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, AB Linas Agro Group Audited Consolidated and Parent Company's Financial Statements for the financial year 2016/17 ended June 30, 2017, 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 2016/17 financial year.

AB Linas Agro Group Managing Director Darius Zubas

3 October 2017

AB Linas Agro Group Finance Director Tomas Tumėnas

3 October 2017

AB Linas Agro Group Consolidated and Company's Financial Statements

for the financial year 2016/17, ended 30 June 2017

Prepared in accordance with
international financial reporting standards,
as adopted by the European Union,
presented together with
independent auditor's report

Building a better working world

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INDEPENDENT AUDITOR'S REPORT

To the Shareholders of AB Linas Agro Group

Opinion

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 2017, 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).

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 2017 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.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) and Regulation (EU) No. 537/2014 of the European Parliament and of the Council of 16 April 2014 on specific requirements regarding statutory audit of public-interest entities ("Regulation (EU) No. 537/2014 of the European Parliament and the Council"). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company and the Group in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) together with the requirements of the Law on Audit of the financial statements of the Republic of Lithuania that are relevant to the audit in the Republic of Lithuania, and we have fulfilled our other ethical responsibilities in accordance with the Law on Audit of the financial statements of the Republic of Lithuania and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

We have fulfilled the responsibilities described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying financial statements.

1. Valuation of biological assets

The carrying value of the Group's biological assets as at 30 June 2017 was EUR 25.0 million and gain from change in fair value of biological assets recognized in financial year ended 30 June 2017 amounted to EUR 2.5 million.
Biological assets consists of livestock (mostly milking cows and other cattle), crops and poultry (hatching chicken and meat broilers). The fair value of milking cows is determined using discounted cash flows method less costs to sell. Other livestock is measured at fair value less cost to sell at the reporting date. Crops are valued at market prices based on expected yield less costs to sell at the reporting date. 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. 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. This matter is significant to our audit due to materiality of the amounts and high level of management judgment involved in determining the fair value of biological assets.

We obtained and reviewed the valuation of livestock, crops and poultry of the Group. We have reviewed and compared management forecasts in milking cows' valuation with historical information as well as supporting evidence on expected milk prices and milk yield. We have also involved a valuation specialist to assist us with the assessment of the discount rates used by the management in the discounted cash flows model. For valuation of other livestock we have traced input data to independent market information and tested the key assumptions used for calculating the fair value of livestock. For an assessment of fair value of crops we have reviewed the expected crops yields and compared with historical and subsequent information on actual yields as well as traced expected grain sales price with market data. For valuation of hatching chicken we have compared management prices for incubation eggs with publicly available information and the average number of hatching eggs produced per hatching chicken in the lifetime with historical information of the Group. For assessment of fair value of meat broilers we have reviewed and compared management inputs on 1 day-old chicken and broiler meat prices with market information.

We also read and assessed the disclosures made in the Note 2.27 of the financial statements for biological assets fair value assessment including the sensitivity of the assessment to changes in key valuation inputs.

2. Impairment assessment of goodwill and property, plant and equipment

Property, plant and equipment and intangible assets including goodwill of the Group amount EUR 119.3 million as at 30 June 2017. The Group performed an impairment test of goodwill and property, plant and equipment for which an impairment indication exists based on the value in use estimation as disclosed in Note 2.27 to the accompanying financial statements. This annual impairment test was significant to our audit as it involves judgment in allocation of goodwill and property, plant and equipment to cash generating units (CGU), as well as making the assumptions related to cash flows forecasts used in the value in use estimations as disclosed in Note 2.27 to the financial statements. After impairment tests performed, EUR 1.1 million of goodwill impairment was recorded by the Group.
Among other procedures, we involved a valuation specialist to assist us with the assessment of the discount rates used by the management in the impairment test. We also considered other key assumptions used by the management in the estimation of cash flows forecasts as follows: EBITDA margin, capital investments, changes in working capital and growth rate. We tested the sensitivity in the available headroom of the CGUs considering if a possible change in assumptions could cause the carrying amount to exceed its recoverable amount and also assessed the historical accuracy of management's estimates. Finally, we reviewed the adequacy of the Group's disclosures included in Note 2.27 to the financial statements about the assumptions used in the impairment test and the outcome of the test.

