

CONSOLIDATED INTERIM REPORT

OF THE FINANCIAL YEAR 2016/17

OF AB LINAS AGRO GROUP

FOR THREE MONTHS PERIOD

ENDED 30 SEPTEMBER 2016



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 Bank of Lithuania, we, Darius Zubas, Managing Director of AB Linas Agro Group and Tomas Tumėnas, Finance Director of AB Linas Agro Group, hereby confirm that, to the best of our knowledge, the not audited AB Linas Agro Group Interim Consolidated Financial Statements for the three months of the financial year 2016/17, 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 Interim Consolidated Report for the three months of the financial year 2016/17 includes fair review of the business development and activities, together with the description of the major risks and indeterminations incurred.

AB Linas Agro Group Managing Director



Darius Zubas

30 November 2016

AB Linas Agro Group Finance Director



Tomas Tumėnas

30 November 2016

COMPANY DETAILS

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 Nasdaq Vilnius	LNA1L

ABOUT THE GROUP

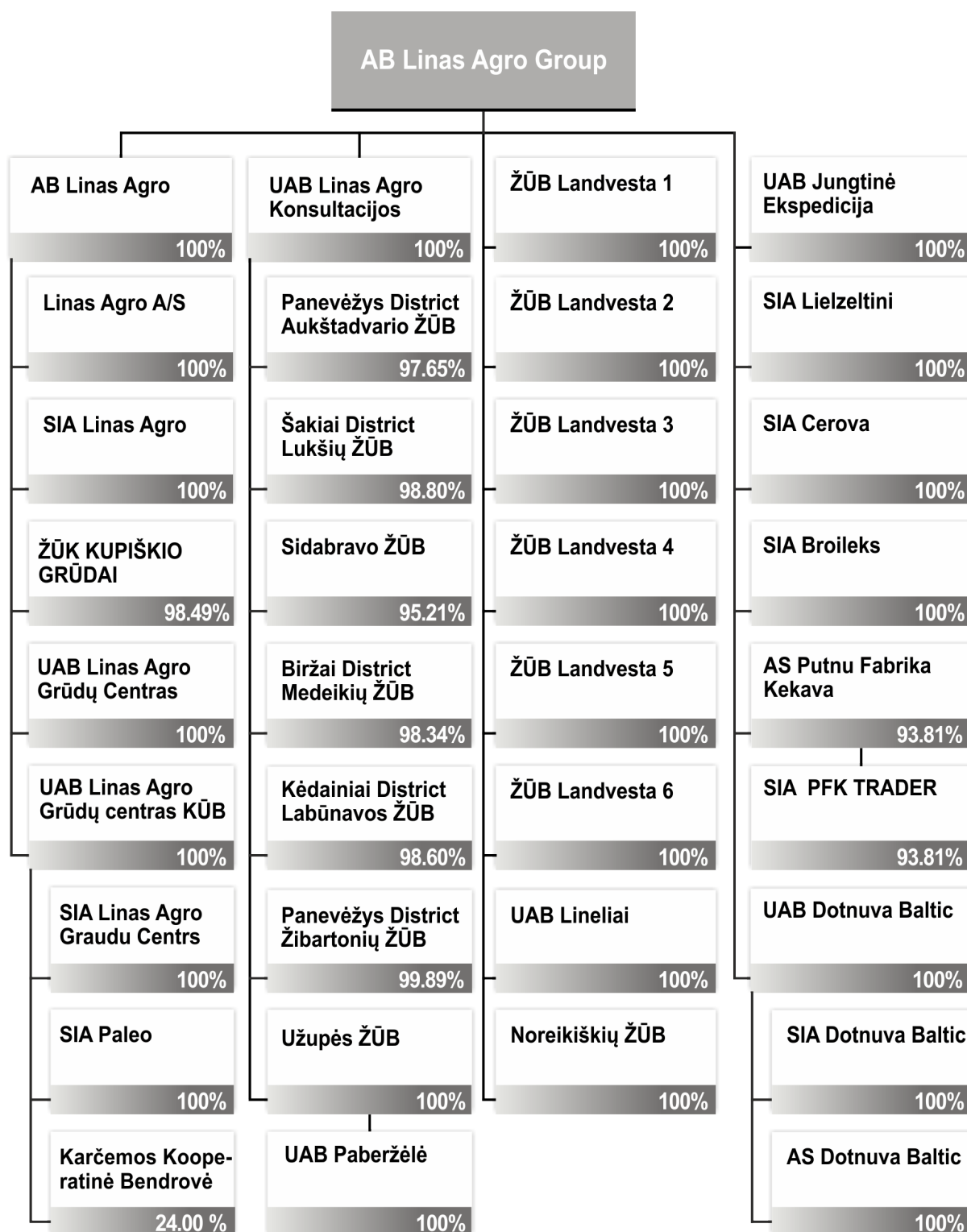
Linas Agro Group together with its directly and indirectly controlled companies (hereinafter – subsidiaries) makes the Group, which was founded in 1991 and had 39 companies at the end of the reporting period, and operates in four countries – Lithuania, Latvia, Estonia and Denmark. As at 30 September, 2016 the total headcount of the Group amounted to 2,227 employees. The financial year of the Group begins on 1 July.

The Company does not have any branches and representative offices.

STRUCTURAL CHART OF THE EFFECTIVE STOCK HELD BY AB LINAS AGRO GROUP

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

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



THE MAIN ACTIVITY

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 owns 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 basic 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.

ACTIVITY AND FINANCIAL RESULTS OF THE GROUP

- Consolidated revenue of AB Linas Agro Group in three months of 2016/17 financial year totaled EUR 153 million and was 2.3% higher as compared to previous year (EUR 149 million).
- The Group's sales volume in tons exceeded 500 thousand tons of various grains and agricultural inputs and was 5.3% more as compared to previous year (475 thousand tons).
- The gross profit reached EUR 14 million or was 18% higher than a year before (EUR 12 million).
- Consolidated EBITDA grew from EUR 7.2 million to EUR 8.3 million.
- The Group's operating profit reached EUR 6 million or was 34% more as compared to the respective period of the previous year (EUR 4.5 million).
- Profit before taxes amounted to EUR 5.4 million (compared to EUR 4 million in previous year). The net profit attributable to the Group stood at EUR 4.4 million (EUR 3.5 million in previous year).
- Grain storage facilities owned by the Group processed 382 thousand tons of various grains or 13% less as compared to previous year (439 thousand tons).

