIVE INCOME

| | Notes | Financial year ended | |
|---|---|---|---|
| | | 30 June 2015 | 30 June 2014 |
| Income | 4 | 5,212 | 7,085 |
| Operating (expenses) | 25 | (778) | (647) |
| **Operating profit** | | **4,434** | **6,438** |
| Income from financing activities | 27 | 524 | 703 |
| (Expenses) from financing activities | 27 | (227) | (258) |
| **Profit before tax** | | **4,731** | **6,883** |
| Income tax | | (80) | (3) |
| **Net profit** | | **4,651** | **6,880** |
| | | | |
| **Other comprehensive income** | | – | – |
| **Total comprehensive income** | | **4,651** | **6,880** |

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

| | | | |
|---|---|---|---|
| Managing Director | Darius Zubas | | 28 September 2015 |
| Finance Director | Tomas Tumėnas | | 28 September 2015 |
| Chief Accountant | Ramutė Masiokaitė | | 28 September 2015 |

(all amounts are in thousand euros unless otherwise stated)

# 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** | **Retained earnings** | **Subtotal** | **Non-control-ling interest** | **Total** |
| **Balance as at 1 July 2013** | | **46,032** | **(458)** | **23,038** | **2,274** | **464** | **(40)** | **55,291** | **126,601** | **977** | **127,578** |
| Net profit for the year | | – | – | – | – | – | – | 21,257 | 21,257 | 2,383 | 23,640 |
| Other comprehensive income | | – | – | – | – | – | (4) | – | (4) | – | (4) |
| **Total comprehensive income** | | **–** | **–** | **–** | **–** | **–** | **(4)** | **21,257** | **21,253** | **2,383** | **23,636** |
| Declared dividends by Company | 29 | – | – | – | – | – | – | (1,736) | (1,736) | – | (1,736) |
| Dividends declared by the subsidiaries | | – | – | – | – | – | – | – | – | (37) | (37) |
| Reserves made | | – | – | – | 86 | 1,361 | – | (1,447) | – | – | – |
| Acquisition of subsidiaries | | – | – | – | – | – | – | – | – | 2,711 | 2,711 |
| Acquisition of minority interest | | – | – | – | – | – | – | 3,185 | 3,185 | (3,244) | (59) |
| **Balance as at 30 June 2014** | | **46,032** | **(458)** | **23,038** | **2,360** | **1,825** | **(44)** | **76,550** | **149,303** | **2,790** | **152,093** |
| **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 | 29 | – | – | – | – | – | – | (1,447) | (1,447) | – | (1,447) |
| Declared dividends by subsidiaries | | – | – | – | – | – | – | – | – | (10) | (10) |
| Transfer to reserves | | – | – | – | 344 | (6) | – | (338) | – | – | – |
| Acquisition of minority interest | | – | – | – | – | – | – | 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** |

*(cont'd on the next page)*

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

(all amounts are in thousand euros unless otherwise stated)

# 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 2013** | | **46,032** | **(458)** | **23,038** | **2,274** | **464** | **20,328** | **91,678** |
| Net profit for the year | | – | – | – | – | – | 6,880 | 6,880 |
| Other comprehensive income | | – | – | – | – | – | – | – |
| **Total comprehensive income** | | – | – | – | – | – | **6,880** | **6,880** |
| Declared dividends by the Company | 29 | – | – | – | – | – | (1,736) | (1,736) |
| Transfer to reserves | | – | – | – | 86 | 1,361 | (1,447) | – |
| **Balance as at 30 June 2014** | | **46,032** | **(458)** | **23,038** | **2,360** | **1,825** | **24,025** | **96,822** |
| | | | | | | | | |
| **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 | 29 | – | – | – | – | – | (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** |

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

| | | |
|---|---|---|
| Managing Director | Darius Zubas | 28 September 2015 |
| Finance Director | Tomas Tumėnas | 28 September 2015 |
| Chief Accountant | Ramutė Masiokaitė | 28 September 2015 |

(all amounts are in thousand euros unless otherwise stated)

# CASH FLOW STATEMENTS

| | Notes | Group Financial year ended | | Company Financial year ended | |
|---|---|---|---|---|---|
| | | 30 June 2015 | 30 June 2014 | 30 June 2015 | 30 June 2014 |
| **Cash flows from (to) operating activities** | | | | | |
| Net profit | | 9,194 | 23,640 | 4,651 | 6,880 |
| **Adjustments for non-cash items:** | | | | | |
| Depreciation and amortisation | 5, 6, 7 | 9,399 | 8,364 | 18 | 11 |
| Subsidies amortisation | 18 | (900) | (854) | – | – |
| (Gain) on disposal of property, plant and equipment | 26 | (117) | (282) | – | – |
| Change in impairment of property, plant and equipment and investment property | 6, 7 | (25) | 25 | – | – |
| Group (gain) loss on acquisition of subsidiaries | 3, 26 | – | (6,407) | (285) | – |
| (Gain) on disposal of subsidiary | 26 | – | (1,618) | – | – |
| (Gain) on disposal of other investments | 26 | (359) | – | – | – |
| Change in allowance and write-offs for receivables and prepayments | 25 | 753 | 2,678 | – | – |
| Inventories write down to net realisable value | 11 | 302 | 283 | – | – |
| Change in accrued expenses | | 303 | 1,121 | – | – |
| Change in fair value of biological assets | 24 | (3,612) | 479 | – | – |
| Liabilities write off | 26 | (24) | (4,096) | – | – |
| Change in deferred income tax | 28 | (142) | (1,449) | – | 3 |
| Current income tax expenses | 28 | 1,308 | 1,815 | 80 | – |
| Expenses (income) from change in fair value of financial instruments | | 272 | (1,159) | – | – |
| Change of provision for onerous contracts | 24 | – | (16) | – | – |
| Dividend (income) | | (45) | (126) | (4,200) | (7,004) |
| Interest (income) | 27 | (591) | (606) | (524) | (703) |
| Interest expenses | 27 | 2,568 | 2,888 | 227 | 258 |
| | | **18,284** | **24,680** | **(33)** | **(555)** |
| **Changes in working capital:** | | | | | |
| Decrease (increase) in biological assets | | 2,130 | (144) | – | – |
| Decrease (increase) in inventories | | 11,297 | (10,245) | – | – |
| (Increase) in prepayments | | (3,669) | (1,489) | (11) | – |
| (Increase) decrease in trade and other accounts receivable | | (8,146) | 1,761 | 243 | (282) |
| (Increase) decrease in restricted cash | 15 | (2) | 9 | – | – |
| (Decrease) increase in trade and other accounts payable | | (2,816) | (8,714) | 7 | (467) |
| Income tax (paid) | | (1,649) | (2,866) | – | – |
| **Net cash flows from (to) operating activities** | | **15,429** | **2,992** | **206** | **(1,304)** |

*(cont'd on the next page)*

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

(all amounts are in thousand euros unless otherwise stated)

# CASH FLOW STATEMENTS (CONT'D)

| | Notes | Group | | Company | |
|---|---|---|---|---|---|
| | | Financial year ended | | Financial year ended | |
| | | 30 June 2015 | 30 June 2014 | 30 June 2015 | 30 June 2014 |
| **Cash flows from (to) investing activities** | | | | | |
| (Acquisition) of intangible assets, property, plant and equipment and investment property | 5, 6, 7 | (13,709) | (8,661) | (114) | (74) |
| Proceeds from sale of intangible assets, property, plant and equipment and investment property | | 812 | 1,618 | – | – |
| Acquisition of subsidiaries (less received cash balance in the Group), including payments for subsidiaries acquired in prior periods | 3 | (200) | (10,685) | (599) | (8,092) |
| Payment for previously unpaid financial assets | | (1,510) | – | – | – |
| (Acquisition) of other investments | 3 | – | (26) | – | – |
| Proceeds from disposals of other investments | 15 | 434 | – | – | – |
| Disposal of subsidiaries (less disposed cash balance in the Group) | | – | 1,313 | – | – |
| Prepayments for financial assets | 8 | – | – | – | (1,519) |
| Loans (granted) | | (3,911) | (5,257) | (5,030) | (18,720) |
| Repayment of granted loans | | 1,653 | 4,214 | 2,645 | 7,480 |
| Interest received | | 350 | 458 | 208 | 240 |
| Dividends received | | 45 | 126 | 4,200 | 5,453 |
| **Net cash flows from (to) investing activities** | | **(16,036)** | **(16,900)** | **1,310** | **(15,232)** |
| | | | | | |
| **Cash flows from (to) financing activities** | | | | | |
| Proceeds from loans | | 83,718 | 94,071 | 1,448 | 18,809 |
| (Repayment) of loans | | (80,154) | (76,490) | (1,656) | (700) |
| Finance lease (payments) | | (1,039) | (1,097) | – | – |
| Grants received | 18 | 626 | 622 | – | – |
| Interest (paid) | | (2,588) | (2,651) | (224) | (184) |
| Dividends (paid) to non-controlling shareholders | | (10) | (37) | – | – |
| Dividends (paid) | | (1,447) | (1,736) | (1,447) | (1,736) |
| Acquisition of non-controlling interest | | (451) | (59) | – | – |
| **Net cash flows from (to) financing activities** | | **(1,345)** | **12,623** | **(1,879)** | **16,189** |
| | | | | | |
| **Net (decrease) increase in cash and cash equivalents** | | **(1,952)** | **(1,285)** | **(363)** | **(347)** |
| | | | | | |
| **Cash and cash equivalents at the beginning of the year** | 16 | **8,632** | **9,917** | **595** | **942** |
| **Cash and cash equivalents at the end of the year** | 16 | **6,680** | **8,632** | **232** | **595** |

*(cont'd on the next page)*

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

(all amounts are in thousand euros unless otherwise stated)

# CASH FLOW STATEMENTS (CONT'D)

**Supplemental information of cash flows:**

| | | Group | | Company | |
|---|---|---|---|---|---|
| | | Financial year ended | | Financial year ended | |
| | | 30 June 2015 | 30 June 2014 | 30 June 2015 | 30 June 2014 |
| **Non-cash operating activity:** | | | | | |
| Income tax payable set off with VAT receivable | | 171 | 1,691 | 61 | – |
| **Non-cash investing activity:** | | | | | |
| Property, plant and equipment acquisitions financed by finance lease | | 1,176 | 818 | – | – |
| Property, plant and equipment acquisitions financed by working capital | | – | 1,044 | – | – |
| Unpaid acquisition of financial assets | | 350 | 1,510 | 350 | 811 |
| Non-cash loans granted (reclassified from prepayments for financial assets) | | – | – | – | 1,170 |
| Non-cash acquisition of subsidiaries (reclassified from prepayments for financial assets) | 3 | 2,820 | 1,400 | 2,820 | 1,400 |
| Non-cash increase in share capital of subsidiaries and associates (set off with current and non-current loans granted to related parties, interest receivable) | | – | – | 1,425 | 8,487 |
| Dividends receivable set off with loans payable to subsidiaries and associates | | – | – | – | 1,552 |
| **Non-cash financing activity:** | | | | | |
| Non-cash repayment of Company's loan received by setting off with loan granted by the Company | | – | – | – | 11,066 |

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

| | | |
|---|---|---|
| Managing Director | Darius Zubas | 28 September 2015 |
| Finance Director | Tomas Tumėnas | 28 September 2015 |
| Chief Accountant | Ramutė Masiokaitė | 28 September 2015 |

(all amounts are in thousand euros unless otherwise stated)

# 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 2015 and as at 30 June 2014 the shareholders of the Company were:

| | As at 30 June 2015 | | As at 30 June2014 | |
|---|---|---|---|---|
| | **Number of shares held** | **Percentage** | **Number of shares held** | **Percentage** |
| Akola ApS (Denmark) | 88,984,443 | 55.99% | 88,984,443 | 55.99% |
| Darius Zubas | 17,049,995 | 10.73% | 17,049,995 | 10.73% |
| Swedbank AS (Estonia) clients | 10,720,893 | 6.75% | 10,404,440 | 6.55% |
| SEB AS OMNIBUS (Luxembourg) clients | 12,026,834 | 7.57% | 12,866,897 | 8.10% |
| Other shareholders (private and institutional investors) | 30,158,233 | 18.96% | 29,634,623 | 18.63% |
| **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 2015 (EUR 0.29 each as at 30 June 2014) and were fully paid as at 30 June 2015 and as at 30 June 2014.

During the year ended 30 June 2015 due to adoption of euro the par value for a share has changed – 0.29 euro instead of 1 litas par value per share.

The Company holds 788,972 of its own shares, percentage 0.50%, as at 30 June 2015 (790,972 as at 30 June 2014). Subsidiaries and other related companies did not hold any shares of the Company as at 30 June 2015 and as at 30 June 2014.