3. Impairment assessment of investments and loans granted to subsidiaries (Parent company only)

The Company's management has reviewed impairment indications for Company's investments into subsidiaries. Investments and loans granted by the Company to the subsidiaries operating in poultry business were EUR 21.8 million as at 30 June 2017, while investments into land holding subsidiaries were EUR 2.3 million as at 30 June 2017.

The Company's management performed an impairment test of these investments and loans granted as there were impairment indicators on the value in use and fair value less cost to sell estimation respectively as disclosed in Note 2.27 to the financial statements. This annual impairment test was significant to our audit as it involves management judgment in making the assumptions related to cash flows forecasts used in the value in use estimations as disclosed in Note 2.27 to the financial statements and usage of management specialist for assessment of fair value less costs to sell for land holding entities. Furthermore, the investments and loans granted to the mentioned subsidiaries represent more than 14% of the total assets of the Company as at 30 June 2017.

We gained an understanding of how the management evaluates the recoverability of investments. Our audit procedures included, amongst others, evaluating and testing the assumptions and methodologies used by the Company. We involved a valuation specialist to assist us with the assessment of the discount rate used by the management in the value in use calculation for the specific businesses. We considered other significant assumptions used by the management in the estimation of cash flows forecasts by comparing revenues and costs to historical performance levels and challenging expected growth rates. We assessed whether future cash flows were based on the strategic and business plans and other relevant developments in the business of the poultry business CGU. We tested the sensitivity in the available headroom of the investment considering if a possible change in assumptions could cause the carrying amount to exceed its recoverable amount and also assessed the historical accuracy of management's estimates. For fair value less cost to sell assessment we compared management specialist reports with historical valuations and market data on changes in market prices of similar land plots. Finally, we evaluated the adequacy of the Company's disclosures included in Note 2.27 to the financial statements about the assumptions used in the impairment test and the outcome of the test.

4. *Impairment of trade accounts receivable*

As at 30 June 2017 the Group had current trade accounts receivable balance amounting to EUR 101.9 million reported in the statement of financial position, part of which was overdue as disclosed in Note 12 of the financial statements. The determination as to whether a trade receivable is collectable involves management judgment. Specific factors management considers include the age of the balance, location of customers, existence of collateral, recent historical payment patterns as well as data on subsequent collections. This matter is significant to our audit due to materiality of the amounts as these receivables constitute over 29% of the total assets of the Group in the statement of financial position as at 30 June 2017 and high level of management judgment involved in allowance calculation.

Among other procedures, we reviewed the adequacy of the valuation of trade receivables and impairment recorded by the Group by reviewing the management assumptions used to calculate the impairment. Our procedures included testing the correctness of aging of the receivables data and clerical accuracy of the calculation of impairment recorded for the customer groups based on ageing. We reviewed the management's assessment of individual material overdue receivables by testing of subsequent payments received and examination of other data as available to support individual facts and circumstances underlying the management judgment on these receivables. In addition, we obtained external confirmations with selected customers, investigated differences in the confirmations received and reviewed subsequent payments for non replies.

Furthermore, we have considered adequacy of the disclosures in the Note 2.27 and Note 12 of the financial statements in this area.

5. *Inventory net realizable value*

Inventories of the Group amount to EUR 72.0 million in the statements of financial position as at 30 June 2017. It is a material balance for the Group and requires management judgment in assessing if this is not higher than the net realizable value at year-end. There is also management judgment required in determining inventory obsolescence allowance. This matter is significant to our audit due to materiality of inventories that constitute over 20% of the total assets of the Group. We gained an understanding of how management evaluates inventory net realizable value and allowance for obsolescence. We have reviewed calculations of inventory net realizable value, which was performed by the Group based on review of subsequent sales after the year-end and expected realization price for items not sold during the subsequent period. We have also analyzed obsolescence data and rates applied in calculations of net realizable value allowance and compared the inventory obsolescence allowance to the Group's historic figures. Finally, we have evaluated the adequacy of the Group's disclosures included in Note 2.27 and Note 10 of the financial statements.