FINANCIAL RATIOS

	2016/17	2015/16	2014/15	2013/14	2012/13
	3 months	3 months	3 months	3 months	3 months
Sales in tons	500,620	475,399	421,293	368,682	332,943
Revenue (thousand EUR)	152,920	149,479	130,851	130,427	98,085
Gross profit (thousand EUR)	14,199	12,002	9,052	10,306	7,091
EBITDA (thousand EUR)	8,293	7,205	6,121	8,978	11,874
Operating profit (thousand EUR)	5,994	4,460	3,506	7,472	9,413
Net profit (thousand EUR)	4,444	3,464	2,235	6,445	9,462

OVERVIEW

The world grain and oilseed harvest is expected to reach a record high level again in 2016. As per data of International Grain Council (IGC), the world grain and oilseed harvest will be around 2,069 million tons in 2016 and will be 3.3% higher as compared to that in 2015 (2,003 million tons). The grain harvest is above 2 billion tons for the fourth consecutive year. Therefore, world grain ending stocks are high and projected to reach 492 million tons this year (475 million tons in 2015). The above affect the global prices, which have slightly gone down as compared to 2015. For instance, the price of wheat on MATIF exchange ranged between 162 and 164 euros per ton in July-September, while previous year it has been EUR 170-190 per ton, at the same time rapeseed price was 363-370 euros per ton, compared with the price of 360-390 euros per ton a year before.

Due to heavy rains during the harvesting period in the second half of July, the total harvest of various cereals in Lithuania is expected to be 11% less as compared to that of 2015. It is predicted that the total crop harvest will reach 5.8 million tons (6.5 million tons in 2015). Rain also negatively affected the average yields of various grains which are forecasted to decrease on average by about 0.5-1 t / ha, as compared to 2015. Heavy rain adversely affected the quality of grain - more than half of harvested wheat in Lithuania will be of feed quality, while previously medium and high grade wheat prevailed. A similar situation was observed in Latvia well- both in terms of the quality of grain and crop yield. It is expected that total cereals harvest in Latvia will amount to 2.8 million tons (have been 3.4 million tons in 2015) with a big market share of feeding grain. Poor quality grain poses many challenges for the traders: grain quality does not meet requirements of the traditional grain buyers of Lithuanian grain while the new exports destinations are to be founded for feed quality grain.

Overall situation in grains and oilseeds market also directly affects prices for food products. Those, except prices for milk, remained almost flat if compared to those a year ago, or even went down. According to data of UN Food and Agricultural organization, FAO index went up from 158 to 167 points in average for the period July-September due to increased milk prices, while meat price index, which also accounts prices for poultry products, fell down from 170 to 164 points. All these aforementioned reasons had a direct effect on Group's first quarter performance and will impact overall performance of the Group for 2016/17 financial year.

The total volume in tons sold by AB Linas Agro Group products grew 5% from 475 thousand tons to 500 thousand tons while consolidated revenue of the first three months of 2016/17 financial year amounted to

EUR 153 million and was 2% higher than in previous year (EUR 149 million). The main reason behind the revenue growth was the increase in sales of business Segment 'Product and Services to Farming', which grew up almost 16%. Sales in other Group's business Segments declined due to overall drop in prices for agricultural produce, grain and poultry products.

Despite quite challenging grain market environment and declining poultry product prices Group's profitability went up. Gross profit of AB Linas Agro Group went up 18% to EUR 14 million (EUR 12 million a year before). Group's operating profit grew 34% to EUR 6 million and EBITDA went up 15% to EUR 8.3 million as compared to EUR 4.5 million and EUR 7 million accordingly in previous year

FINANCIAL COSTS

Due to low interest rate basis, Group's financial expenses over referenced period almost unchanged and amounted to EUR 0.65 million compared to that in 2015/16 financial year (EUR 0.76 million). The total amount of financial loans portfolio (including leasing) also stood at the previous period's level and amounted to EUR 160 million. The amount of financial loans over first quarter of this financial year grew by EUR 60 million since July due to increased sales of various inputs to farmers and undergoing investments into poultry business.

CASH FLOWS

Group's cash flow from operating activities before the changes in working capital increased to EUR 9.7 million as compared to EUR 6.8 million of the corresponding period of the previous year. Cash flow from operating activities after changes in working capital was negative and amounted to EUR 57.9 million (negative EUR 46.8 million over the respective period of 2015/16 financial year), the reason was increase of stocks by EUR 60 million over first three months of this financial year as the new trading season started. Group's cash and cash equivalents at the end of the reporting period amounted to EUR 10.1 million (EUR 8.8 million in 2015/16 financial year).

PERFORMANCE RESULTS OF 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

	2016/17 3 months	2015/16 3 months	2014/15 3 months	2013/14 3 months	2012/13 3 months
Grain and Feedstuff Handling and Merchandising	5,570	4,596	3,788	2,916	3,372
Products and Services for Farming	1,406	992	571	3,143	1,089
Agricultural Production	(478)	(454)	(1,494)	2,032	5,600
Food products	548	194	1,065	-	-
Other	(1)	71	32	(118)	(19)

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 logistic services.

The Group has been operating in this field since 1991, this activity generates the major part of the Group's revenue. Two companies of the Group - AB Linas Agro and Linas Agro AS - are holders of the European Good Trading Practice certificates. Also AB Linas Agro holds a certificate in trade of organic plant production issued by the PE Ekoagros and also received a European Good Manufacturing Practice GMP+ certification during the reporting period.