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 2015 the number of employees of the Group was 2,334 (2,266 as at 30 June 2014).
As at 30 June 2015 and 30 June 2014 the number of employees of the Company was 9.

The Company's management approved these financial statements on 28 September 2015. 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 2015 and 30 June 2014.

# 2. ACCOUNTING PRINCIPLES

If not stated otherwise, the Company's standalone 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 2015 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 and financial instruments held for trading 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 following new and/or amended IFRSs have been adopted by the Group during the financial year:

- Amendment to IAS 28 Investments in Associates and Joint Ventures
- Amendment to IAS 32 Financial Instruments: Presentation - Offsetting Financial Assets and Financial Liabilities
- Amendment to IAS 36 Impairment of Assets
- Amendment to IAS 39 Financial Instruments: Recognition and Measurement - Novation of Derivatives and Continuation of Hedge Accounting
- IFRS 10 Consolidated Financial Statements
- IFRS 11 Joint Arrangements
- IFRS 12 Disclosures of Interests in Other Entities
- Annual Improvements to IFRSs 2011 – 2013 Cycle
- IFRIC Interpretation 21: Levies

Annual Improvements to IFRSs 2011 – 2013 Cycle is a collection of amendments to the following IFRSs:

- IFRS 1 *First-time adoption of IFRS*
- IFRS 3 *Business Combinations*
- IFRS 13 *Fair value Measurement*
- IAS 40 *Investment property*

When the adoption of the standard or interpretation is deemed to have an impact on the financial statements or performance of the Group/Company, its impact is described below:

- IFRS 12 IFRS 12 Disclosures of Interests in Other Entities – IFRS 12 combines the disclosure requirements for an entity's interests in subsidiaries, joint arrangements, investments in associates and structured entities into one comprehensive disclosure standard. A number of new disclosures are also required such as disclosing the judgments made to determine control over another entity. The amendment did not have any impact on the financial position or performance of the Group, however it resulted in additional disclosures (see Note 33).

***Standards issued but not yet effective and not early adopted***

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

**Amendments to IAS 1 *Presentation of financial statements: Disclosure Initiative*** (effective for financial years beginning on or after 1 January 2016, once endorsed by the EU)

The amendments aim at clarifying IAS 1 to address perceived impediments to preparers exercising their judgment in presenting their financial reports. The Group has not yet evaluated the impact of the implementation of this standard.

**Amendments to IAS 16 *Property, Plant & Equipment and IAS 38 Intangible assets: Clarification of Acceptable Methods of Depreciation and Amortization*** (effective for financial years beginning on or after 1 January 2016, once endorsed by the EU)

The amendment 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 be an appropriate manifestation of consumption. 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.ACCOUNTING PRINCIPLES (CONT'D)

## 2.1. BASIS OF PREPARATION (CONT'D)

***Standards issued but not yet effective and not early adopted (cont'd)***

**Amendments to IAS 16 *Property, Plant & Equipment* and IAS 41 *Agriculture: Bearer Plants*** (effective for financial years beginning on or after 1 January 2016, once endorsed by the EU)

Bearer plants will now be within the scope of IAS 16 Property, Plant and Equipment and will be 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 19 *Employee Benefits*** (effective for financial years beginning on or after 1 February 2015)

The amendments address accounting for the employee contributions to a defined benefit plan. Since the Group's employees do not make such contributions, the implementation of this amendment will not have any impact on the financial statements of the Group.

**Amendments to IAS 27 *Equity method in separate financial statements*** (effective for financial years beginning on or after 1 January 2016, once endorsed by the EU)

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 has not yet evaluated the impact of the implementation of this 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 this amendment will not have any impact on the financial statements of the Company, as the Company is not an investment entity.

**Amendments to IFRS 10 and IAS 28 – *Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*** (effective for financial years beginning on or after 1 January 2016, once endorsed by the EU)

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 this standard.

**Amendment to IFRS 11 *Joint arrangements: Accounting for Acquisitions of Interests in Joint Operations*** (effective for financial years beginning on or after 1 January 2016, once endorsed by the EU)

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.

**IFRS 14 *Regulatory Deferral Accounts*** (effective for financial years beginning on or after 1 January 2016, once endorsed by the EU)

IFRS 14 provides first-time adopters of IFRS with relief from derecognizing rate-regulated assets and liabilities. The implementation of this standard will not have any impact on the Group.

**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.

# 2.ACCOUNTING PRINCIPLES (CONT'D)

## 2.1.BASIS OF PREPARATION (CONT'D)

***Improvements to IFRSs***

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*

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 adoption of these amendments may result in changes to the Group's accounting policies or disclosures but will not have any impact on the financial position or performance of the Group.

The Company and 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) which replaced the previously effective currency of the Republic of Lithuania – Lithuanian litas. 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.

From 2 February 2002 until 31 December 2014 Lithuanian litas was pegged to euro and on 1 January 2015 converted to euro at the rate of 3.4528 litas for 1 euro. The exchange rates in relation to other currencies are set daily by the Bank of Lithuania.

# 2.ACCOUNTING PRINCIPLES (CONT'D)

## 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. Prior to 1 January 2010 losses incurred by the Group were attributed to the non-controlling interest until the balance was reduced to nil. Any further excess losses were attributed to the parent, unless the non-controlling interest had a binding obligation to cover these losses. Losses prior to 1 January 2010 were not reallocated between non-controlling interests and the parent shareholders.

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.ACCOUNTING PRINCIPLES (CONT'D)

## 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.

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.

***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.ACCOUNTING PRINCIPLES (CONT'D)

## 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.ACCOUNTING PRINCIPLES (CONT'D)

## 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 does 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 derecognised or 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 does not have any available-for-sale financial assets.

# 2.ACCOUNTING PRINCIPLES (CONT'D)

## 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.

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.

## 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.ACCOUNTING PRINCIPLES (CONT'D)

## 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. The Group capitalises borrowing costs for all eligible assets where construction was commenced on or after 1 July 2009. 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. On the agreement date and subsequently derivative financial instruments are accounted for at fair value. Fair value is derived from quoted market prices (level 1). 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) with gain or losses from changes in the fair value recognised in the statement of comprehensive income.

# 2.ACCOUNTING PRINCIPLES (CONT'D)

## 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. The Group and the Company currently does not have cash flow hedge.

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.

## 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.

***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.ACCOUNTING PRINCIPLES (CONT'D)

## 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.

(all amounts are in thousand euros unless otherwise stated)

# 2.ACCOUNTING PRINCIPLES (CONT'D)

## 2.21.INCOME TAX (CONT'D)

In the year ended 30 June 2015 and 30 June 2014 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 2.15) 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 2015** | **30 June 2014** |
| Republic of Latvia | 15% | 15% |
| Republic of Estonia* | – | – |
| Kingdom of Denmark | 23.5% | 24.5% |

**In Estonia, the taxation of profit of operating subsidiaries is deferred until the profit appropriation moment, i.e. payment of dividends. Furthermore, the dividends paid by the Group's companies in Estonia are taxed at the withholding tax rate of 20% as at 30 June 2015 (21% as at 30 June 2014).*

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.

Revenue from services is recognised when services are rendered.

# 2.ACCOUNTING PRINCIPLES (CONT'D)

## 2.22. REVENUE RECOGNITION (CONT'D)

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.ACCOUNTING PRINCIPLES (CONT'D)

## 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.

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 and the Company.

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 and the Company 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.

# 2.ACCOUNTING PRINCIPLES (CONT'D)

## 2.26.FAIR VALUE MEASUREMENT (CONT'D)

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 and the Company determines 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 and the Company'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 23.98% 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 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 12 and 13). 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.

(all amounts are in thousand euros unless otherwise stated)

# 2.ACCOUNTING PRINCIPLES (CONT'D)

## 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, 6 and 7), fair value estimation of biological assets (Note 10), impairment evaluation (Notes 2.24, 2.27, 6, 7, 8, 9, 11, 12, 13 and 14) 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 2015 and 30 June 2014 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 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 2015 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 0.27 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%). As at 30 June 2014 the key assumptions used to determine fair value of milking cows were the estimated milk selling price (EUR 0.29 for the year ending 30 June 2015 and EUR 0.3 for the year ending 30 June 2016) used to calculate the expected future cash inflows as well as pre-tax discount rate (8%).

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 June 2015 | | 30 June 2014 | |
|---|---|---|---|---|
| | **Possible change** | **Effect on fair value** | **Possible change** | **Effect on fair value** |
| Milk price | + 15% | 2,061 | + 15% | 2,078 |
| Milk price | - 15% | (2,179) | - 15% | (2,078) |
| Discount rate | + 1 p.p. | (59) | + 1 p.p. | (47) |
| Discount rate | - 1 p.p. | 60 | - 1 p.p. | 48 |

(all amounts are in thousand euros unless otherwise stated)

# 2.ACCOUNTING PRINCIPLES (CONT'D)

## 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 2014 and 2015 the key assumptions used to determine fair value of crops are the estimated yield ranges depending on the type of crops (2.2 – 9 tones/ha for the year ending 30 June 2015 and 2.7 – 9.3 tones/ha for the year ending 30 June 2014) 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 June 2015 | | 30 June 2014 | |
|---|---|---|---|---|
| | **Possible change** | **Effect on fair value** | **Possible change** | **Effect on fair value** |
| Yield | + 5% | 660 | + 5% | 591 |
| Yield | - 5% | (660) | - 5% | (591) |
| | | | | |
| Price | + 5% | 560 | + 5% | 491 |
| Price | - 5% | (560) | - 5% | (491) |

Poultry

As at 30 June 2015 and 2014 the main assumptions used to determine fair value of hatching chicken are the price of the incubation eggs (EUR 0.14-0.29 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 her lifetime (146 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 June 2015 | | 30 June 2014 | |
|---|---|---|---|---|
| | **Possible change** | **Effect on fair value** | **Possible change** | **Effect on fair value** |
| Number of eggs per lifecycle/price of eggs | + 5% | 208 | + 5% | 171 |
| Number of eggs per lifecycle/price of eggs | - 5% | (208) | - 5% | (171) |

As at 30 June 2015 and 2014 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 2-2.3 for 36 days old) which was estimated based on actual purchases/sales taking place close to the 30 June 2015 and broiler weight of 2.13 kg as at 36 days old (as at 30 June 2014 – 2.15 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 June 2015 | | 30 June 2014 | |
|---|---|---|---|---|
| | **Possible change** | **Effect on fair value** | **Possible change** | **Effect on fair value** |
| Weight | + 5% | 35 | + 5% | 46 |
| Weight | - 5% | (41) | - 5% | (71) |
| | | | | |
| Price | + 5% | 43 | + 5% | 52 |
| Price | - 5% | (43) | - 5% | (52) |

***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 2015 and 30 June 2014 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.ACCOUNTING PRINCIPLES (CONT'D)

## 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 2015 and 30 June 2014 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 2015 and 30 June 2014 the Company has investments in subsidiaries and associates. As at 30 June 2015 and 30 June 2014 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 three 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 2015 and 30 June 2014 the recoverable amount of the investment into AB Linas Agro is most sensitive to the pre-tax discount rate (11.8% and 12.4% respectively) used for the discounted cash flow model as well as the expected future cash inflows and the growth rate (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%. As at 30 June 2015 and 2014 the recoverable amount of the investment into subsidiaries AS Putnu fabrika Kekava, SIA Lielzeltini, SIA Cerova and SIA Broileks is most sensitive to the pre-tax discount rate of 14.1% which is used for the discounted cash flow model.

As at 30 June 2015 and 30 June 2014 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 possible selling prices method. According to the test performed, where required, as at 30 June 2015 and 30 June 2014 the Company accounted for impairment so as the carrying amount of the investments would not exceed their respective recoverable amounts (Note 3).

## 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 AND COMPARATIVE FIGURES

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.

1 January 2015 is the day of Euro adoption in Lithuania, thus on this day the functional and presentation currency of the Company and presentation currency of the Group was converted from litas to euro at conversion rate of 3.45280 LTL for 1 EUR according to irrevocable decision of the European Council.

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.