Other Information Included in the Company's Annual Report

Other information consists of the information included in the Group's 2017 Consolidated Annual Report, other than the financial statements and our auditor's report thereon. Management is responsible for the other information.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the 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 the financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's and the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's and the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit 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 Company's and the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's and the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company and the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

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Report on Other Legal and Regulatory Requirements

Other requirements on content of auditor's report in compliance with Regulation (EU) No. 537/2014 of the European Parliament and of the Council

Appointment and Approval of Auditor

We were appointed as the statutory auditor by the statutory body of the Group on 27 October 2016 based on our approval by the General Meeting of Shareholders of the Company on 27 October 2016. Total uninterrupted engagement period, including previous renewals (extension of the period for which we were originally appointed) and reappointments for the statutory auditor for the listed Company and the Group, has lasted for 8 years.

Consistency with Additional Report to Audit Committee

Our audit opinion on the financial statements expressed herein is consistent with the additional report provided to the audit committee of the Company, which we issued on the same date as the issue date of this report.

Non-audit Services

No prohibited non-audit services referred to in Article 5(1) of Regulation (EU) No. 537/2014 of the European Parliament and of the Council were provided by us to the Company and the Group and we remain independent from the Company and the Group in conducting the audit.

In addition to statutory audit services, we have not provided any services to the Group during the financial year ended 30 June 2017 that are not disclosed in the Consolidated Annual Report.

The partner in charge of the audit resulting in this independent auditor's report is Asta Štreimikienė.

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

Asta Štreimikienė
Auditor's licence
No. 000382

3 October 2017

(all amounts are in thousand euros unless otherwise stated)

Statements of financial position

ASSETS	Notes	Group		Company	
		As at 30 June 2017	**As at 30 June 2016** (restated)*	**As at 30 June 2017**	**As at 30 June 2016**
Non-current assets					
Intangible assets	5	1,331	2,478	258	274
Property, plant and equipment	6	117,946	112,215	–	–
Investment property	7	1,408	1,359	132	128
Animals, livestock and poultry	9	8,010	7,578	–	–
Non-current financial assets					
Investments into subsidiaries	3	–	–	95,762	95,334
Investments into associates	3	–	–	2,468	1,519
Other investments and prepayments for financial assets		17	17	–	–
Non-current receivables	8	1,524	3,987	296	1,108
Non-current receivables from related parties	8, 31	–	800	11,259	9,514
Total non-current financial assets		1,541	4,804	109,785	107,475
Non-current prepayments	8	1,784	–	–	–
Deferred income tax asset	27	1,982	2,137	69	8
Total non-current assets		**134,002**	**130,571**	**110,244**	**107,885**
Current assets					
Crops	9	14,836	13,813	–	–
Poultry	9	2,164	1,758	–	–
Inventories	10	72,026	71,952	–	–
Current prepayments	11	5,385	6,616	45	32
Accounts receivable					
Trade receivables	12	101,928	93,420	–	3
Receivables from related parties	31	470	18	3,543	2,969
Income tax receivable		255	664	–	–
Other accounts receivable	13	12,086	5,144	114	245
Total accounts receivable		114,739	99,246	3,657	3,217
Derivative financial instruments	14	28	711	–	–
Other current financial assets	14	772	905	–	–
Cash and cash equivalents	15	8,897	6,901	419	89
Total current assets		**218,847**	**201,902**	**4,121**	**3,338**
Total assets		**352,849**	**332,473**	**114,365**	**111,223**

(cont'd on the next page)