The Group consistently expands the capacity of its own grain elevators, and currently the Group's own storage capacity for various grains and inputs amounts to 340 thousand tons. The capacities of the storage facilities at ports operated by the Group reach 220 thousand tons.

Despite the decreased harvest in the Lithuania and Latvia, the total sales volume in this business Segment grew 3% from 381 thousand tons to 393 thousand tons. The sales of traditional crops (wheat, rapeseed, barley) increased the most by 7%: their trading volumes rose from 332 thousand tons to 355 thousand tons. Due to drop in grain prices, sales in monetary units declined by 2% from EUR 78 million to EUR 76 million. The sales of feedstuff in tons decreased by 22% due to the high ending stocks of feed manufacturers and a subsequent fall in demand, as well as of the poor harvest in some of the supply regions, while the revenue from feedstuff sales decreased from EUR 16 million to EUR 11 million.

Grain storage facilities owned by the Group collected and processed 382 thousand tons of various grains or 13% less as compared to the respective period of the 2015/16 financial year (439 thousand tons). Differently from the previous season, the harvested grain had high moisture content this year, and therefore revenue from drying services went up. The gross profit of the Group-owned grain elevators grew from EUR 1.7 million to EUR 3.5 million.

Operating profit of this business Segment grew by 43% from EUR 4.6 million to EUR 5.6 million. Taking into account probable losses due to poor quality of grain and lower harvest level, although higher profitability from drying services provided by elevators, the Group expects to earn the same operating profit for this business Segment for the whole financial year as compared to previous year.

The Group started to provide grain drying service in another plot in Latvia (Rezekne) during the referenced period, using for that assets of SIA Paleo which is being acquired by the Group.

PRODUCTS AND SERVICES FOR FARMING

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

A supply of agricultural inputs to the farmers is a long term activity of the Group that trace back to 1993 and is currently run in Lithuania, Latvia and Estonia. Since 1998 the Group is a shareholder of UAB Dotnuva Baltic (former UAB Dotnuvos Projektai), a wholesaler and retailer of agricultural machinery and grain storage facilities, a producer of certified seeds.

Sales of this business Segment over referenced period grew the most or almost 16% from EUR 38 million in previous year to EUR 44 million this year.

During the referenced period sales of agricultural machinery and equipment for grain elevators were influenced by the implementation of previously approved EU-supported projects. Revenue from sales of agricultural machinery and equipment for grain elevators increased by almost 14% from EUR 15 million to

EUR 17 million, while gross profit went up 21% from EUR 2 million to EUR 2.4 million. Total sales growth in the new agricultural machinery calculated in units was about 13%, in grain processing equipment - 40 %.

Sales of various agricultural inputs (fertilizers, seeds and plant protection products) were successful and grew by 32% to EUR 26 million in the first quarter of the financial year.

The gross profit of this business Segment went up from EUR 3.8 million to EUR 4.9 million and operating profit grew from EUR 1 million to EUR 1.4 million.

AGRICULTURAL PRODUCTION

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

Agricultural companies were cultivating 17,232 ha of land. At the end of the reporting period the Group had 6,762 ha of own land. There were planted 9,058 ha of winter crops during this fall or 2% less as compared to previous year.

Weather this year was a real challenge to the farmers: the lack of moisture was felt in June, it has reduced the various crop yields 0.4-1 t / ha. The harvest period was rainy, and about 25% of wheat has become feed grade. This year the crop harvest was lower in all agricultural companies of the Group, and the quality of major grains was lower than a year before.

The Group's agricultural companies harvested over 78 thousand tons of various grains or 8% less as compared to previous year. Wheat harvest was the highest and amounted to 49 thousand tons, malting barley harvest was 12 thousand tons, rapeseed – 9 thousand. Around 24 thousand tons of crop products were sold or 10% less than previous year.

The average yield of wheat was 6 tons/ha (forecasted average yield in Lithuania is 4.5 tons/ha), rapeseed – 3.5 tons/ha (2.9 tons/ha average in Lithuania).

Group controlled farms own over 3,150 milking cows. Over referenced period 7.6 thousand tons of raw milk has been sold or 6% less if compared to previous year. Despite the facts that milk purchase price in July was the lowest in the last five years, and average milk purchase price in referenced period was 9% less than a year ago, the milk purchase price started to recover in August and September as the world milk price was on upward trend, f.i., the milk purchase price went up by 5% in September.

The agricultural companies of the Group spent EUR 1 million to obtain agricultural machinery.

The revenue of this business Segment went down by 19% and amounted to EUR 8 million (EUR 9.8 million in 2015/16 year) as revenue from grain sales dropped from EUR 7.1 million to EUR 5 million.

The operating profit of the Segment after the changes in biological assets, was negative and amounted to EUR 0.47 million (0.45 million loss was recorded in FY 2015/16).

Though the Group's agricultural companies produced less and lower-quality crop production than a year before, but taking into consideration an upward trend for milk prices, the Group expects the annual operating profit of this business Segment to be the same like in FY 2015/16.

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.

AS Putnu Fabrika Kekava – No1 poultry producer in Latvia with full poultry manufacturing cycle, including egg incubation, chicken hatching, broiler breeding, production of fresh poultry and processed products under brand name “Kekava”. The subsidiary of the company, SIA PFK Trader operated 22 retail shops all over Latvia. During the reporting period, AS Putnu Fabrika Kekava received the BRC (British Retail Consortium) certification. BRC Global Standard for Food Safety is one of the most effective measures commonly used in assessing the reliability of suppliers.

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

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

The slaughterhouses at which the birds are being slaughtered have Halal certificates.

The poultry companies produced 9.9 thousand tons of live weight or almost the same as compared to previous year (9.3 thousand tons of live weight). Companies sold over 6.6 thousand tons of poultry and poultry products (6.1 thousand tons a year before).