(all amounts are in thousand euros unless otherwise stated)

# 3.GROUP STRUCTURE AND CHANGES IN THE GROUP

As at 30 June 2015 and as at 30 June 2014 the Company held these directly and indirectly controlled subsidiaries (hereinafter the Group):

| | Place of registration | Effective share of the stock held by the Group | | Cost of investment in the Company | | Main activities |
|---|---|---|---|---|---|---|
| | | 30 June 2015 | 30 June 2014 | 30 June 2015 | 30 June 2014 | |
| **Investments into directly controlled subsidiaries** | | | | | | |
| 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 | 11,128 | Management of the subsidiaries engaged in agriculture |
| 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 | 432 | Rent and management of agricultural purposes land |
| Noreikiškių ŽŪB | Lithuania | 100% | 100% | 433 | 360 | Rent and management of agricultural purposes land |
| UAB Lineliai | Lithuania | 100% | 100% | 553 | 466 | Rent and management of agricultural purposes land |
| AS Putnu fabrika Kekava | Latvia | 96.47% | 84.36% | 6,017 | 2,129 | Broiler breeding, slaughtering and sale of products |
| SIA PFK Trader | Latvia | 96.47% | 84.36% | – | – | 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 | 96.47% | – | – | – | Not operating company |
| | | | | **94,975** | **89,494** | |

As at 30 June 2015 and 2014 shares of AS Putnu fabrika Kekava and SIA Lielzeltini which are held by the Company was pledged to banks as a collateral for the loans (Note 19).

(all amounts are in thousand euros unless otherwise stated)

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

| | Place of registration | Effective share of The stock held by the Group | | Cost of investment in the Company | | Main activities |
|---|---|---|---|---|---|---|
| | | 30 June 2015 | 30 June 2014 | 30 June 2015 | 30 June 2014 | |
| **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 |
| UAB Fossio | Lithuania | – | 100% | – | – | Manufacturing of lignin |
| ŽŪB Landvesta 3* | Lithuania | 100% | 100% | 199 | 199 | Rent and management of agricultural purposes land |
| ŽŪB Landvesta 4* | Lithuania | 100% | 100% | 109 | 109 | Rent and management of agricultural purposes land |
| ŽŪB Landvesta 5* | Lithuania | 100% | 100% | 282 | 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 | 98.48% | 98.28% | – | – | Preparation and warehousing of grains for trade |
| Biržai district Medeikių ŽŪB | Lithuania | 98.39% | 98.39% | – | – | Growing and sale of crops |
| Šakiai district Lukšių ŽŪB | Lithuania | 98.82% | 98.82% | – | – | Mixed agricultural activities |
| Panevėžys district Aukštadvario ŽŪB | Lithuania | 97.41% | 96.92% | – | – | Mixed agricultural activities |
| Sidabravo ŽŪB | Lithuania | 95.20% | 93.40% | – | – | Mixed agricultural activities |
| Kėdainiai district Labūnavos ŽŪB | Lithuania | 98.64% | 98.64% | – | – | Mixed agricultural activities |
| Užupės ŽŪB* | Lithuania | 100% | 100% | 1 | 1 | Growing and sale of crops |
| UAB Paberžėlė | Lithuania | 100% | 100% | – | – | Rent and management of agricultural purposes land |
| Liquidate UAB Žemės ūkio investicijos | Lithuania | 100% | 100% | – | – | Not operating company |
| Panevėžys district Žibartonių ŽŪB* | Lithuania | 99.80% | 99.80% | 1 | 1 | Mixed agricultural activities |
| | Investments into associates | | | 1,808 | 1,808 | |
| | (Less) impairment | | | (57) | (57) | |
| | | | | **1,751** | **1,751** | |

** UAB Linas Agro Grūdų Centras KŪB, ŽŪB Landvesta 3, ŽŪB Landvesta 4, ŽŪB Landvesta 5, ŽŪB Landvesta 6, Užupės ŽŪB and Panevėžys district Žibartonių ŽŪB are associates of the Company as at 30 June 2015 and 2014.The respective share held directly by the Company as at 30 June 2015 and 2014 was 24.7%; 13.91%; 19.77%; 41.48%; 15.51%; 0.05%; 0.1%.*

(all amounts are in thousand euros unless otherwise stated)

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

| | Place of regist-ration | Effective share of the stock held by the Group | | Cost of investment in the Company | | Main activities |
|---|---|---|---|---|---|---|
| | | 30 June 2015 | 30 June 2014 | 30 June 2015 | 30 June 2014 | |
| **Investments into indirectly controlled subsidiaries (through UAB Dotnuvos Projektai)** | | | | | | |
| SIA DOTNUVOS PROJEKTAI | Latvia | 100% | 100% | – | – | Trade of machinery and equipment for warehousing of grains, certified seeds |
| 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 |
| **Investments into indirectly controlled subsidiaries (through Panevėžys district Žibartonių ŽŪB)** | | | | | | |
| Karčemos kooperatinė bendrovė | Lithuania | 3.98%* | 19.92%* | – | – | Preparation and warehousing of grains for trade |

** The Group indirectly controls 23.98% 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 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 2015***

On 1 July 2014 share capital of AS Putnu fabrika Kekava 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 connected up to UAB Linas Agro Grūdų 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.

(all amounts are in thousand euros unless otherwise stated)

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

***Changes in the Group during the 12 month period ended 30 June 2014***

On 5 September 2013 the Group acquired 100 % Žemės ūkio investicijos UAB sub-group, which is comprised of the holding company Žemės ūkio investicijos UAB and its subsidiary Panevėžys district Žibartonys ŽŪB (98.07%), for EUR 5,230 thousand to further expand business activities. As at acquisition date Žemės ūkio investicijos UAB sub-group did not have any impaired accounts receivable or contractual cash flows not expected to be collected, book value of receivables represents its fair value. Differences between the purchase consideration and fair values of the acquired assets, liabilities and contingent liabilities at the acquisition date were the following:

| **Acquisition date for consolidation purposes** | **31 August 2013** |
|---|---|
| Property, plant and equipment and investment property | 5,356 |
| Animals and livestock | 2,034 |
| Crops | 751 |
| Inventories | 2,728 |
| Prepayments and other current assets | 658 |
| Cash and cash equivalents | 78 |
| **Total assets** | **11,605** |
| Deferred tax liability | (175) |
| Grants and subsidies | (161) |
| Non-current borrowings | (845) |
| Current borrowings | (525) |
| Trade payables | (1,238) |
| Other liabilities | (409) |
| **Total liabilities** | **(3,353)** |
| **Total identifiable net assets at fair value** | **8,252** |
| Non-controlling interest measured at the proportionate share of net assets at fair value | (101) |
| Gain recognized on acquisition of subsidiary, recognised under Other income (Note 26) | 2,763 |
| **Total purchase consideration** | **5,388** |
| Cash consideration transferred | 3,878 |
| Less: cash acquired | (78) |
| **Total purchase consideration, net of cash acquired** | **3,800** |

Žemės ūkio investicijos UAB sub-group revenue and profit or loss since the acquisition date and from the beginning of the annual reporting period were:

| | **Since acquisition date** | **Since 1 July 2013** |
|---|---|---|
| Revenue | 5,073 | 6,492 |
| Profit (loss) | 487 | 450 |

The bargain purchase resulted due to the former shareholders' approach to the business from the book value point of view rather than fair value of total identifiable net assets.

(all amounts are in thousand euros unless otherwise stated)

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

***Changes in the Group during the 12 month period ended 30 June 2014 (cont'd)***

On 28 October 2013 the Group acquired 86.97% shares of AS Putnu Fabrika Kekava sub-group (including SIA PFK Trader) for EUR 2,129 thousand to further expand business activities and enter new business segments. On 7 November 2013 according to the restructuring plan share capital of AS Putnu Fabrika Kekava was increased by capitalization of payable amounts.

AB Linas Agro Group didn't participate in the increasing of share capital, part of the shares owned by AB Linas Agro Group decreased from 86.97% to 54.59%. The net assets at book value on 31 October 2013 are calculated by taking into account accounts payable capitalization and AB Linas Agro Group de facto control of 54.59% of shares.

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

| **Acquisition date for consolidation purposes** | **31 October 2013** |
|---|---|
| Property, plant and equipment and intangible assets | 24,087 |
| Poultry | 2,425 |
| Inventories | 2,240 |
| Prepayments and other current assets | 2,984 |
| Cash and cash equivalents | 173 |
| **Total assets** | **31,909** |
| Deferred tax liability | (664) |
| Grants and subsidies | (2,230) |
| Non-current borrowings | (2,061) |
| Other non-current liabilities | (1,368) |
| Current borrowings | (10,401) |
| Trade payables | (4,820) |
| Other liabilities | (4,618)* |
| **Total liabilities** | **(26,162)** |
| **Total identifiable net assets at fair value** | **5,747** |
| Non-controlling interest measured at the proportionate share of net assets at fair value | (2,610) |
| Gain recognized on acquisition of subsidiary, recognised under Other income (Note 26) | 1,009 |
| **Total purchase consideration** | **2,128** |
| Cash consideration transferred | **729**** |
| Less: cash acquired | (174) |
| **Total purchase consideration, net of cash acquired** | **555** |

**During the year ended 30 June 2014 liabilities in the amount of EUR 4,096 were written off for subsidiary AS Putnu Fabrika Kekava due to successfully implemented restructuring plan.*
***As at 30 June 2013 the Company made EUR 1,400 thousand prepayment for AS Putnu Fabrika Kekava shares to acquire.*

The net assets recognised in the 30 June 2014 financial statements were based on a provisional assessment of their fair value. The valuation had not been completed by the date the 2014 financial statements were approved for issue by management.

In October 2014, the valuation was completed and the acquisition date fair values determined. It was concluded that fair value of the net assets acquired is equal to the provisional values presented in the financial statements for the period ended 30 June 2014.

(all amounts are in thousand euros unless otherwise stated)

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

***Changes in the Group during the 12 month period ended 30 June 2014 (cont'd)***

AS Putnu Fabrika Kekava fair value of the trade receivables as at the date of acquisition were:

| | **Trade receivables** |
|---|---|
| The gross contractual amounts receivable | 6,196 |
| The best estimate at the acquisition date of the contractual cash flows not expected to be collected | (3,302) |
| The fair value of the receivables | 2,894 |

AS Putnu Fabrika Kekava revenue and profit or loss since the acquisition date and from the beginning of the annual reporting period were:

| | **Since acquisition date** | **Since 1 July 2013** |
|---|---|---|
| Revenue | 26,585 | 39,556 |
| Profit (loss) | 6,748 | 8,618 |

The business combination resulted in bargain purchase because it was acquired during a forced sale by the former shareholders, since as at acquisition AS Putnu Fabrika Kekava was in a legal restructuring phase and there existed high uncertainties about its ability to continue as a going concern.

(all amounts are in thousand euros unless otherwise stated)

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

***Changes in the Group during the 12 month period ended 30 June 2014 (cont'd)***

On 7 February 2014 the Group acquired 100% shares of SIA Lielzeltini for EUR 5,854 thousand to further expand business activities and enter new business segments. Differences between the purchase consideration and fair values of the acquired assets, liabilities and contingent liabilities at the acquisition date were the following:

| **Acquisition date for consolidation purposes** | **31 January 2014** |
|---|---|
| Property, plant and equipment | 14,557 |
| Financial assets | 3,117 |
| Poultry | 531 |
| Inventories | 3,158 |
| Prepayments and other current assets | 3,092 |
| Cash and cash equivalents | 352 |
| **Total assets** | **24,806** |
| Deferred tax liability | (907) |
| Grants and subsidies | (770) |
| Non-current borrowings | (9,405) |
| Current borrowings | (2,102) |
| Trade payables | (2,894) |
| Other liabilities | (682) |
| **Total liabilities** | **(16,760)** |
| **Total identifiable net assets at fair value** | **8,046** |
| Gain recognized on acquisition of subsidiary, recognised under Other income (Note 26) | 2,192 |
| **Total purchase consideration** | **5,854** |
| **Cash consideration transferred** | **5,854** |
| Less: cash acquired | (351) |
| **Total purchase consideration, net of cash acquired** | **5,503** |

SIA Lielzeltini fair value of contractual amounts receivables as at the date of acquisition were:

| | **Non-current Trade receivables** | **Prepayments** |
|---|---|---|
| The gross contractual amounts receivable | 3,165 | 1,018 |
| The best estimate at the acquisition date of the contractual cash flows not expected to be collected | (664) | (201) |
| The fair value of the receivables | 2,501 | 817 |

SIA Lielzeltini revenue and profit or loss since the acquisition date and from the beginning of the annual reporting period were:

| | **Since acquisition date** | **Since July 1 2013** |
|---|---|---|
| Revenue | 12,758 | 29,146 |
| Profit (loss) | 488 | 1,829 |

The bargain purchase resulted due to the former shareholders' approach to the business from the book value point of view rather than fair value of total identifiable net assets.