*Refer to note 3

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 2017	As at 30 June 2016 (restated)*	As at 30 June 2017	As at 30 June 2016
Equity attributable to equity holders of the parent					
Share capital	1	46,093	46,093	46,093	46,093
Share premium		23,038	23,038	23,038	23,038
Legal reserve	16	3,186	2,936	3,186	2,936
Own shares	16	(453)	(455)	(453)	(455)
Foreign currency translation reserve	16	(22)	(22)	–	–
Cash flow hedge reserve	16	(73)	(153)	–	–
Retained earnings		95,177	88,310	35,409	32,205
Total equity attributable to equity holders of the parent		**166,946**	**159,747**	**107,273**	**103,817**
Non-controlling interest	32	**2,271**	**2,214**	**–**	**–**
Total equity		**169,217**	**161,961**	**107,273**	**103,817**
Liabilities					
Non-current liabilities					
Grants and subsidies	17	6,236	6,289	–	–
Non-current borrowings	18, 31	20,401	16,741	1,448	4,928
Finance lease obligations	19	1,076	1,228	–	–
Non-current trade payables		–	1,553	–	–
Non-current payables to related parties	31	–	–	58	54
Deferred income tax liability	27	1,906	1,555	–	–
Non-current employee benefits		453	353	–	–
Derivative financial instruments	14	25	120	–	–
Total non-current liabilities		**30,097**	**27,839**	**1,506**	**4,982**
Current liabilities					
Current portion of non-current borrowings	18	11,061	19,943	2,100	1,400
Current portion of finance lease obligations	19	559	933	–	–
Current borrowings	18, 31	77,494	58,092	2,195	4
Trade payables	21	44,152	43,239	29	47
Payables to related parties	31	–	1,514	810	810
Income tax payable		937	340	–	15
Derivative financial instruments	14	1,395	60	–	–
Other current liabilities	22	17,937	18,552	452	148
Total current liabilities		**153,535**	**142,673**	**5,586**	**2,424**
Total equity and liabilities		**352,849**	**332,473**	**114,365**	**111,223**

*Refer to note 3

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

Managing Director	Darius Zubas	3 October 2017
Finance Director	Tomas Tumėnas	3 October 2017
Chief Accountant	Ramutė Masiokaitė	3 October 2017

(all amounts are in thousand euros unless otherwise stated)

Consolidated statement of comprehensive income

	Notes	Financial year ended 30 June 2017	Financial year ended 30 June 2016 (restated)*
Sales	4	644,952	615,959
Cost of sales	23	(598,676)	(576,112)
Gross profit		**46,276**	**39,847**
Operating (expenses)	24	(34,077)	(33,574)
Other income	25	1,655	1,521
Other (expenses)	25	(1,800)	(596)
Operating profit		**12,054**	**7,198**
Income from financing activities	26	902	529
(Expenses) from financing activities	26	(2,911)	(2,445)
Profit before tax		**10,045**	**5,282**
Income tax	27	(1,637)	(1,364)
Net profit		**8,408**	**3,918**
Net profit attributable to:			
Equity holders of the parent		8,320	4,069
Non-controlling interest		88	(151)
		8,408	**3,918**
Basic and diluted earnings per share (EUR)	28	0.05	0.03
Other comprehensive income			
Other comprehensive income, to be reclassified to profit or loss in subsequent periods:			
Net (loss)/gain on cash flow hedges		80	(153)
Exchange differences on translation of foreign operations		–	–
Net other comprehensive income (loss) to be reclassified to profit or loss in subsequent periods		**80**	**(153)**
Other comprehensive income not to be reclassified to profit or loss in subsequent periods:			
Remeasurement gains (losses) on defined benefit plans		–	(51)
Net other comprehensive income (loss) not to be reclassified to profit or loss in subsequent periods		**–**	**(51)**
Other comprehensive income/ (loss) for the year, net of tax		**80**	**(204)**
Total comprehensive income, after tax		**8,488**	**3,714**
Total comprehensive income attributable to:			
The shareholders of the Company		8,400	3,865
Non-controlling interest		88	(151)
		8,488	**3,714**

*Refer to note 3

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 2017	30 June 2016
Income	4	4,993	5,093
Operating (expenses)	24	(837)	(457)
Operating profit		**4,156**	**4,636**
Income from financing activities	26	603	554
(Expenses) from financing activities	26	(139)	(174)
Profit before tax		**4,620**	**5,016**
Income tax		38	(23)
Net profit		**4,658**	**4,993**
Other comprehensive income		–	–
Total comprehensive income		**4,658**	**4,993**

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

Managing Director	Darius Zubas		3 October 2017
Finance Director	Tomas Tumėnas		3 October 2017
Chief Accountant	Ramutė Masiokaitė		3 October 2017

(all amounts are in thousand euros unless otherwise stated)