As already has been mentioned, FAO index, accounting also prices for meat, fell down by 3.3% over the referenced period. An average broiler price in the EU for the period July-September, 2015 has been about EUR 192/100 kg and this year it was EUR 178/100 kg over the same period. The other reasons behind the downward trend for poultry prices were the Russian embargo on EU poultry production and overcapacity in the neighboring Poland.

Revenue from this business Segment declined from EUR 15.6 million to EUR 14.7 million while operating profit increased from EUR 0.2 million to EUR 0.54 million due to successful sales in Scandinavia.

The Group invested over 691 thousand euros over the referenced period to upgrade poultry production equipment.

Taking into account the current market situation the Group expects close financials results of this business Segment as compared to previous year.

OTHER

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

The operating result of this business Segment was close to a zero as no business activities has been recorded as compared to a EUR 0.2 thousand profit in previous year.

THE PUBLICLY DISCLOSED INFORMATION OTHER EVENTS OF THE REPORTING PERIOD

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

31/8/2016 12:18 EEST	Notification about interim 12 months financial results of the financial year 2015/2016	Interim informacion	En, Lt
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OTHER EVENTS DURING THE REPORTING PERIOD

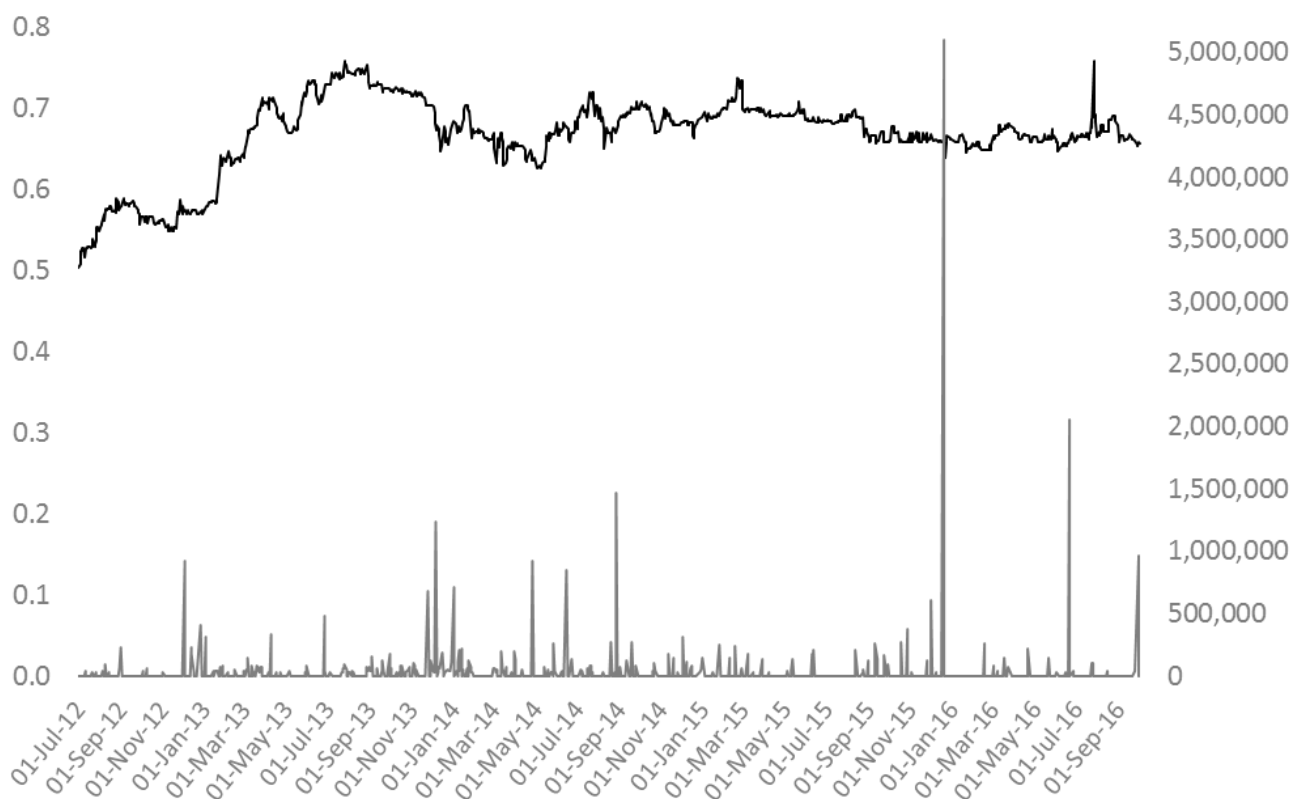
23/09/2016	The company transferred 3,000 units of its own shares to the employees of AB Linas Agro. After these transactions, the number of own shares owned by the Company was 782,972.
21/09/2016	The authorized capital of UAB Lineliai was increased from 638,000 to 728,000 euros.
July-September 2016	The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

SUBSEQUENT EVENTS

25/11/2016	The Company paid approved EUR 1,202 thousand dividends for the financial year ended 30 June 2016.
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PRICES AND TURNOVER OF SHARES OF AB LINAS AGRO GROUP

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



CONTACT PERSONS

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**AB LINAS AGRO GROUP
CONSOLIDATED FINANCIAL STATEMENTS
FOR THE 3 MONTH PERIOD
OF THE YEAR 2016/17
(UNAUDITED)**

PREPARED ACCORDING TO
ADDITIONAL INFORMATION PREPARING AND PRESENTATION
INSTRUCTIONS ISSUED BY THE BANK OF LITHUANIA

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Notes	As at 30 September 2016	As at 30 June 2016
ASSETS			
Non-current assets			
Intangible assets	5	4,859	4,865
Property, plant and equipment	6	109,502	109,438
Investment property	7	1,371	1,359
Animals and livestock		7,731	7,578
Non-current financial assets			
Other investments and prepayments for financial assets		17	17
Non-current receivables		4,291	3,987
Non-current receivables from related parties	12	800	800
Total non-current financial assets		5,108	4,804
Deferred income tax asset		1,854	2,137
Total non-current assets		130,425	130,181
Current assets			
Crops		4,131	13,813
Livestock		1,793	1,758
Inventories		132,059	71,952
Prepayments		2,174	6,616
Accounts receivable			
Trade receivables		96,492	93,420
Receivables from related parties	12	1,213	18
Income tax receivable		692	664
Other accounts receivable		13,970	5,144
Total accounts receivable		112,367	99,246
Other current financial assets		1,550	1,616
Cash and cash equivalents		10,146	6,901
Total current assets		264,220	201,902
Total assets		394,645	332,083