(all amounts are in thousand euros unless otherwise stated)

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

***Changes in the Group during the 12 month period ended 30 June 2014 (cont'd)***

On 7 February 2014 the Group acquired 100% shares of SIA Cerova for EUR 790 thousand to further expand business activities and enter new business segments. As at acquisition date SIA Cerova did not have any impaired accounts receivable or contractual cash flows not expected to be collected, book value of receivables represent its recoverable amount. 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. Differences between the purchase consideration and fair values of the acquired assets, liabilities and contingent liabilities at the acquisition date were the following:

| **Acquisition date for consolidation purposes** | **31 January 2014** |
|---|---|
| Property, plant and equipment | 844 |
| Inventories | 120 |
| Prepayments and other current assets | 1,008 |
| Cash and cash equivalents | 13 |
| **Total assets** | **1,985** |
| Deferred tax liability | (10) |
| Grants and subsidies | (138) |
| Non-current borrowings | (611) |
| Other non-current liabilities | – |
| Trade payables | (69) |
| Other liabilities | (48) |
| **Total liabilities** | **(876)** |
| **Total identifiable net assets at fair value** | **1,109** |
| Gain recognized on acquisition of subsidiary, recognised under Other income (Note 26) | 319 |
| **Total purchase consideration** | **790** |
| **Cash consideration transferred** | **790** |
| Less: cash acquired | (13) |
| **Total purchase consideration, net of cash acquired** | **777** |

On 7 February 2014 the Group acquired 100% shares of SIA Broileks for EUR 52 thousand to further expand business activities and enter new business segments. As at acquisition date SIA Broileks did not have any impaired accounts receivable or contractual cash flows not expected to be collected, book value of receivables represent its recoverable amount. 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. Differences between the purchase consideration and fair values of the acquired assets, liabilities and contingent liabilities at the acquisition date were the following:

| **Acquisition date for consolidation purposes** | **31 January 2014** |
|---|---|
| Property, plant and equipment | 420 |
| Inventories | 35 |
| Prepayments and other current assets | 151 |
| Cash and cash equivalents | 2 |
| **Total assets** | **608** |
| Grants and subsidies | (122) |
| Non-current borrowings | (44) |
| Current borrowings | (106) |
| Trade payables | (2) |
| Other liabilities | (157) |
| **Total liabilities** | **(431)** |
| **Total identifiable net assets at fair value** | **177** |
| Gain recognized on acquisition of subsidiary, recognised under Other income (Note 26) | 125 |
| **Total purchase consideration** | **52** |
| **Cash consideration transferred** | **52** |
| Less: cash acquired | (2) |
| **Total purchase consideration, net of cash acquired** | **50** |

(all amounts are in thousand euros unless otherwise stated)

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

***Changes in the Group during the 12 month period ended 30 June 2014 (cont'd)***

During the 12 month period, ended 30 June 2014, the Group acquired 6.17% Sidabravo ŽŪB share capital for EUR 47 thousand, 1.1% Panevėžys district Žibartonių ŽŪB share capital for EUR 13 thousand. All the shares were acquired from the non-controlling shareholders. The difference of EUR 269 thousand of gain between the consideration transferred and the carrying value of the interest acquired has been recognised within equity.

Acquisition of non-controlling interest in Sidabravo ŽŪB and Panevėžys district Žibartonių ŽŪB has resulted in an increase of the effective Group ownership of ŽŪK KUPIŠKIO GRŪDAI by 0.56% up to 98.28%, and an increase of the effective Group ownership of Karčemos kooperatinė bendrovė by 20% up to 39.92% as at 30 June 2014 with a result of EUR 7 thousand of gain accounted directly in equity.

Acquisition of SIA Lielzeltini has resulted in an increase of the effective Group ownership of AS Putnu Fabrika Kekava by 29.77% up to 84.36% as at 30 June 2014 with a result of EUR 2,910 thousand of gain accounted directly in equity.

On 9 January 2014 the Group separated UAB Lignineko to 2 companies: UAB Lignineko and UAB Fossio. The share capital of UAB Fossio is EUR 134 thousand.

On 30 April 2014 the Group sold all shares of UAB Lignineko. Differences between the sales consideration and the net assets disposed at the disposal date is the following:

| | 30 April 2014 |
|---|---|
| Non-current assets | 526 |
| Deferred tax asset | 52 |
| Current assets | 232 |
| Liabilities | (1,111) |
| **Net asset of subsidiary sold by Group** | **(301)** |
| **Gain recognized on disposal of subsidiary, recognised under Other income (Note 26)** | **1,619** |
| Sales price (received in cash) | 1,318 |
| Less: cash disposed in subsidiary | (5) |
| **Selling price less cash disposed** | **1,313** |

(all amounts are in thousand euros unless otherwise stated)

# 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**<br><br>**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 segment** | **Adjustments and elimina-tions** | **Total** |
|---|---|---|---|---|---|---|---|---|
| **Revenue** | | | | | | | | |
| 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)[1)]** | **573,766** |
| **Results** | | | | | | | | |
| Operating expenses[6)] | (6,536) | (11,521) | (2,694) | (6,892) | – | (3,244) | – | (30,887) |
| Depreciation and amortisation | (2,188) | (1,358) | (1,704) | (3,190) | – | (59) | – | (8,499) |
| Write-off bad debts and provisions for doubtful debts | – | (736) | – | (16) | (1) | – | – | (753) |
| Impairment of property, plant and equipment | – | – | 25 | – | – | – | – | 25 |
| **Segment operating profit (loss)** | **7,484** | **965** | **3,532** | **3,193** | **97** | **(2,934)** | **–** | **12,337** |
| **Assets** | | | | | | | | |
| Capital expenditure[2)] | 5,002 | 2,756 | 3,214 | 2,561 | – | 220 | – | 13,753 |
| Non-current assets (excluding investments into associates) | 29,384 | 11,604 | 32,986 | 39,206 | 1,116 | 4,518[3)] | – | 118,814 |
| Current assets | 25,108 | 120,195 | 21,419 | 16,823 | 40 | 13,311[4)] | – | 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[5)] | – | 123,803 |

(all amounts are in thousand euros unless otherwise stated)

## 4. SEGMENT INFORMATION (CONT'D)

| **Group**<br><br>**Financial year ended 30 June 2014** | **Grain and feedstuff handling and merchandising** | **Products and services for farming** | **Agricultural production** | **Food products** | **Other products and services** | **Not attributed to any specified segment** | **Adjustments and elimina-tions** | **Total** |
|---|---|---|---|---|---|---|---|---|
| **Revenue** | | | | | | | | |
| Third parties | 411,992 | 120,648 | 16,639 | 33,600 | 1,678 | – | – | 584,557 |
| Intersegment | 9,630 | 7,314 | 10,964 | – | – | – | (27,908)1) | – |
| **Total revenue** | **421,622** | **127,962** | **27,603** | **33,600** | **1,678** | **–** | **(27,908)1)** | **584,557** |
| **Results** | | | | | | | | |
| Operating expenses6) | (7,659) | (11,382) | (2,533) | (3,830) | (193) | (4,091) | – | (29,688) |
| Depreciation and amortisation | (1,962) | (1,378) | (2,194) | (1,781) | (152) | (175) | – | (7,642) |
| Provisions for onerous contracts | 16 | – | – | – | – | – | – | 16 |
| Write-off bad debts and provisions for doubtful debts | (883) | (1,603) | 10 | (199) | (3) | – | – | (2,678) |
| Write-off of liabilities | – | – | – | 4,096 | – | – | – | 4,096 |
| Impairment of property, plant and equipment | – | – | (25) | – | – | – | – | (25) |
| Gain (loss) on acquisition of subsidiary companies | – | – | 2,763 | 3,644 | – | – | – | 6,407 |
| Gain (loss) on disposal of subsidiary companies | – | – | – | – | 1,618 | – | – | 1,618 |
| **Segment operating profit (loss)** | **10,978** | **1,796** | **4,848** | **9,888** | **2,745** | **(3,968)** | **–** | **26,287** |
| **Assets** | | | | | | | | |
| Capital expenditure2) | 2,474 | 1,593 | 3,836 | 931 | – | 345 | – | 9,179 |
| Non-current assets (excluding investments into associates) | 26,227 | 11,031 | 32,069 | 39,931 | 2,245 | 3,7803) | – | 115,283 |
| Current assets | 40,179 | 105,310 | 20,401 | 14,878 | 771 | 14,2824) | – | 195,821 |
| **Total assets** | **66,406** | **116,341** | **52,470** | **54,809** | **3,016** | **18,062** | **–** | **311,104** |
| Current liabilities | 33,591 | 57,650 | 5,653 | 7,197 | 84 | 16,1235) | – | 120,298 |

1) Intersegment revenue are eliminated on consolidation.
2) Capital expenditure consists of additions of intangible assets, property, plant and equipment and investment property.
3) 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.
4) 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.
5) As at 30 June 2015 and 2014 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.
6) 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.

(all amounts are in thousand euros unless otherwise stated)

## 4. SEGMENT INFORMATION (CONT'D)

Sales / Income includes:

| | Group | | Company | |
|---|---|---|---|---|
| | Financial year ended | | | |
| | **30 June 2015** | **30 June 2014** | **30 June 2015** | **30 June 2014** |
| Sales of goods | 565,483 | 578,016 | – | – |
| Sales of services | 8,283 | 6,541 | 623 | 28 |
| Dividends from subsidiaries | – | – | 4,200 | 6,744 |
| Rental income from investment and other property | – | – | 56 | 52 |
| Dividends from associates | – | – | 333 | 261 |
| | **573,766** | **584,557** | **5,212** | **7,085** |

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

| | Group | |
|---|---|---|
| | 12 month period ended | |
| **Revenue from external customers** | **30 June 2015** | **30 June 2014** |
| Lithuania | 143,218 | 151,269 |
| Europe (except for Scandinavian countries, CIS and Lithuania) | 189,151 | 148,799 |
| Scandinavian countries | 95,646 | 112,360 |
| Africa | 18,671 | 26,914 |
| Asia | 114,731 | 136,883 |
| CIS | 12,349 | 8,332 |
| | **573,766** | **584,557** |

Revenue from largest customer amounted to EUR 54,392 thousand for the year ended 30 June 2015. Revenue from largest customer amounted to EUR 83,134 thousand for the year ended 30 June 2014. Sales for largest customers are accounted for under grain and feedstuff handling and merchandising caption of business segments as at 30 June 2015 and 2014.

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

| **Non-current assets** | Group | |
|---|---|---|
| | **As at 30 June 2015** | **As at 30 June 2014** |
| Lithuania | 61,842 | 61,126 |
| Latvia | 43,310 | 41,321 |
| Estonia | 1,474 | 1,344 |
| Denmark | 11 | 16 |
| | **106,637** | **103,807** |

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

(all amounts are in thousand euros unless otherwise stated)

## 5.INTANGIBLE ASSETS

| **Group** | **Software** | **Other intangible assets** | **Total** |
|---|---|---|---|
| **Cost:** | | | |
| Balance as at 30 June 2013 | 597 | 100 | 697 |
| Additions | 101 | – | 101 |
| Additions of subsidiaries | 35 | – | 35 |
| Write-offs | (1) | (4) | (5) |
| 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 |
| **Accumulated amortization:** | | | |
| Balance as at 30 June 2013 | 386 | 21 | 407 |
| Charge for the year | 53 | 6 | 59 |
| Write-offs | – | (4) | (4) |
| 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 |
| | | | |
| **Net book value as at 30 June 2015** | **312** | **589** | **901** |
| **Net book value as at 30 June 2014** | **293** | **73** | **366** |
| **Net book value as at 30 June 2013** | **211** | **79** | **290** |

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 483 thousand as at 30 June 2015 was fully amortized (EUR 422 thousand as at 30 June 2014) but was still in active use.