Consolidated statement of changes in equity

	Notes	Equity attributable to equity holders of the parent										
		Share capital	Own shares	Share premium	Legal reserve	Reserve for own shares	Foreign currency trans-lation reserve	Cash flow hedge reserve	Retained earnings	Subtotal	Non-control-ling interest	Total
Balance as at 1 July 2015		**46,032**	**(457)**	**23,038**	**2,704**	**1,819**	**(22)**	**–**	**84,197**	**157,311**	**1,826**	**159,137**
Net profit for the year		–	–	–	–	–	–	–	4,069	4,069	(151)	3,918
Other comprehensive income		–	–	–	–	–	–	(153)	(51)	(204)	–	(204)
Total comprehensive income		**–**	**–**	**–**	**–**	**–**	**–**	**(153)**	**4,018**	**3,865**	**(151)**	**3,714**
Share capital value adjustment due to conversion to euro		61	–	–	–	–	–	–	(61)	–	–	–
Disposal of own shares		–	2	–	–	–	–	–	(2)	–	–	–
Disposal of minority interest in subsidiaries	3	–	–	–	–	–	–	–	(284)	(284)	652	368
Declared dividends by Company	28	–	–	–	–	–	–	–	(1,202)	(1,202)	–	(1,202)
Declared dividends by subsidiaries		–	–	–	–	–	–	–	–	–	(15)	(15)
Transfer from reserves	16	–	–	–	–	(1,819)	–	–	1,819	–	–	–
Transfer to reserves	16	–	–	–	232	–	–	–	(232)	–	–	–
Acquisition of minority interest	3	–	–	–	–	–	–	–	57	57	(98)	(41)
Balance as at 30 June 2016		**46,093**	**(455)**	**23,038**	**2,936**	**–**	**(22)**	**(153)**	**88,310**	**159,747**	**2,214**	**161,961**
Balance as at 1 July 2016		**46,093**	**(455)**	**23,038**	**2,936**	**–**	**(22)**	**(153)**	**88,310**	**159,747**	**2,214**	**161,961**
Net profit for the year		–	–	–	–	–	–	–	8,320	8,320	88	8,408
Other comprehensive income		–	–	–	–	–	–	80	–	80	–	80
Total comprehensive income		**–**	**–**	**–**	**–**	**–**	**–**	**80**	**8,320**	**8,400**	**88**	**8,488**
Disposal of own shares		–	2	–	–	–	–	–	(2)	–	–	–
Declared dividends by Company		–	–	–	–	–	–	–	(1,202)	(1,202)	–	(1,202)
Declared dividends by subsidiaries		–	–	–	–	–	–	–	–	–	(26)	(26)
Transfer to reserves		–	–	–	250	–	–	–	(250)	–	–	–
Acquisition of minority interest		–	–	–	–	–	–	–	1	1	(5)	(4)
Balance as at 30 June 2017		**46,093**	**(453)**	**23,038**	**3,186**	**–**	**(22)**	**(73)**	**95,177**	**166,946**	**2,271**	**169,217**

(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 2015		**46,032**	**(457)**	**23,038**	**2,704**	**1,819**	**26,890**	**100,026**
Net profit for the year		–	–	–	–	–	4,993	4,993
Other comprehensive income		–	–	–	–	–	–	–
Total comprehensive income		–	–	–	–	–	**4,993**	**4,993**
Share capital value adjustment due to conversion to euro		61	–	–	–	–	(61)	–
Disposal of own shares		–	2	–	–	–	(2)	–
Declared dividends by the Company	28	–	–	–	–	–	(1,202)	(1,202)
Transfer from reserves	16	–	–	–	–	(1,819)	1,819	–
Transfer to reserves	16	–	–	–	232	–	(232)	–
Balance as at 30 June 2016		**46,093**	**(455)**	**23,038**	**2,936**	–	**32,205**	**103,817**
Balance as at 1 July 2016		**46,093**	**(455)**	**23,038**	**2,936**	–	**32,205**	**103,817**
Net profit for the year		–	–	–	–	–	4,658	4,658
Other comprehensive income		–	–	–	–	–	–	–
Total comprehensive income		–	–	–	–	–	**4,658**	**4,658**
Disposal of own shares		–	2	–	–	–	(2)	–
Declared dividends by the Company							(1,202)	(1,202)
Transfer to reserves		–	–	–	250	–	(250)	–
Balance as at 30 June 2017		**46,093**	**(453)**	**23,038**	**3,186**	–	**35,409**	**107,273**

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

Managing Director	Darius Zubas	3 October 2017
Finance Director	Tomas Tumėnas	3 October 2017
Chief Accountant	Ramutė Masiokaitė	3 October 2017