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONT'D)

	Notes	As at 30 September 2016	As at 30 June 2016
EQUITY AND LIABILITIES			
Equity attributable to equity holders of the parent			
Share capital	1	46,093	46,093
Share premium	1	23,038	23,038
Legal reserve		2,936	2,936
Own shares		(453)	(455)
Foreign currency translation reserve		(22)	(22)
Cash flow hedge reserve		(153)	(153)
Retained earnings		92,562	88,336
Total equity attributable to equity holders of the parent		164,001	159,773
Non-controlling interest		2,430	2,214
Total equity		166,431	161,987
Liabilities			
Non-current liabilities			
Grants and subsidies		6,271	6,289
Non-current borrowings	8	16,150	16,741
Finance lease obligations		1,183	1,228
Non-current trade payables		1,551	1,553
Deferred income tax liability		1,333	1,139
Non-current employee benefits		353	353
Derivate financial instruments		–	120
Total non-current liabilities		26,841	27,423
Current liabilities			
Current portion of non-current borrowings	8	18,347	19,943
Current portion of finance lease obligations		673	933
Current borrowings	8, 12	124,424	58,092
Trade payables		38,414	43,239
Payables to related parties	12	–	1,514
Income tax payable		754	340
Derivative financial instruments		–	60
Other current liabilities		18,761	18,552
Total current liabilities		201,373	142,673
Total equity and liabilities		394,645	332,083

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

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

(for the period 1 July to 30 September)

	Notes	2016/2017 1 Q	2015/2016 1 Q
Sales	4	152,920	149,479
Cost of sales		(138,721)	(137,477)
Gross profit		14,199	12,002
Operating (expenses)	9	(8,342)	(7,741)
Other income	10	232	358
Other (expenses)		(95)	(159)
Operating profit		5,994	4,460
Income from financing activities		66	245
(Expenses) from financing activities		(656)	(763)
Profit before tax		5,404	3,942
Income tax		(960)	(478)
Net profit		4,444	3,464
Net profit attributable to:			
Equity holders of the parent		4,228	3,363
Non-controlling interest		216	101
		4,444	3,464
Basic and diluted earnings per share (EUR)		0.03	0.02
Net profit		4,444	3,464
Other comprehensive income			
Other comprehensive income, to be reclassified to profit or loss in subsequent periods		–	–
Exchange differences on translation of foreign operations		–	–
Total other comprehensive income, to be reclassified to profit or loss in subsequent periods		–	–
Total comprehensive income, after tax		4,444	3,464
Total comprehensive income attributable to:			
The shareholders of the Company		4,228	3,363
Non-controlling interest		216	101
		4,444	3,464

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

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	Other reserves	Foreign currency translation reserve	Retained earnings	Subtotal	Non-controlling interest	Total
Balance as at 1 July 2015		46,032	(457)	23,038	2,704	1,819	–	(22)	84,197	157,311	1,826	159,137
Net profit for the year		–	–	–	–	–	–	–	3,363	3,363	101	3,464
Total comprehensive income		–	–	–	–	–	–	–	3,363	3,363	101	3,464
Transfer of own shares		–	1	–	–	–	–	–	(1)	–	–	–
Acquisition of minority interest		–	–	–	–	–	–	–	7	7	(13)	(6)
Balance as at 30 September 2015		46,032	(456)	23,038	2,704	1,819	–	(22)	87,566	160,681	1,914	162,595
Balance as at 1 July 2016		46,093	(455)	23,038	2,936	–	(153)	(22)	88,336	159,773	2,214	161,987
Net profit for the year		–	–	–	–	–	–	–	4,228	4,228	216	4,444
Total comprehensive income		–	–	–	–	–	–	–	4,228	4,228	216	4,444
Transfer of own shares		–	2	–	–	–	–	–	(2)	–	–	–
Balance as at 30 September 2016		46,093	(453)	23,038	2,936	–	(153)	(22)	92,562	164,001	2,430	166,431

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

CONSOLIDATED CASH FLOW STATEMENT

	Notes	2016/2017 1 Q	2015/2016 1 Q
Cash flows from (to) operating activities		4,444	3,464
Net profit			
Adjustments for non-cash items:			
Depreciation and amortisation		3,099	2,571
Subsidies amortisation		(209)	(201)
(Gain) on disposal of property, plant and equipment		(43)	(83)
Change in allowance and write-offs for receivables and prepayments		(3)	92
Inventories write down to net realisable value		4	5
Change in accrued expenses		579	453
Change in fair value of biological assets		(477)	159
Change in deferred income tax		379	37
Current income tax expenses		580	441
Expenses (income) from change in fair value of financial instruments		762	(604)
Interest (income)		(65)	(245)
Interest expenses		655	763
		9,705	6,852
Changes in working capital:			
Decrease in biological assets		10,003	11,812
(Increase) in inventories		(60,704)	(81,456)
Decrease (increase) in prepayments		4,241	(2,873)
Decrease in trade and other accounts receivable		(13,426)	(691)
(Increase) in restricted cash		84	(192)
Increase in trade and other accounts payable		(7,740)	19,831
Income tax (paid)		(124)	(73)
Net cash flows from (to) operating activities		(57,961)	(46,790)

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

CONSOLIDATED CASH FLOW STATEMENT (CONT'D)