(all amounts are in thousand euros unless otherwise stated)

# 6.PROPERTY, PLANT AND EQUIPMENT

| | Land | Buildings and structures | Machinery and equipment | Vehicles | Other property, plant and equipment | Construction in progress and prepayments | Total |
|---|---|---|---|---|---|---|---|
| **Cost:** | | | | | | | |
| Balance as at 30 June 2013 | 5,121 | 43,417 | 25,182 | 4,213 | 3,976 | 2,266 | 84,175 |
| Additions | 1,900 | 22 | 3,144 | 369 | 620 | 3,016 | 9,071 |
| Acquisition of subsidiaries | 4,601 | 30,678 | 8,017 | 848 | 832 | 241 | 45,217 |
| Disposals and write-offs | (106) | (164) | (1,304) | (577) | (326) | (82) | (2,559) |
| Transfers from investment property | 1,631 | 238 | – | – | – | – | 1,869 |
| Reclassifications | 50 | 3,038 | 501 | 32 | 42 | (3,663) | – |
| Exchange differences | (1) | (1) | (1) | (1) | 1 | 1 | (2) |
| Disposals of subsidiaries | – | – | (633) | – | (84) | – | (717) |
| 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 |
| | | | | | | | |
| **Accumulated depreciation:** | | | | | | | |
| Balance as at 30 June 2013 | – | 11,194 | 11,872 | 1,504 | 2,313 | – | 26,883 |
| Charge for the year | – | 4,079 | 3,605 | 961 | 590 | – | 9,235 |
| Disposals and write-offs | – | (98) | (460) | (492) | (237) | – | (1,287) |
| Transfers from investment property | – | 36 | – | – | – | – | 36 |
| Reclassifications | – | – | (17) | 17 | – | – | – |
| Exchange differences | – | 5 | (1) | – | – | – | 4 |
| Disposals of subsidiaries | – | – | (144) | – | (47) | – | (191) |
| 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 |
| | | | | | | | |
| **Impairment losses:** | | | | | | | |
| Balance as at 30 June 2013 | – | 456 | 10 | – | 1 | – | 467 |
| (Reversal) charge for the year | 46 | (22) | 1 | – | – | – | 25 |
| 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 |
| | | | | | | | |
| **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** |
| **Net book value as at 30 June 2013** | **5,121** | **31,767** | **13,300** | **2,709** | **1,662** | **2,266** | **56,825** |

(all amounts are in thousand euros unless otherwise stated)

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

The Group's depreciation charge for the years ended 30 June 2015 and 30 June 2014 was included into the following captions of the statement of financial position and the statement of comprehensive income:

| | **Financial year ended** | |
|---|---|---|
| | **30 June 2015** | **30 June 2014** |
| Cost of sales | 7,554 | 6,689 |
| Biological assets | 685 | 650 |
| Operating expenses | 1,649 | 1,509 |
| Other expenses | 106 | 88 |
| Raw materials and other inventories | 152 | 299 |
| | **10,146** | **9,235** |

Depreciation amount was decreased in the statement of comprehensive income by EUR 879 thousand for the year ended 30 June 2015 (EUR 781 thousand for the year ended 30 June 2014) by the amortisation of grants received by the Group (Note 18).

As at 30 June 2015 part of property, plant and equipment of the Group with the net book value of EUR 75,782 thousand (EUR 76,547 thousand as at 30 June 2014), was pledged to banks as a collateral for the loans (Note 19).

Part of property, plant and equipment with the acquisition cost of EUR 17,370 thousand was fully depreciated as at 30 June 2015 (EUR 16,185 thousand as at 30 June 2014), but was still in active use.

(all amounts are in thousand euros unless otherwise stated)

# 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 2015.

| **Cost:** | **Land** | **Buildings** | **Total** |
|---|---|---|---|
| Balance as at 30 June 2013 | 3,120 | 400 | 3,520 |
| Additions | 2 | 4 | 6 |
| Acquisition of subsidiaries | – | 11 | 11 |
| Disposals and write-offs | (60) | – | (60) |
| Transfers to property, plant and equipment | (1,631) | (238) | (1,869) |
| 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 |
| **Accumulated depreciation:** | | | |
| Balance as at 30 June 2013 | – | 66 | 66 |
| Charge for the year | – | 19 | 19 |
| Transfers to property, plant and equipment | – | (36) | (36) |
| Balance as at 30 June 2014 | – | 49 | 49 |
| Charge for the year | – | 16 | 16 |
| Balance as at 30 June 2015 | – | 65 | 65 |
| **Impairment losses:** | | | |
| Balance as at 30 June 2013 | – | – | – |
| Balance as at 30 June 2014 | – | – | – |
| Balance as at 30 June 2015 | – | – | – |
| **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** |
| **Net book value as at 30 June 2013** | **3,120** | **334** | **3,454** |

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

| **Cost:** | **Buildings** |
|---|---|
| Balance as at 30 June 2013, 30 June 2014 and 30 June 2015 | 181 |
| **Accumulated depreciation:** | |
| Balance as at 30 June 2013 | 41 |
| Charge for the year | 8 |
| Balance as at 30 June 2014 | 49 |
| Charge for the year | 8 |
| Balance as at 30 June 2015 | 57 |
| **Net book value as at 30 June 2015** | **124** |
| **Net book value as at 30 June 2014** | **132** |
| **Net book value as at 30 June 2013** | **140** |

Depreciation expenses of investment property are included within other expenses in the statement of comprehensive income.

(all amounts are in thousand euros unless otherwise stated)

## 7. INVESTMENT PROPERTY (CONT'D)

As at 30 June 2015 part of investment property of the Group with the net book value of EUR 1,356 thousand (EUR 1,422 thousand as at 30 June 2014), was pledged to banks as a collateral for the loans (Note 19). As at 30 June 2015 and 30 June 2014 the Company has pledged all its investment property to the bank as collateral for the loan received by its subsidiary AB Linas Agro (Note 19).

As at 30 June 2015 part of investment property of the Group and the Company with the net book value of EUR 48 thousand and EUR 34 thousand, respectively (EUR 36 thousand and EUR 36 thousand, respectively as at 30 June 2014) 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 2015 is EUR 3,547 thousand and EUR 495 thousand, respectively (as at 30 June 2014 EUR 3,672 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.OTHER INVESTMENTS AND PREPAYMENTS FOR FINANCIAL ASSETS

Other investments and prepayments of the Group and the Company consist of:

| | Group | | Company | |
|---|---|---|---|---|
| | **As at 30 June 2015** | **As at 30 June 2014** | **As at 30 June 2015** | **As at 30 June 2014** |
| Prepayment for increase of share capital of AS Putnu fabrika Kekava | – | – | – | 2,820 |
| Other investments | 17 | 17 | – | – |
| | **17** | **17** | – | **2,820** |

The Company has increased the share capital of AS Putnu Fabrika Kekava by covering with loans granted by the Company and other receivables amounting to EUR 2,820 thousand during the year ended 30 June 2014.

## 9.NON-CURRENT RECEIVABLES

| | Group | | Company | |
|---|---|---|---|---|
| | **As at 30 June 2015** | **As at 30 June 2014** | **As at 30 June 2015** | **As at 30 June 2014** |
| Trade receivables from agricultural produce growers due after one year | 9 | 16 | – | – |
| Other trade receivables | – | 1,053* | – | – |
| Loans receivable from related parties after one year (Note 32) | 1,175 | 347 | 6,468 | 5,485 |
| Loans receivable after one year | 2,113** | 486 | 647 | – |
| Other non-current receivable | 22 | 17 | – | – |
| Loans to employees | 49 | 52 | – | – |
| Less: allowance for doubtful non-current receivables | (1,290)** | – | – | – |
| | **2,078** | **1,971** | **7,115** | **5,485** |

** Other trade receivables mainly comprise of receivable for sold lignin which is presented as current receivable as at 30 June 2015 (Note 13).*
*** Non-current loan, which is fully impaired, as at 30 June 2014 was presented as current accounts receivable.*

(all amounts are in thousand euros unless otherwise stated)

# 9. NON-CURRENT RECEIVABLES (CONT'D)

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

| | Individually impaired |
|---|---|
| Balance as at 30 June 2013 | – |
| Balance as at 30 June 2014 | – |
| Transferred from other accounts receivables (Note 14) | 1,290 |
| Balance as at 30 June 2015 | 1,290 |

The ageing analysis of the Group's non-current receivables as at 30 June 2015 and 30 June 2014 is as follows:

| | Non-current receivables neither past due nor impaired | Past due but not impaired | | | | Total |
|---|---|---|---|---|---|---|
| | | Less than 90 days | 91 - 180 days | 180 - 270 days | More than 271 days | |
| **2014** | 1,971 | – | – | – | – | 1,971 |
| **2015** | 2,078 | – | – | – | – | 2,078 |

On 30 March 2010 AB Linas Agro and AB Klaipėdos jūrų krovinių kompanija (hereinafter – KLASCO) signed a long term cooperation agreement for expansion of a grain terminal. AB Linas Agro participates by partly financing (in total EUR 1,289 thousand) expansion of the grain terminal and will have an exclusive right for five years to use the silage warehouses stowing 40 thousand tons of grain and to use the terminal for loading.

As at 30 June 2015 the balance of AB Linas Agro receivable from KLASCO amounted to EUR 279 thousand. The amount is disclosed as current loans receivable (EUR 279 thousand, respectively as at 30 June 2014 – EUR 279 thousand). As at 30 June 2014 its non-current part is disclosed as non-current loans receivable (EUR 279 thousand).

The Group's and Company's non-current receivables were neither due nor impaired as at 30 June 2014.

(all amounts are in thousand euros unless otherwise stated)

## 10.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 2013 | 3,752 | 1,379 | 507 | 2 | – | 5,640 |
| Acquisition of subsidiary (Note 3) | 1,199 | 444 | 392 | – | 2,956 | 4,991 |
| Acquisition | – | 39 | – | 1 | 4,632 | 4,672 |
| Births | – | 79 | 121 | – | 313 | 513 |
| Makeweight | – | 1,689 | 945 | – | 22,972 | 25,606 |
| Transfers between groups | 453 | (1,362) | 909 | – | – | – |
| Disposals | (153) | (211) | (1,935) | (1) | (27,337) | (29,637) |
| Write-offs and falls | (81) | (17) | (19) | (1) | (357) | (475) |
| Change in fair value of biological assets (Note 24) | (1,799) | – | (119) | – | (136) | (2,054) |
| 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 24) | 74 | – | (125) | – | 90 | 39 |
| Fair value as at 30 June 2015 | 3,843 | 1,931 | 910 | 1 | 3,439 | 10,124 |

| **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 2015 | 3,209 | 2,921 | 1,873 | 5 | 1,915,343 | 1,923,351 |
| As at 30 June 2014 | 2,999 | 3,013 | 1,660 | 5 | 1,860,649 | 1,868,326 |

| **Output according to biological assets group for the year ended (t) (unaudited):** | | | | | | |
|---|---|---|---|---|---|---|
| As at 30 June 2015 | 26,985 | 542 | 730 | – | 30,732 | 58,989 |
| As at 30 June 2014 | 23,502 | 433 | 796 | 3 | 15,859 | 40,593 |

(all amounts are in thousand euros unless otherwise stated)

## 10.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 2013 | 4,394 | 3,364 | 3,056 | 1,045 | 11,859 |
| Additions | 4,581 | 5,507 | 3,211 | 1,749 | 15,048 |
| Acquisitions of subsidiaries (Note 3) | 7 | 299 | 41 | 404 | 751 |
| Transfers between groups | (93) | 114 | (25) | 4 | – |
| Harvested assets | (5,226) | (4,455) | (3,534) | (1,799) | (15,014) |
| Fair value adjustment on biological assets (Note 24) | (349) | 1,965 | (69) | 28 | 1,575 |
| Fair value as at 30 June 2014 | 3,314 | 6,794 | 2,680 | 1,431 | 14,219 |
| Additions | 5,782 | 4,606 | 2,944 | 2,170 | 15,502 |
| Transfers between groups | – | (53) | – | 53 | – |
| Harvested assets | (4,229) | (7,864) | (3,487) | (2,278) | (17,858) |
| Fair value adjustment on biological assets (Note 24) | 1,638 | 1,218 | 733 | (16) | 3,573 |
| Fair value as at 30 June 2015 | 6,505 | 4,701 | 2,870 | 1,360 | 15,436 |

Fair value adjustment for winter cultures and rapeseeds as at 30 June 2014 was influenced by expenses related to winterkill in amount of EUR 1,268 thousand which occurred due to climatic events.

| **Crops under groups:** | Winter cultures | Summer cultures | Rapeseeds | Feeding cultures | Total crops |
|---|---|---|---|---|---|
| Total sowed (ha) as at 30 June 2014 | 3,423 | 7,557 | 3,193 | 2,630 | 16,803 |
| Total sowed (ha) as at 30 June 2015 | 6,460 | 5,474 | 2,232 | 2,653 | 16,819 |
| **Harvested crops under groups (unaudited):** | | | | | |
| Total harvest for the year ended 30 June 2014 (t) | 32,870 | 23,811 | 9,302 | 42,644 | 108,627 |
| Total harvest for the year ended 30 June 2015 (t) | 22,911 | 45,321 | 9,749 | 89,045 | 167,026 |

As at 30 June 2015 and 30 June 2014 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.

During the years ended 30 June 2015 and 2014 there were no transfers between the different levels of fair value hierarchy.

As at 30 June 2015 part of animals and livestock of the Group with the carrying value of EUR 6,152 thousand (EUR 4,926 thousand as at 30 June 2014) was pledged to banks as a collateral for the loans (Note 19).