(all amounts are in thousand euros unless otherwise stated)

Cash flow statements

	Notes	Group Financial year ended		Company Financial year ended	
		30 June 2017	30 June 2016 (restated)	30 June 2017	30 June 2016
Cash flows from (to) operating activities					
Net profit		8,408	3,918	4,658	4,993
Adjustments for non-cash items:					
Depreciation and amortisation	5, 6, 7	10,709	10,537	39	29
Subsidies amortisation	17	(922)	(856)	–	–
(Gain) on disposal of property, plant and equipment	25	(310)	(321)	–	–
Change in impairment of property, plant and equipment and investment property	6, 7	–	(7)	–	–
(Gain) on disposal of other investments	25	–	(3)	–	–
Change in allowance and write-offs for receivables and prepayments	24	(600)	(251)	–	–
Inventories write down to net realisable value	10	(64)	976	–	–
Change in allowance for goodwill	3	1,121	–	–	–
Change in accrued income and expenses		550	486	298	103
Change in fair value of biological assets	23	(2,484)	160	–	–
Liabilities write off	25	–	(4)	–	–
Change in deferred income tax	27	506	(180)	(60)	(12)
Current income tax expenses	27	1,145	1,546	22	35
Expenses (income) from change in fair value of financial instruments		540	(543)	–	–
Dividend (income)		–	–	(4,773)	(4,882)
Interest (income)	26	(868)	(529)	(603)	(554)
Interest expenses	26	2,872	2,445	139	174
		20,603	**17,372**	**(280)**	**(114)**
Changes in working capital:					
Decrease in biological assets		1,061	3,096	–	–
(Increase) decrease in inventories		1,511	(15,098)	–	–
Decrease (increase) in prepayments		(553)	2,147	(13)	(2)
(Increase) decrease in trade and other accounts receivable		(13,366)	4,057	(14)	128
(Increase) decrease in restricted cash	14	199	(449)	–	–
Increase (decrease) in trade and other accounts payable		(2,444)	13,020	(12)	45
Income tax (paid)		(1,037)	(1,251)	(45)	(23)
Net cash flows from (to) operating activities		**5,974**	**22,894**	**(364)**	**34**

(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 2017	30 June 2016	30 June 2017	30 June 2016
Cash flows from (to) investing activities					
(Acquisition) of intangible assets, property, plant and equipment and investment property	5, 6, 7	(17,281)	(14,055)	(28)	(38)
Proceeds from sale of intangible assets, property, plant and equipment and investment property		1,574	2,144	–	–
Acquisition of subsidiaries (less received cash balance in the Group), including payments for subsidiaries acquired in prior periods	3	(1,545)	(3,491)	–	–
Increase of share capital of subsidiaries		–	–	(1,376)	(478)
Loans (granted)		(154)	(1,293)	(6,300)	(5,291)
Repayment of granted loans		2,255	3,106	5,393	3,297
Interest received		868	273	158	232
Dividends received		–	–	4,773	4,882
Net cash flows from (to) investing activities		**(14,283)**	**(13,316)**	**2,620**	**2,604**
Cash flows from (to) financing activities					
Proceeds from loans		63,771	59,943	800	–
(Repayment) of loans		(49,591)	(65,465)	(1,400)	(1,400)
Finance lease (payments)		(629)	(1,028)	–	–
Grants received	17	858	620	–	–
Interest (paid)		(2,872)	(2,169)	(124)	(179)
Dividends (paid) to non-controlling shareholders		(26)	(15)	–	–
Dividends (paid)		(1,202)	(1,202)	(1,202)	(1,202)
Acquisition of non-controlling interest		(4)	(41)	–	–
Net cash flows from (to) financing activities		**10,305**	**(9,357)**	**(1,926)**	**(2,781)**
Net (decrease) increase in cash and cash equivalents		**1,996**	**221**	**330**	**(143)**
Cash and cash equivalents at the beginning of the year	15	**6,901**	**6,680**	**89**	**232**
Cash and cash equivalents at the end of the year	15	**8,897**	**6,901**	**419**	**89**