	Notes	2016/2017 1 Q	2015/2016 1 Q
Cash flows from (to) investing activities			
(Acquisition) of intangible assets, property, plant and equipment and investment property		(2,236)	(7,453)
Proceeds from sale of intangible assets, property, plant and equipment and investment property		259	136
Loans (granted)		(69)	(896)
Repayment of granted loans		146	1,361
Interest received		19	227
Net cash flows from (to) investing activities		(1,881)	(6,625)
Cash flows from (to) financing activities			
Proceeds from loans		83,630	81,682
(Repayment) of loans		(19,646)	(25,166)
Finance lease (payments)		(330)	(228)
Interest (paid)		(567)	(761)
Acquisition of non-controlling interest		–	(6)
Net cash flows from (to) financing activities		63,087	55,521
Net (decrease) increase in cash and cash equivalents		3,245	2,106
Cash and cash equivalents at the beginning of the year		6,901	6,680
Cash and cash equivalents at the end of the year		10,146	8,786
Supplemental information of cash flows:			
Non-cash investing activity:			
Property, plant and equipment acquisitions financed by grants and subsidies		–	270
Property, plant and equipment acquisitions financed by finance lease		18	520

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

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

	As at 30 September 2016		As at 30 June 2016	
	Number of shares held	Percentage	Number of shares held	Percentage
Akola ApS (Denmark)	100,269,646	63.09 %	100,269,646	63.09 %
Darius Zubas	17,049,995	10.73 %	17,049,995	10.73 %
Swedbank AS (Estonia) clients	9,547,729	6.00 %	10,367,627	6.52 %
Vytautas Šidlauskas	6,003,521	3.78 %	6,003,521	3.78 %
Other shareholders (private and institutional investors)	26,069,507	16.40 %	25,249,609	15.89 %
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 September 2016 (EUR 0.29 each as at 30 June 2016) and were fully paid as at 30 September 2016 and as at 30 June 2016.

The Company holds 782,972 of its own shares, percentage 0.50%, as at 30 September 2016 (785,972 as at 30 June 2016). Subsidiaries and other related companies did not hold any shares of the Company as at 30 September 2016 and as at 30 June 2016.

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

As at 30 September 2016 the number of employees of the Group was 2,227 (2,334 as at 30 June 2016).

No changes in share capital occurred during the years ending 30 September 2016 and 30 June 2016.

2. ACCOUNTING PRINCIPLES

These financial statements were prepared in accordance with International Financial Reporting Standards (IFRS), as adopted by the European Union (hereinafter the EU), which include IAS 34. In all material respects, the same accounting principles have been followed as in the preparation of financial statements for 2015/2016 financial year.

3. GROUP STRUCTURE AND CHANGES IN THE GROUP

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

	Place of registration	Effective share of the stock held by the Group		Main activities
		30 September 2016	30 June 2016	
Investments into directly controlled subsidiaries				
AB Linas Agro	Lithuania	100%	100%	Wholesale trade of grains and oilseeds, feedstuffs and agricultural inputs
UAB Linas Agro Konsultacijos	Lithuania	100%	100%	Management of the subsidiaries engaged in agriculture
UAB Dotnuva Baltic	Lithuania	100%	100%	Trade of machinery and equipment for warehousing of grains, certified seeds
UAB Jungtinė Ekspedicija	Lithuania	100%	100%	Expedition and ship's agency services
ŽŪB Landvesta 1	Lithuania	100%	100%	Rent and management of agricultural purposes land
ŽŪB Landvesta 2	Lithuania	100%	100%	Rent and management of agricultural purposes land
ŽŪB Landvesta 5*	Lithuania	100 %	100%	Rent and management of agricultural purposes land
Noreikiškių ŽŪB	Lithuania	100%	100%	Rent and management of agricultural purposes land
UAB Lineliai	Lithuania	100%	100%	Rent and management of agricultural purposes land
AS Putnu fabrika Kekava	Latvia	93.81%	93.81%	Broiler breeding, slaughtering and sale of products
SIA PFK Trader	Latvia	93.91%	93.81%	Retail trade of food production
SIA Lielzeltini	Latvia	100%	100%	Broiler breeding, slaughtering and sale of products, feedstuffs
SIA Cerova	Latvia	100%	100%	Egg incubation and chicken sale
SIA Broileks	Latvia	100%	100%	Chicken breeding and sale
SIA Erfolg Group	Latvia	93.81%	93.81%	Not operating company
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%	Preparation and warehousing of grains for trade
Linus Agro A/S	Denmark	100%	100%	Wholesale trade of grains and oilseeds, feedstuffs
ŽŪB Landvesta 3*	Lithuania	100%	100%	Rent and management of agricultural purposes land
ŽŪB Landvesta 4*	Lithuania	100%	100%	Rent and management of agricultural purposes land
ŽŪB Landvesta 6*	Lithuania	100%	100%	Rent and management of agricultural purposes land

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

	Place of registration	Effective share of the stock held by the Group		Main activities
		30 September 2016	30 June 2016	
Investments into indirectly controlled subsidiaries (through UAB Linas Agro Konsultacijos)				
ŽŪK KUPIŠKIO GRŪDAI	Lithuania	98.49%	98.49%	Preparation and warehousing of grains for trade
Biržai district Medeikių ŽŪB	Lithuania	98.34%	98.34%	Growing and sale of crops
Šakiai district Lukšių ŽŪB	Lithuania	98.80%	98.80%	Mixed agricultural activities
Panevėžys district Aukštadvario ŽŪB	Lithuania	97.65%	97.65%	Mixed agricultural activities
Sidabravo ŽŪB	Lithuania	95.21%	95.21%	Mixed agricultural activities
Kėdainiai district Labūnavos ŽŪB	Lithuania	98.60%	98.60%	Mixed agricultural activities
Užupės ŽŪB	Lithuania	100%	100%	Growing and sale of crops
UAB Paberžėlė	Lithuania	100%	100%	Rent and management of agricultural purposes land
Panevėžys district Žibartonių ŽŪB	Lithuania	99.89%	99.89%	Mixed agricultural activities
Investments into indirectly controlled subsidiaries (through UAB Dotnuva Baltic)				
SIA DOTNUVA BALTIC	Latvia	100%	100%	Trade of machinery and equipment for warehousing of grains, certified seeds
AS Dotnuva Baltic	Estonia	100%	100%	Trade of machinery and equipment for warehousing of grains, certified seeds
UAB Dotnuvos technika	Lithuania	100%	100%	Not operating company
Investments into indirectly controlled subsidiaries (through UAB Linas Agro Grūdų centras KŪB)				
Karčemos kooperatinė bendrovė	Lithuania	20%*	20%*	Preparation and warehousing of grains for trade
SIA Linas Agro Graudu centrs	Latvia	100%	100%	Preparation and warehousing of grains for trade
SIA Paleo	Latvia	100%	100%	Warehousing activity
Investment into indirectly controlled subsidiaries (through Panevėžys district Žibartonių ŽŪB)				
Karčemos kooperatinė bendrovė	Lithuania	4.00%*	4.00%*	Preparation and warehousing of grains for trade