(all amounts are in thousand euros unless otherwise stated)

## 11.INVENTORIES

| | Group | |
|---|---|---|
| | **As at 30 June 2015** | **As at 30 June 2014** |
| Purchased goods for resale | 49,814 | 56,796 |
| Raw materials and other inventories | 6,955 | 10,988 |
| Commitments to purchase agricultural produce (Note 15) | 331 | 243 |
| Less: net realisable value allowance | (685) | (383) |
| | **56,415** | **67,644** |

The carrying value of the Group's inventories accounted for at net realizable value as at 30 June 2015 amounted to EUR 4,356 thousand (EUR 1,192 thousand as at 30 June 2014). The amount of write-down of inventories to net realizable value recognized as an expense in the year ended 30 June 2015 is EUR 302 thousand (EUR 283 thousand in the year ended 30 June 2014), and is recognized in cost of sales of the statement of comprehensive income.

As at 30 June 2015 part of inventories of the Group with the carrying value of EUR 31,017 thousand (EUR 32,664 thousand as at 30 June 2014) was pledged to banks as collateral for the loans (Note 19).

## 12.PREPAYMENTS

| | Group | |
|---|---|---|
| | **As at 30 June 2015** | **As at 30 June 2014** |
| Prepayments to agricultural produce growers | 569 | 907 |
| Prepayments to other suppliers | 8,160 | 4,157 |
| Less: allowance for doubtful prepayments to other suppliers | – | – |
| | **8,729** | **5,064** |

During year ended 30 June 2015 and 30 June 2014, 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.

(all amounts are in thousand euros unless otherwise stated)

## 13.TRADE RECEIVABLES

| | Group | |
|---|---|---|
| | **As at 30 June 2015** | **As at 30 June 2014** |
| Trade receivables from agricultural produce growers | 39,060 | 40,274 |
| Trade receivables from other customers | 61,007 | 52,806 |
| Less: allowance for doubtful trade receivables | (3,367) | (3,986) |
| | **96,700** | **89,094** |

As at 30 June 2015 the Group holds lignin as a collateral for the part of trade receivables (amounting to EUR 1,362 thousand) which could be sold or repledged if the debtor defaulted. The fair value of the collateral amounts to EUR 2,291 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 2015 and 30 June 2014 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 2015 the Group's trade receivables with the nominal value of EUR 969 thousand (EUR 2,613 thousand as at 30 June 2014) 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 2013 | 7,448 |
| Charge for the year | 931 |
| Reversed during the year | (160) |
| Written-off during the year | (4,233) |
| 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 |

The ageing analysis of the Group's trade receivables as at 30 June 2015 and 30 June 2014 is as follows:

| | **Trade receivables neither past due nor impaired** | **Past due but not impaired** | | | | **Total** |
|---|---|---|---|---|---|---|
| | | **Less than 90 days** | **91 - 180 days** | **180 - 270 days** | **More than 271 days** | |
| **2014** | 80,433 | 7,334 | 145 | 120 | 1,062 | 89,094 |
| **2015** | 88,522 | 6,902 | 708 | 117 | 451 | 96,700 |

As at 30 June 2015 the Group transferred rights to part of its trade receivables with the value of EUR 87,116 thousand (EUR 87,274 thousand as at 30 June 2014) to banks as collateral for the loans (Note 19). Factorised trade receivables in the amount of EUR 6,944 thousand as at 30 June 2015 (EUR 6,637 thousand as at 30 June 2014) are included in aggregate amount of collateral for the loans. Additionally, as collateral for the loans as at 30 June 2015 the Group transferred rights to the banks for future receivables with the value of EUR 53 thousand (EUR 80 thousand as at 30 June 2014) arising from the investment property rent contracts.

(all amounts are in thousand euros unless otherwise stated)

## 14.OTHER ACCOUNTS RECEIVABLE

| | Group | |
|---|---|---|
| **Financial assets** | **As at 30 June 2015** | **As at 30 June 2014** |
| National Paying Agency | 1,858 | 2,467 |
| Loans receivable | 2,738 | 2,745 |
| Loans granted to the Group employees | 33 | 37 |
| Interest receivable | 146 | 257 |
| Accrued income | 751 | 521 |
| Receivable for assets held for sale | 134 | 201 |
| Other receivables | 3,050* | 833 |
| Less: allowance for doubtful loans receivable | (514) | (1,652) |
| | **8,196** | **5,409** |
| **Non-financial assets** | | |
| VAT receivable | 1,253 | 1,387 |
| Other recoverable taxes | 51 | 26 |
| | 1,304 | 1,413 |
| | **9,500** | **6,822** |

**Increase in other receivables was mainly influenced by the takeover debts which are pledged by the assets of the respective parties.*

Changes in allowance for other accounts receivables for the years ended 30 June 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** |
|---|---|
| Balance as at 30 June 2013 | – |
| Charge for the year | 1,652 |
| Balance as at 30 June 2014 | 1,652 |
| Charge for the year | 232 |
| Transferred to non-current receivables (Note 9) | (1,290) |
| Written-off during the year | (80) |
| Balance as at 30 June 2015 | 514 |

The ageing analysis of the Group's other receivables (except for non-financial assets) as at 30 June 2015 and 30 June 2014 is as follows:

| | **Other accounts receivable neither past due nor impaired** | **Past due but not impaired** | | | | **Total** |
|---|---|---|---|---|---|---|
| | | **Less than 90 days** | **91 - 180 days** | **181 - 270 days** | **More than 271 days** | |
| **2014** | 5,398 | 10 | 1 | – | – | 5,409 |
| **2015** | 5,659 | 2,490 | 46 | 1 | – | 8,196 |

(all amounts are in thousand euros unless otherwise stated)

## 15.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 2015** | **As at 30 June 2014** |
| **Other current financial assets** | | | | |
| Other derivative financial instruments | Level 2 | | – | 109 |
| Restricted cash | | b) | 440 | 438 |
| Foreign exchange forward and swap contracts | Level 2 | | 79 | – |
| Other | | | – | 80 |
| | | | **519** | **627** |
| | | | | |
| **Derivative financial instruments (liabilities)** | | | | |
| Derivative financial instruments designated as hedges | Level 1 | a) | (490) | (252) |
| Other derivative financial instruments | Level 2 | | (91) | – |
| | | | **(581)** | **(252)** |

The Group concludes forward agreements (with fixed price) with Lithuanian and Latvian agricultural production growers for purchase and with domestic and international customers for sale of agricultural produce. Part of purchase/sales agreements are not matched which raises the price fluctuation risk. To hedge the arising risk of price fluctuations for the not covered purchase/sale commitments the Group concludes 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 2015 the fair value of such futures contracts was equal to EUR 490 thousand of loss (EUR 252 thousand of losses as at 30 June 2014). These results are accounted for in cost of sales in the statement of comprehensive income. As at 30 June 2015 hedged item (commitments to purchase agricultural produce) of EUR 331 thousand of gain (EUR 243 thousand of gain as at 30 June 2014) is accounted for as inventories (Note 11) 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. During the year ended 30 June 2015 the Group incurred EUR 163 thousand of loss from hedged item (commitments to purchase agricultural produce) (during the year ended 30 June 2014 – EUR 665 thousand of gain)

b) As at 30 June 2015 and 30 June 2014 restricted cash balance mostly consists of cash at bank account, held as a deposit for trading in the futures exchange.

In the cases when fair value of other financial assets cannot be reliably determined based on available active market data, the fair value is assessed based on mathematical models. Where possible observable market inputs are used in the models, in other instances certain assumptions are used.

(all amounts are in thousand euros unless otherwise stated)

## 16.CASH AND EQUIVALENTS

| | Group | | Company | |
|---|---|---|---|---|
| | **As at 30 June 2015** | **As at 30 June 2014** | **As at 30 June 2015** | **As at 30 June 2014** |
| Cash at bank | 6,614 | 8,556 | 232 | 595 |
| Money market instruments with maturity of less than three months | – | – | – | – |
| Cash in transit | 10 | 28 | – | – |
| Cash on hand | 56 | 48 | – | – |
| | **6,680** | **8,632** | **232** | **595** |

As at 30 June 2015 the Group pledged cash of EUR 1,275 thousand (EUR 2,452 thousand as at 30 June 2014) to banks as collateral for the loans (Note 19).

As at 30 June 2015 and 30 June 2014 there were no restrictions on use of cash balances held in the pledged accounts (Note 19).

## 17.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 2015 and 30 June 2014.

***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. Period during which the Company may purchase own shares is from 24 October 2011 till 24 April 2015.

During the year ended 30 June 2015 the Company disposed of 2,000 own shares, net result of this transaction is recognised directly to the statement of changes in equity. During the year ended 30 June 2014 the Company did not acquire its own shares.

***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 2015.

***Other reserves***

Other reserves are formed based on the decision of the General Shareholders' Meeting on appropriation of distributable profit. These reserves can be used only for the purposes approved by the General Shareholders' Meeting.

## 18.GRANTS AND SUBSIDIES

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

| | |
|---|---|
| Balance as at 30 June 2013 | 4,789 |
| Received | 622 |
| Acquisition of subsidiaries (Note 3) | 3,421 |
| Amortisation | (954) |
| Balance as at 30 June 2014 | 7,878 |
| Received | 626 |
| Amortisation | (987) |
| Balance as at 30 June 2015 | 7,517 |

(all amounts are in thousand euros unless otherwise stated)

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

As at 30 June 2015 the amount is disclosed in the statement of financial position as non-current liabilities (EUR 6,646 thousand) and other current liabilities (EUR 871 thousand) (as at 30 June 2014 EUR 6,950 thousand as non-current liabilities and EUR 928 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 2015 and 30 June 2014 was included into the following captions of the statement of financial position and the statement of comprehensive income:

| | **Group** | |
|---|---|---|
| | **Financial year ended** | |
| | **30 June 2015** | **30 June 2014** |
| Cost of sales (reduces the depreciation expenses of related assets) | 879 | 781 |
| Biological assets | 82 | 79 |
| Raw materials and other inventories | 5 | 20 |
| Other income | – | 68 |
| Other operating expenses | 21 | 5 |
| | **987** | **953** |

For the years ended 30 June 2015 and 30 June 2014 the Group also received subsidies for animals and livestock, crops and milk in the total amount of EUR 2,773 thousand and EUR 2,998 thousand, respectively, which were accounted for in the sales caption of the statement of comprehensive income.

## 19.BORROWINGS

| | **Group** | | **Company** | |
|---|---|---|---|---|
| | **As at 30 June 2015** | **As at 30 June 2014** | **As at 30 June 2015** | **As at 30 June 2014** |
| **Non-current borrowings** | | | | |
| Bank borrowings secured by the Group assets | 22,729 | 28,024 | – | 4,900 |
| Other non-current borrowings | – | 9 | – | – |
| Other non-current related parties borrowings (Note 32) | – | – | 2,654 | – |
| | 22,729 | 28,033 | 2,654 | 4,900 |
| **Current borrowings** | | | | |
| Current portion of non-current bank borrowings | 13,313 | 6,283 | 4,900 | 1,400 |
| Current bank borrowings secured by the Group assets | 55,560 | 54,657 | – | – |
| Other current borrowings | 8,696 | 8,401 | – | – |
| Other current related parties borrowings (Note 32) | – | – | 185 | 1,646 |
| | 77,569 | 69,341 | 5,085 | 3,046 |
| | **100,298** | **97,374** | **7,739** | **7,946** |

Interest payable is normally settled monthly throughout the financial year.

As at 30 June 2015 and 30 June 2014 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, 10, 11, 13, 16).

***Compliance with the covenants of the borrowings agreements***

During the year ended 30 June 2015 the Group and the Company 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 4,582 thousand and EUR 3,500 thousand, respectively, is presented as current liability in the financial statements of the Group and the Company.

(all amounts are in thousand euros unless otherwise stated)

## 19. BORROWINGS (CONT'D)

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

| | Group | | Company | |
|---|---|---|---|---|
| | **As at 30 June 2015** | **As at 30 June 2014** | **As at 30 June 2015** | **As at 30 June 2014** |
| Current borrowings | 1.76% | 2.06% | 2.63% | – |
| Non-current borrowings | 2.27% | 2.63% | 2.60% | 2.76% |

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

| | Group | | Company | |
|---|---|---|---|---|
| | **As at 30 June 2015** | **As at 30 June 2014** | **As at 30 June 2015** | **As at 30 June 2014** |
| **Borrowings denominated in:** | | | | |
| EUR | 99,759 | 55,908 | 7,739 | 7,506 |
| USD | 539 | 3,722 | – | – |
| LTL | – | 37,744 | – | 440 |
| | **100,298** | **97,374** | **7,739** | **7,946** |

As at 30 June 2015 the Group's not utilized credit lines comprise EUR 74,620 thousand (EUR 38,902 thousand as at 30 June 2014).