(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 2017	30 June 2016	30 June 2017	30 June 2016
Non-cash operating activity:					
Income tax payable set off with other taxes		(898)	20	10	15
Non-cash investing activity:					
Property, plant and equipment acquisitions financed by finance lease		103	1,012	–	–
Property, plant and equipment acquisitions financed by working capital		1,256	1,619		
Unpaid acquisition of subsidiaries and minority interest	3	–	3,090	–	–
Non-cash disposal of minority interest	3	–	350	–	350

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

Managing Director	Darius Zubas		3 October 2017
Finance Director	Tomas Tumėnas		3 October 2017
Chief Accountant	Ramutė Masiokaitė		3 October 2017

(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 2017 and as at 30 June 2016 the shareholders of the Company were:

	As at 30 June 2017		As at 30 June 2016	
	Number of shares held	**Percentage**	**Number of shares held**	**Percentage**
Akola ApS (Denmark)	103,905,646	65.37 %	100,269,646	63.09 %
Darius Zubas	17,049,995	10.73 %	17,049,995	10.73 %
Swedbank AS (Estonia) clients	4,819,437	3.03 %	10,367,627	6.52 %
Other shareholders (private and institutional investors)	33,165,320	20.87 %	31,253,130	19.66 %
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 2017 (EUR 0.29 each as at 30 June 2016) and were fully paid as at 30 June 2017 and as at 30 June 2016.

The Company holds 781,972 of its own shares, percentage 0.50%, as at 30 June 2017 (785,972 as at 30 June 2016). Subsidiaries and other related companies did not hold any shares of the Company as at 30 June 2017 and as at 30 June 2016.

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 2017 the number of employees of the Group was 2,217 (2,261 as at 30 June 2016).
As at 30 June 2017 and 30 June 2016 the number of employees of the Company was 8.

The Company's management approved these financial statements on 3 October 2017. 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 2017 and 30 June 2016, except for share capital value adjustment of EUR 61 thousand that occurred due to rounding the par value of share and approval of the new version of Company's by laws in the period ended 30 June 2016.

2. Accounting principles

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

The principal accounting policies adopted in preparing the Group's financial statements for the year ended 30 June 2017 are as follows:

2.1. Basis of preparation

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

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

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

The accounting policies adopted are consistent with those of the previous financial year except for the following amended IFRSs which have been adopted by the Group as of 1 July 2016:

Amendments to IAS 1 *Presentation of financial statements: Disclosure Initiative*
The amendments aim at clarifying IAS 1 to address perceived impediments to preparers exercising their judgment in presenting their financial reports. Implementation of these amendments had no significant impact on the financial statements of the Group.

Amendments to IAS 16 *Property, Plant & Equipment* and IAS 38 *Intangible assets: Clarification of Acceptable Methods of Depreciation and Amortization*
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 reflect effective usage of an asset over the period of useful life. The implementation of this amendment had no impact on the financial statements of the Group, as the Group does not use revenue-based depreciation and amortisation methods.

Amendments to IAS 16 *Property, Plant & Equipment* and IAS 41 *Agriculture: Bearer Plants*
Bearer plants are now within the scope of IAS 16 Property, Plant and Equipment and are subject to all of the requirements therein. The implementation of this amendment had no impact on the financial statements of the Group, as the Group does not have bearer plants.

Amendments to IAS 27 *Equity method in separate financial statements*
The amendments reinstate the equity method as an accounting option for investments in subsidiaries, joint ventures and associates in an entity's separate financial statements. The Company accounts for mentioned investments at cost minus impairment, thus the amendment had no impact on Company's financial statements.

Amendment to IFRS 11 *Joint arrangements: Accounting for Acquisitions of Interests in Joint Operations*
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 had no impact on the financial statements of the Group, because the Group does not have joint arrangement agreements.

Amendments to IFRS 10, IFRS 12 and IAS 28 - *Investment Entities: Applying the consolidation exception*

The amendments address issues that have arisen in the context of applying the consolidation exception for investment entities. The implementation of these amendments had no impact on the financial position or performance of the Group as it is not an investment entity.

2. Accounting principles (cont'd)

2.1. Basis of preparation (cont'd)

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

- 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 amendments did not have impact on the financial statements of the Group.