* The Group indirectly controls 24% of shares of Karčemos kooperatinė bendrovė (through Panevėžys district Žibartonių ŽŪB and UAB Linas Agro Grūdų centras KŪB), however, the Group has control over this entity 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 3 month period ended 30 September 2016

During 3 month period, ended 30 September no any changes in the Group structure.

Changes in the Group during the year ended 30 June 2016

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

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

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

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

Acquisition of SIA Paleo

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

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

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

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

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

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

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 beat pulp, soyameal, 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.

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

Group	Grain and feedstuff handling and merchandising	Products and services for farming	Agricultural production	Food products	Other products and services	Not attributed to any specified segment	Adjustments and eliminations	Total
Financial year ended 30 September 2016								
Revenue								
Third parties	91,888	42,187	4,074	14,735	36	–	–	152,920
Intersegment	212	2,174	3,933	–	–	–	(6,319) ¹⁾	–
Total revenue	92,100	44,361	8,007	14,735	36	–	(6,319)¹⁾	152,920
Results								
Operating expenses	(1,942)	(3,486)	(510)	(1,282)	(83)	(1,039)	–	(8,342)
Segment operating profit (loss)	5,570	1,406	(478)	548	(1)	(1,051)	–	5,994

Group	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 eliminations	Total
Financial year ended 30 September 2015								
Revenue								
Third parties	95,343	35,591	2,967	15,561	17	–	–	149,479
Intersegment	381	2,752	6,901	–	–	–	(10,034) ¹⁾	–
Total revenue	95,724	38,343	9,868	15,561	17	–	(10,034)¹⁾	149,479
Results								
Operating expenses	(1,868)	(2,964)	(569)	(1,438)	(6)	(896)	–	(7,741)
Segment operating profit (loss)	4,596	992	(454)	194	71	(939)	–	4,460

1) Intersegment revenue is eliminated on consolidation.

4. SEGMENT INFORMATION (CONT'D)

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

Revenue from external customers	3 month period ended	
	30 September 2016	30 September 2015
Lithuania	45,375	34,677
Europe (except for Scandinavian countries, CIS and Lithuania)	69,522	76,994
Scandinavian countries	3,350	11,057
Asia	26,145	15,319
Africa	5,690	9,061
CIS	2,838	2,371
	152,920	149,479

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

Non-current assets	As at 30 September 2016	As at 30 June 2016
Lithuania	65,513	65,006
Latvia	48,846	49,245
Estonia	1,369	1,406
Denmark	4	5
	115,732	115,662

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

5. INTANGIBLE ASSETS

Group	Software	Other intangible assets	Provisional goodwill	Total
Cost:				
Balance as at 30 June 2015	804	613	–	1,417
Additions	22	70	–	92
Acquisition of subsidiaries	–	–	4,358	4,358
Write-offs	(21)	(15)	–	(36)
Transfers to property, plant and equipment	–	(391)	–	(391)
Reclassifications	115	(115)	–	–
Balance as at 30 June 2016	920	162	4,358	5,440
Additions	21	–	–	21
Write-offs	(5)	–	–	(5)
Balance as at 30 September 2016	936	162	4,358	5,456
Accumulated amortization:				
Balance as at 30 June 2015	492	24	–	516
Charge for the year	66	27	–	93
Write-offs	(19)	(15)	–	(34)
Reclassifications	15	(15)	–	–
Balance as at 30 June 2016	554	21	–	575
Charge for the year	20	4	–	24
Write-offs	(2)	–	–	(2)
Balance as at 30 September 2016	572	25	–	597
Net book value as at 30 September 2016	364	137	4,358	4,859
Net book value as at 30 June 2016	366	141	4,358	4,865
Net book value as at 30 June 2015	312	589	–	901

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

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 2015	13,345	80,488	38,087	4,984	5,601	5,709	148,214
Additions	797	735	9,306	760	372	5,670	17,640
Acquisition of subsidiaries	110	40	40	23	3	–	216
Disposals and write-offs	(471)	(1,313)	(2,722)	(392)	(882)	(45)	(5,825)
Transfers from investment property	–	146	–	–	–	–	146
Transfers to investment property	(22)	–	–	–	–	–	(22)
Transfers from intangible assets	391	–	–	–	–	–	391
Reclassifications	–	4,711	1,522	(5)	16	(6,243)	1
Balance as at 30 June 2016	14,150	84,807	46,233	5,370	5,110	5,091	160,761
Additions	1,096	82	1,331	185	81	475	3,250
Disposals and write-offs	(63)	–	(637)	(73)	(22)	(33)	(828)
Reclassifications	11	257	158	–	(2)	(424)	–
Balance as at 30 September 2016	15,194	85,146	47,085	5,482	5,167	5,109	163,183
Accumulated depreciation:							
Balance as at 30 June 2015	–	20,296	17,763	2,376	3,099	–	43,534
Charge for the year	7	5,587	4,158	797	813	–	11,362
Disposals and write-offs	(4)	(993)	(1,783)	(355)	(867)	–	(4,002)
Transfers from investment property	–	20	–	–	–	–	20
Balance as at 30 June 2016	3	24,910	20,138	2,818	3,045	–	50,914
Charge for the year	6	1,385	1,039	185	179	–	2,794
Disposals and write-offs	–	–	(346)	(72)	(18)	–	(436)
Balance as at 30 September 2016	9	26,295	20,831	2,931	3,206	–	53,272
Impairment losses:							
Balance as at 30 June 2015	21	434	11	–	1	–	467
(Reversal) charge for the year	(21)	(35)	(1)	–	(1)	–	(58)
Balance as at 30 June 2016	–	399	10	–	–	–	409
Balance as at 30 September 2016	–	399	10	–	–	–	409
Net book value as at 30 September 2016	15,185	58,452	26,244	2,551	1,961	5,109	109,502
Net book value as at 30 June 2016	14,147	59,498	26,085	2,552	2,065	5,091	109,438
Net book value as at 30 June 2015	13,324	59,758	20,313	2,608	2,501	5,709	104,213