## 20.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 2015** | **As at 30 June 2014** |
| Buildings and structures | 514 | 79 |
| Machinery and equipment | 383 | 830 |
| Vehicles | 910 | 1,406 |
| Other property, plant and equipment | 65 | 160 |
| | **1,872** | **2,475** |

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

| | Group | |
|---|---|---|
| | **As at 30 June 2015** | **As at 30 June 2014** |
| EUR | 2,592 | 1,658 |
| LTL | – | 834 |
| | **2,592** | **2,492** |

As at 30 June 2015 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 2015 is fixed, i.e. from 2% to 5%.

As at 30 June 2014 the interest rate on the finance lease obligations in EUR varies depending on the EURLIBOR, EURIBOR and VILIBOR and ranges from 1.12% to 4.5%. The interest rate for the remaining portion of the finance lease liability in LTL outstanding as at 30 June 2014 is fixed, i.e. from 2% to 5%.

(all amounts are in thousand euros unless otherwise stated)

## 20. 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 2015** | **As at 30 June 2014** |
| Within one year | 886 | 882 |
| From one to five years | 1,393 | 1,403 |
| After five years | 663 | 507 |
| **Total finance lease obligations** | **2,942** | **2,792** |
| | | |
| Interest | (350) | (300) |
| Present value of finance lease obligations | 2,592 | 2,492 |
| | | |
| Finance lease obligations are accounted for as: | | |
| - current | 803 | 810 |
| - non-current | 1,789 | 1,682 |

## 21.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 2015 the lease expenses of the Group amounted to EUR 609 thousand (EUR 547 thousand for the year ended 30 June 2014).

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

| | Group | |
|---|---|---|
| | **As at 30 June 2015** | **As at 30 June 2014** |
| Within one year | 918 | 485 |
| From one to five years | 1,786 | 1,098 |
| After five years | 35 | 588 |
| **Total** | **2,739** | **2,171** |
| Denominated in (EUR equivalent): | | |
| - EUR | 2,171 | 687 |
| - LTL | – | 1,484 |

The Company does not have operating lease agreements as at 30 June 2015 and 30 June 2014.

## 22.TRADE PAYABLES

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

(all amounts are in thousand euros unless otherwise stated)

## 23. OTHER CURRENT LIABILITIES

| | Group | |
|---|---|---|
| | **As at 30 June 2015** | **As at 30 June 2014** |
| Bonuses to employees | 2,813 | 4,068 |
| Vacation accrual | 2,721 | 2,486 |
| Advances received | 860 | 472 |
| Payroll related liabilities | 2,868 | 2,110 |
| VAT payable | 2,972 | 2,679 |
| Current portion of grants (Note 18) | 871 | 928 |
| Other liabilities | 3,242 | 2,317 |
| | **16,347** | **15,060** |

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

## 24. COST OF SALES

| | Group<br>Financial year ended | |
|---|---|---|
| | **30 June 2015** | **30 June 2014** |
| Cost of inventories recognised as an expense | 460,176 | 481,261 |
| Logistics expenses | 42,627 | 34,490 |
| Wages and salaries and social security | 17,998 | 12,903 |
| Provision for onerous contracts | – | (16) |
| Depreciation | 6,675 | 5,907 |
| Utilities expenses | 5,991 | 3,227 |
| Change in fair value of biological assets (Note 10) | (3,612) | 479 |
| Change in fair value of financial instruments | 608 | 293 |
| Other | 1,823 | 2,814 |
| | **532,286** | **541,358** |

## 25. OPERATING EXPENSES

| | Group | | Company | |
|---|---|---|---|---|
| | Financial year ended | | | |
| | **30 June 2015** | **30 June 2014** | **30 June 2015** | **30 June 2014** |
| Wages and salaries and social security | 18,097 | 16,162 | 17 | 17 |
| Change in allowance for and write-offs of receivables and prepayments | 753 | 2,678 | – | – |
| Consulting expenses | 1,167 | 1,146 | 647 | 432 |
| Depreciation and amortization | 1,707 | 1,568 | 18 | 3 |
| Advertisement, marketing | 1,705 | 1,041 | – | – |
| Bank fees | 827 | 850 | – | – |
| Change in impairment of property, plant and equipment (Note 6) | (25) | 25 | – | – |
| Currency exchange loss | – | – | – | 6 |
| Other* | 6,656 | 6,218 | 96 | 189 |
| | **30,887** | **29,688** | **778** | **647** |

**The largest part of other operating expenses as at 30 June 2015 comprises of logistics and fuel expenses in amount of EUR 1,653 thousand (EUR 1,612 thousand as at 30 June 2014), rent and related expenses in amount of EUR 1,136 thousand (EUR 970 thousand as at 30 June 2014) and other taxes in amount EUR 463 thousand (EUR 300 thousand as at 30 June 2014).*

(all amounts are in thousand euros unless otherwise stated)

## 26.OTHER INCOME (EXPENSES)

| | Group | |
|---|---|---|
| | Financial year ended | |
| **Other income** | **30 June 2015** | **30 June 2014** |
| Rental income from investment property and property, plant and equipment | 222 | 541 |
| Gain from disposal of investment property and property, plant and equipment | 220 | 420 |
| Gain from acquisition of subsidiaries (Note 3) | – | 6,407 |
| Gain from disposal of subsidiaries (Note 3) | – | 1,618 |
| Gain from disposal other investments | 359 | – |
| Change in fair value of currency financial instruments | 1,078 | – |
| Write-off of liabilities (Note 3) | 24 | 4,096 |
| Other income | 637 | 506 |
| | **2,540** | **13,588** |
| **Other (expenses)** | | |
| Direct operating expenses arising on rental and non-rental earning investment properties | (181) | (147) |
| Loss from disposal of property, plant and equipment | (103) | (76) |
| Currency exchange loss | (320) | (362) |
| Change in fair value of currency financial instruments | – | (130) |
| Other expenses | (192) | (97) |
| | **(796)** | **(812)** |

## 27.INCOME (EXPENSES) FROM FINANCING ACTIVITIES

| | Group | | Company | |
|---|---|---|---|---|
| | Financial year ended | | Financial year ended | |
| | **30 June 2015** | **30 June 2014** | **30 June 2015** | **30 June 2014** |
| **Income from financing activities** | | | | |
| Interest income | 587 | 594 | 524 | 703 |
| Income from overdue payments | 4 | 12 | – | – |
| | **591** | **606** | **524** | **703** |
| **(Expenses) from financing activities** | | | | |
| Interest expenses | (2,496) | (2,707) | (227) | (258) |
| Expenses for overdue payments | (72) | (181) | – | – |
| | **(2,568)** | **(2,888)** | **(227)** | **(258)** |

## 28.INCOME TAX

| | Group | |
|---|---|---|
| | Financial year ended | |
| | **30 June 2015** | **30 June 2014** |
| Current income tax expense | 1,310 | 1,691 |
| Income tax correction for prior periods | (2) | 123 |
| Deferred income tax (income) expense | (142) | (1,449) |
| **Income tax expenses recorded in the statement of comprehensive income** | **1,166** | **365** |

(all amounts are in thousand euros unless otherwise stated)

## 28. INCOME TAX (CONT'D)

| | Group | |
|---|---|---|
| | Financial year ended | |
| | **As at 30 June 2015** | **As at 30 June 2014** |
| **Deferred income tax asset** | | |
| Tax loss carry forward (available indefinitely) | 1,796 | 1,962 |
| Accruals | 676 | 690 |
| Investment incentive | 242 | 212 |
| Allowance for trade receivables | 664 | 870 |
| Impairment of investment property | 91 | 92 |
| Impairment of property, plant and equipment | 106 | 109 |
| Allowance for inventories | 200 | 138 |
| Fair value of financial instruments | 77 | 46 |
| Other | 109 | 5 |
| **Total deferred income tax asset** | **3,961** | **4,126** |
| | | |
| **Deferred income tax liability** | | |
| Property, plant and equipment (difference between tax and accounting values) | (2,821) | (3,273) |
| Fair value of biological assets | (194) | (118) |
| Other | (148) | (79) |
| **Total deferred income tax liability** | **(3,163)** | **(3,470)** |
| | | |
| **Deferred income tax, net** | **798** | **656** |
| | | |
| Accounted for as deferred income tax asset in the statements of financial position | 1,955 | 2,185 |
| Accounted for as deferred income tax liability in the statements of financial position | 1,157 | 1,529 |

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 2015 and 30 June 2014 the Group has not recognised deferred tax asset for the following temporary differences:

| | Group | |
|---|---|---|
| | **As at 30 June 2015** | **As at 30 June 2014** |
| Tax loss carry forward | 885 | 828 |
| Allowance for trade receivables | 502 | 296 |
| Investment incentive | – | 162 |
| Impairment of property, plant and equipment | – | 20 |
| Accrued expenses | – | 8 |
| | **1,434** | **1,314** |

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.

(all amounts are in thousand euros unless otherwise stated)

## 28. INCOME TAX (CONT'D)

There are no temporary differences associated with investments in associates as at 30 June 2015 and 2014.

The changes of temporary differences before and after tax effect in the Group were as follows:

| | Balance as at 30 June 2014 | Recognised in statement of comprehensive income | Recognition of previously unrecognized deferred tax asset | Balance as at 30 June 2015 |
|---|---|---|---|---|
| Tax loss carry forward (available indefinitely) | 13,784 | (1,510) | 989 | 13,262 |
| Accruals | 4,893 | (257) | – | 4,636 |
| Investment incentive | 1,650 | 124 | 509 | 2,283 |
| Differences in tax base for trade receivables | 6,939 | (1,950) | – | 4,989 |
| Impairment of investment property | 372 | 235 | – | 607 |
| Impairment of property, plant and equipment | 811 | (167) | – | 645 |
| Fair value of financial instruments | 305 | 209 | – | 514 |
| Fair value of biological assets | (1,585) | (640) | – | (2,225) |
| Property, plant and equipment (difference between tax and accounting values) | (21,960) | 3,653 | – | (18,307) |
| Allowance for inventories | 919 | 415 | – | 1,334 |
| Other | 1,336 | (1,398) | – | (62) |
| **Total temporary differences** | **7,464** | **(1,286)** | **1,498** | **7,676** |
| **Deferred income tax, net** | **656** | **(87)** | **229** | **798** |

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 ended | |
|---|---|---|
| | **30 June 2015** | **30 June 2014** |
| Profit before tax | 10,360 | 24,005 |
| Income tax expenses, applying the statutory rate in Lithuania (15%) | 1,554 | 3,601 |
| Effect of different tax rates in Estonia, Denmark, 5% tax rate for the entities engaged in agricultural activities (Note 2.21.) | (4) | (134) |
| Utilization of previously unrecognized deferred tax asset | (229) | (1,036) |
| Income tax correction for prior periods | (2) | 123 |
| Temporary differences for which no deferred taxes were recognized | 104 | 125 |
| Permanent differences* | (258) | (2,314) |
| Total income tax (income) expenses | **1,166** | **365** |

** As at 30 June 2014 permanent differences mainly exists due to the bargain purchases of subsidiaries, gain on disposal of subsidiary (see Note 3) and write off of liabilities (Note 26).*

# 29.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 2015 and 30 June 2014 was as follows:

| 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 |

| Calculation of weighted average for the year ended 30 June 2014 | Number of shares | Par value (EUR) | Issued/365 (days) | Weighted average |
|---|---|---|---|---|
| Shares issued as at 30 June 2013 | 158,149,426 | 0.29 | 365/365 | 158,149,426 |
| Shares issued as at 30 June 2014 | 158,149,426 | | | 158,149,426 |

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 2015 | 30 June 2014 |
| Net profit, attributable to the shareholders of the parent (in EUR thousand) | 8,726 | 21,257 |
| Weighted average number of ordinary shares outstanding for the year | 158,151,415 | 158,149,426 |
| Basic and diluted earnings per share (in EUR) | 0.06 | 0.13 |

For the year ended 30 June 2014 the Company paid EUR 1,447 thousand dividends, or EUR 0.009 per share. The Board of the Company plans to offer to pay EUR 1,200 thousand dividends, or EUR 0.008 per share, for the year ended 30 June 2015.

# 30.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; therefore there is no significant credit risk concentration in the Group.

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 2015 part of AB Linas Agro trade receivables were insured with the insurance limit equal to equivalent of EUR 9,545 thousand (EUR 11,388 thousand as at 30 June 2014).

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 13 and 14).

## 30. FINANCIAL ASSETS AND LIABILITIES AND RISK MANAGEMENT (CONT'D)

***Interest rate risk***

The major part of the Group's borrowings is with variable rates, related to LIBOR, EURIBOR and VILIBOR, which creates an interest rate risk. There were no financial instruments designated to manage the exposure to fluctuation in interest rates outstanding as at 30 June 2015 and 30 June 2014.

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 2015** | **Increase / decrease of basis points** | **30 June 2014** |
| EUR | +150 | (1,469) | +150 | (841) |
| EUR | -30 | 294 | - 30 | 168 |
| LTL | – | – | +150 | (549) |
| LTL | – | – | -30 | 110 |
| USD | – | – | +150 | (20) |
| USD | – | – | - 30 | 4 |

***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 2015 were 1.59 and 0.99, respectively (as at 30 June 2014 1.63 and 0.93, 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 | – | 1,804 | 5,412 | 7,687 | 21,089 | 717 | 36,709 |
| Lease liabilities | – | 153 | 729 | 704 | 698 | 508 | 2,792 |
| Current borrowings | 6,140 | 54,069 | 3,219 | – | – | – | 63,428 |
| Other non-current liabilities | – | – | – | 352 | 5 | 3 | 360 |
| Derivative financial instruments | – | 252 | – | – | – | – | 252 |
| Current trade payables | 927 | 21,043 | 10,233 | – | – | – | 32,203 |
| Payables to related parties | – | 2,160 | – | – | – | – | 2,160 |
| Other liabilities | 86 | 467 | 136 | – | – | – | 689 |
| **Balance as at 30 June 2014** | **7,153** | **79,948** | **19,729** | **8,743** | **21,792** | **1,228** | **138,593** |
| | | | | | | | |
| 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** |

(all amounts are in thousand euros unless otherwise stated)

# 30. FINANCIAL ASSETS AND LIABILITIES AND RISK MANAGEMENT (CONT'D)

***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 | – | 745 | 812 | 1,518 | 3,629 | – | 6,704 |
| Current borrowings from related parties | – | – | 1,661 | – | – | – | 1,661 |
| Non-current payable to related parties | – | – | – | – | – | 49 | 49 |
| Current trade payables | – | 2 | – | – | – | – | 2 |
| Payables to related parties | – | 3 | 810 | – | – | – | 813 |
| Other liabilities | – | 32 | – | – | – | – | 32 |
| **Balance as at 30 June 2014** | – | **782** | **3,283** | **1,518** | **3,629** | **49** | **9,261** |
| | | | | | | | |
| Non-current borrowings | 5,012 | – | – | – | – | – | 5,012 |
| Non-current borrowings from related parties | – | 19 | 226 | 68 | 2,753 | – | 3,066 |
| Non-current trade payables | – | – | – | 175 | – | – | 175 |
| Non-current payable to related 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** |

***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 2015 is denominated in EUR (as at 30 June 2014 - are denominated in LTL or EUR, to which LTL was pegged), 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 2015 and 30 June 2014 were as follows (EUR equivalent):

| Group | As at 30 June 2015 | | As at 30 June 2014 | |
|---|---|---|---|---|
| | Assets | Liabilities | Assets | Liabilities |
| LTL | – | – | 63,920 | 54,030 |
| EUR | 113,478 | 146,345 | 41,654 | 88,205 |
| USD | 3,126 | 947 | 3,830 | 7,419 |
| DKK | 383 | 553 | 526 | 923 |
| PLN | 1,250 | 73 | 960 | 54 |
| | **118,237** | **147,918** | **110,890** | **150,631** |

## 30. FINANCIAL ASSETS AND LIABILITIES AND RISK MANAGEMENT (CONT'D)

***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 EUR thousand) | |
|---|---|---|---|
| | | 30 June 2015 | 30 June 2014 |
| USD | + 15.00% | 327 | 538 |
| USD | - 15.00% | (327) | (538) |
| PLN | + 15.00% | 177 | 136 |
| PLN | - 15.00% | (177) | (136) |

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 market price risk which is managed with the hedge accounting described in Note 15.

***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).

2 The fair value of non-current debt is based on the quoted market price for the same or similar issues or on the current rates available for debt with the same maturity profile. 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 157,311 thousand as at 30 June 2015 (EUR 149,303 thousand as at 30 June 2014).

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 2015 and 30 June 2014.

(all amounts are in thousand euros unless otherwise stated)

## 30. FINANCIAL ASSETS AND LIABILITIES AND RISK MANAGEMENT (CONT'D)

***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 | | Company | |
|---|---|---|---|---|
| | **As at 30 June 2015** | **As at 30 June 2014** | **As at 30 June 2015** | **As at 30 June 2014** |
| Total equity | 159,137 | 152,093 | 100,026 | 96,822 |
| Total assets | 315,710 | 311,104 | 109,046 | 105,668 |
| Total equity / Total assets | 50% | 49% | 92% | 92% |
| Leverage ratio | 50% | 51% | 8% | 8% |

## 31.COMMITMENTS AND CONTINGENCIES

As at 30 June 2015 the Group is committed to purchase property, plant and equipment for the total amount of EUR 534 thousand (EUR 1,446 thousand as at 30 June 2014).

A few Group companies (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 mostly for acquisition of agricultural heavy duty equipment. Kėdainių district Labūnavos ŽŪB is committed not to discontinue operations related to agricultural up to the end of 2015, Šakiai district Lukšių ŽŪB, Sidabravo ŽŪB, Panevėžys district Žibartonių ŽŪB – up to 2019. 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, Karčemos kooperatinė bendrovė – up to 2017.

SIA Lielzeltini, AS Putnu fabrika Kekava, 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 2016, AS Putnu fabrika Kekava- up to 2017, 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 4,528 thousand as at 30 June 2015 (EUR 6,889 thousand as at 30 June 2014).

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 2015 and 30 June 2014.

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 781 thousand (DKK 6,173 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.

(all amounts are in thousand euros unless otherwise stated)

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

During the financial year ended 30 June 2015 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.

As at 30 June 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 (EUR 22,154 thousand as at 30 June 2014).
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 2015 and 30 June 2014.

## 32.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 2015 and 30 June 2014 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 (since 25 October 2013).

***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 Tumėnas is a director of this company).

The Group's transactions with related parties in 12 month period ended 30 June 2015 and 30 June 2014 were as follows:
**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** |

| **2014** | **Purchases** | **Sales** | **Receivables** | | | **Payables** |
|---|---|---|---|---|---|---|
| | | | **Trade receivables** | **Current loans receivable** | **Non-current loans receivable** | |
| Akola ApS group companies | 6,979 | 16,782 | 7 | 257 | – | 2,160 |
| Members of the board | – | 8 | 1 | – | 347 | – |
| | **6,979** | **16,790** | **8** | **257** | **347** | **2,160** |

(all amounts are in thousand euros unless otherwise stated)

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

The Company's transactions with related parties in the years ended 30 June 2015 and 30 June 2014 were as follows:

| 2015 | Purchases | Income | Receivables | | | | Payables | | |
|---|---|---|---|---|---|---|---|---|---|
| | | | Non-current loans receivable | Current loans receivable | Trade 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** |

| 2014 | Purchases | Income | Receivables | | Prepayments for financial assets | | Payables | |
|---|---|---|---|---|---|---|---|---|
| | | | Non-current loans receivable | Current loans receivable | | Non-current payables | Current Payables | Current loans received |
| Akola ApS group companies | – | – | – | – | – | – | – | – |
| Subsidiaries | 185 | 7,743 | 5,485 | 3,749 | 2,820 | 49 | 813 | 1,646 |
| | **185** | **7,743** | **5,485** | **3,749** | **2,820** | **49** | **813** | **1,646** |

As at 30 June 2015 interest rates of the Group for non-current loans receivable from related parties are equal to 4% and 2.61%. As at 30 June 2014 interest rates of the Group for non-current loans receivable from related parties are equal to 4%, 4.2% 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 2015 and 2014 rates of the Company for non-current loans receivable from related parties are 4% and 3 month EURIBOR + 2.45% margin. As at 30 June 2015 rates of the Company for current loans receivable from related parties are 6% and 6.5%. As at 30 June 2014 rates of the Company for current loans receivable from related parties are varies from 4% 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 2015 and 30 June 2014.

***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 3,437 thousand (including EUR 1,042 thousand of bonuses to the board of directors of AB Linas Agro) for the year ended 30 June 2015 (EUR 3,253 thousand (including EUR 1,129 thousand of bonuses to the board of directors of AB Linas Agro) for the year ended 30 June 2014). 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 2014 the Group's management received EUR 264 thousand dividends from the Company).

For the year ended 30 June 2015 the Group's management has also received EUR 54 thousand of rent payments (EUR 2 thousand of rent payments for the year ended 30 June 2014).

The Company's management consists of the board of directors and a managing director. For the year ended 30 June 2015 the Company's management remuneration amounted to EUR 4 thousand (EUR 4 thousand for the year ended 30 June 2014).

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 2015 and 30 June 2014.

(all amounts are in thousand euros unless otherwise stated)

## 33.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 operation** | **30 June 2015** | **30 June 2014** |
|---|---|---|---|
| AS Putnu fabrika Kekava | Latvia | 3.53% | 15.64% |
| Karčemos Kooperatinė Bendrovė | Lithuania | 76.02% | 60.08% |

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

Summarised statement of comprehensive income:

| | AS Putnu fabrika Kekava | | Karčemos Kooperatinė Bendrovė | |
|---|---|---|---|---|
| | **Financial year ended** | | | |
| | **30 June 2015** | **30 June 2014** | **30 June 2015** | **30 June 2014** |
| Revenue | 40,811 | 26,585 | 1,097 | 756 |
| Net profit (loss) | 877 | 7,007 | 542 | 124 |
| **Total comprehensive income** | **877** | **7,007** | **542** | **124** |
| Attributable to non-controlling interests | 31 | 1,096 | 412 | 74 |
| Dividends paid to non-controlling interests | – | – | – | – |

Summarised statement of financial position:

| | AS Putnu fabrika Kekava | | Karčemos Kooperatinė Bendrovė | |
|---|---|---|---|---|
| | **Financial year ended** | | | |
| | **30 June 2015** | **30 June 2014** | **30 June 2015** | **30 June 2014** |
| Current assets | 7,634 | 7,038 | 459 | 293 |
| Non-current assets | 26,895 | 26,633 | 3,857 | 3,984 |
| Current liabilities | 5,420 | 5,124 | 406 | 466 |
| Non-current liabilities | 9,294 | 15,788 | 3,235 | 3,678 |
| **Total equity** | **19,815** | **12,759** | **675** | **133** |
| Attributable to Non-controlling interests | 699 | 1,996 | 513 | 80 |

Summarised cash flow statement:

| | AS Putnu fabrika Kekava | | Karčemos Kooperatinė Bendrovė | |
|---|---|---|---|---|
| | **Financial year ended** | | | |
| | **30 June 2015** | **30 June 2014** | **30 June 2015** | **30 June 2014** |
| Operating activities | (3,850) | 1,032 | 414 | 494 |
| Investing activities | (1,319) | (584) | 11 | (17) |
| Financing activities | 4,674 | 66 | (524) | (339) |
| **Net increase/(decrease) in cash and cash equivalents** | **(495)** | **514** | **(99)** | **138** |

# 34.SUBSEQUENT EVENTS

***Group***

On 3 July 2015 the AB Linas Agro signed the credit line agreement with AB DNB Bank. The total credit limit is EUR 10 million.

On 10 July 2015 AB Linas Agro prolonged the credit line agreement with AB SEB Bank till 10 July 2017. The total credit limit is EUR 80 million.

On 27 July 2015 AB Linas Agro prolonged guarantee agreement with SEB and DNB banks in Latvia till 28 July 2017, regarding the EUR 30 million credit line of subsidiary SIA Linas Agro.

On 6 August 2015 AB Linas Agro signed the credit line agreement with AB DNB Bank. The total credit limit is EUR 1 million.

On 9 July 2015 UAB Dotnuvos projektai signed the credit line agreement amendment with AB SEB Bank according which the limit of supplier`s guarantee was increased to 3,000 thousand EUR. In addition, UAB Dotnuvos projektai signed factoring and credit line agreements` prolongation for the forthcoming year.

On 9 July UAB Linas Agro Grūdų centras KŪB changed credit line agreement with AB SEB Bank, where repayment of the loan in amount of EUR 1,205 thousand was prolonged until 1 October 2018.

On 18 August 2015 UAB Žemės ūkio investicijos was unregistered from the Register of Legal Entities of the Republic of Lithuania.

On 26 August 2015 UAB Linas Agro Grūdų centras KŪB prolonged working capital credit line agreement with AB SEB Bank for one year.

***Company***

On 30 July 2015 the Company additionally acquired 299 shares of AS Putnu fabrika Kekava for EUR 6 thousands.

During July – August 2015 the Company increased Noreikiškių ŽŪB share capital from EUR 433 thousand to EUR 449 thousand, ŽŪB Landvesta 4 share capital from EUR 533,753 to EUR 603,777 and made a decision for the increase of share capital of UAB Lineliai from EUR 553 thousand to 638 thousand.