7. INVESTMENT PROPERTY

Investment property of the Group consists of land and buildings leased out under the operating lease which generates lease income.

Cost:	Land	Buildings	Total
Balance as at 30 June 2015	1,313	275	1,588
Disposals and write-offs	–	(10)	(10)
Transfers to property, plant and equipment	–	(146)	(146)
Transfers from property, plant and equipment	22	–	22
Balance as at 30 June 2016	1,335	119	1,454
Additions	–	14	14
Balance as at 30 September 2016	1,335	133	1,468
Accumulated depreciation:			
Balance as at 30 June 2015	–	65	65
Charge for the year	–	9	9
Disposals and write-offs	–	(10)	(10)
Transfers to property, plant and equipment	–	(20)	(20)
Balance as at 30 June 2016	–	44	44
Charge for the year	–	2	2
Balance as at 30 September 2016	–	46	46
Impairment losses:			
Balance as at 30 June 2015	–	–	–
Charge for the year	51	–	51
Balance as at 30 June 2016	51	–	51
Balance as at 30 September 2016	51	–	51
Net book value as at 30 September 2016	1,284	87	1,371
Net book value as at 30 June 2016	1,284	75	1,359
Net book value as at 30 June 2015	1,313	210	1,523

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

8. BORROWINGS

	As at 30 September 2016	As at 30 June 2016
Non-current borrowings		
Bank borrowings secured by the Group assets	16,150	16,741
	16,150	16,741
Current borrowings		
Current portion of non-current bank borrowings	18,347	19,943
Current bank borrowings secured by the Group assets	122,967	56,202
Other current borrowings (Note 12)	1,457	1,890
	142,771	78,035
	158,921	94,776

Interest payable is normally settled monthly throughout the financial year.

9. OPERATING EXPENSES

	2016/2017 1 Q	2015/2016 1 Q
Wages and salaries and social security	5,571	4,642
Consulting expenses	148	198
Depreciation and amortization	445	434
Other	2,178	2,467
	8,342	7,741

10. OTHER INCOME (EXPENSES)

	2016/2017 1 Q	2015/2016 1 Q
Other income		
Gain from currency exchange	15	166
Rental income from investment property and property, plant and equipment	56	52
Gain from disposal of investment property and property, plant and equipment	47	90
Other income	114	50
	232	358
Other (expenses)		
Direct operating expenses arising on rental and non-rental earning investment properties and property, plant and equipment	(84)	(43)
Loss from disposal of property, plant and equipment	(4)	(7)
Other expenses	(7)	(109)
	(95)	(159)

11. COMMITMENTS AND CONTINGENCIES

As at 30 September 2016 the Group is committed to purchase property, plant and equipment for the total amount of EUR 7,173 thousand (EUR 9,274 thousand as at 30 June 2016).

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, Šakiai district Lukšių ŽŪB, Sidabravo ŽŪB, Panevėžys district Žibartonių ŽŪB are committed not to discontinue operations related to agricultural up to the end of 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 2020, Karčemos kooperatinė bendrovė – up to 2017.

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

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 4,154 thousand as at 30 September 2016 (EUR 4,385 thousand as at 30 June 2016).

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 September 2016 and 30 June 2016.

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.

During the 3 month period ended 30 September 2016 the management of the Group initiated actions to reach the agreement between Lithuanian and Danish tax authorities. As at financial statements preparation date there were no decisions reached as the investigation might last up to two years.

12. 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 September 2016 and 30 June 2016 were as follows:

Members of the board of the Company:

Darius Zubas (chairman of the board, ultimate controlling shareholder);
 Vytautas Šidlauskas;
 Dainius Pilkauskas;
 Arūnas Zubas;
 Andrius Pranckevičius;
 Tomas Tumėnas;
 Artūras Pribušauskas.

Subsidiaries: List provided in Note 3.

Akola ApS group companies:

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

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

The Group's transactions with related parties in 3 month period ended 30 September 2016 were as follows:

2016 1 Q	Purchases	Sales	Receivables		Non-current loans receivable	Payables	Current payable loans
			Trade receivables	Current loans receivable			
Akola ApS group companies	–	5,744	1,213	–	800	–	–
Members of management board	–	–	–	–	–	–	–

As at 30 September 2016 interest rates of the Group for non-current loans receivable from related parties is equal 2.61%. As at 30 June 2016 interest rates of the Group for non-current loans receivable from related parties are equal to 4% and 2.61%.

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 nor due neither impaired as at 30 September 2016 and 30 June 2016.

13. SUBSEQUENT EVENTS

On 27 October 2016 the Annual General Meeting of the Shareholders of the Company approved financial statements of the year 2015/2016, profit (loss) distribution of the financial year 2015/2016.

On 25 November 2016 the Company paid approved EUR 1,202 thousand dividends for the financial year ended 30 June 2016.