Standards issued but not yet effective and not early adopted

IAS 12: Recognition of Deferred Tax Assets for Unrealized Losses (Amendments)
The objective of the Amendments is to clarify the requirements of deferred tax assets for unrealized losses in order to address diversity in practice in the application of IAS 12 Income Taxes. The specific issues where diversity in practice existed relate to the existence of a deductible temporary difference upon a decrease in fair value, to recovering an asset for more than its carrying amount, to probable future taxable profit and to combined versus separate assessment. These Amendments are effective for annual periods from 1 January 2017, but they have not yet been endorsed by the EU and the Management has not made use of these amendments. These amendments will have no impact on the financial statements of the Group.

IAS 7: Disclosure Initiative (Amendments)
The objective of the Amendments is to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes. The Amendments specify that one way to fulfil the disclosure requirement is by providing a tabular reconciliation between the opening and closing balances in the statement of financial position for liabilities arising from financing activities, including changes from financing cash flows, changes arising from obtaining or losing control of subsidiaries or other businesses, the effect of changes in foreign exchange rates, changes in fair values and other changes. These Amendments are effective for annual periods from 1 January 2017, but they have not yet been endorsed by the EU and the Management has not made use of these amendments. These amendments will not have any impact on the financial position or performance of the Group but may result in changes in disclosures.

The **IASB has issued the Annual Improvements to IFRSs 2014 – 2016 Cycle**, which is a collection of amendments to IFRSs. The following annual improvement is effective for annual periods from 1 January 2017, but it has not yet been endorsed by the EU. This improvement will not have an effect on the Group's financial statements as the Group does not have investments held for sale.

IFRS 12 Disclosure of Interests in Other Entities: The amendments clarify that the disclosure requirements in IFRS 12, other than those of summarized financial information for subsidiaries, joint ventures and associates, apply to an entity's interest in a subsidiary, a joint venture or an associate that is classified as held for sale, as held for distribution, or as discontinued operations in accordance with IFRS 5.

IFRS 9 Financial Instruments: Classification and Measurement
The standard is effective for annual periods beginning on or after 1 January 2018, with early application permitted. The final version of IFRS 9 Financial Instruments reflects all phases of the financial instruments project and replaces IAS 39 Financial Instruments: Recognition and Measurement and all previous versions of IFRS 9. The standard introduces new requirements for classification and measurement, impairment, and hedge accounting. Based on preliminary assessment made by the Management, implementation of the standard is expect to have limited or no impact because the Group has only the type of financial instruments for which classification and measurement is not expected to change, mainly trade receivables, ordinary derivative financial instruments, payables and bank loans taken. Conclusion of the detailed assessment will be disclosed in 2017 – 2018 financial statements

IFRS 15 Revenue from Contracts with Customers
The standard is effective for annual periods beginning on or after 1 January 2018. IFRS 15 establishes a five-step model that will apply to revenue earned from a contract with a customer (with limited exceptions), regardless of the type of revenue transaction or the industry. The standard's requirements will also apply to the recognition and measurement of gains and losses on the sale of some non-financial assets that are not an output of the entity's ordinary activities (e.g., sales of property, plant and equipment or intangibles). 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. Based on the preliminary analyses performed, the Group does not expect significant impacts on its Consolidated Financial Statements as the Group does not have long-term contracts with multi-element arrangements, no take-or-pay agreements, no sales incentives are provided, no material contract costs are generally incurred or upfront payments made, contract modifications are rare etc. Conclusion on detailed analysis on implementation of the standard will be disclosed in financial year 2017-2018.

2. Accounting principles (cont'd)

2.1. Basis of preparation (cont'd)

IFRS 15: Revenue from Contracts with Customers (Clarifications)
The Clarifications apply for annual periods beginning on or after 1 January 2018 with earlier application permitted. The objective of the Clarifications is to clarify the IASB's intentions when developing the requirements in IFRS 15 *Revenue from Contracts with Customers*, particularly the accounting of identifying performance obligations amending the wording of the "separately identifiable" principle, of principal versus agent considerations including the assessment of whether an entity is a principal or an agent as well as applications of control principle and of licensing providing additional guidance for accounting of intellectual property and royalties. The Clarifications also provide additional practical expedients for entities that either apply IFRS 15 fully retrospectively or that elect to apply the modified retrospective approach. These Clarifications have not yet been endorsed by the EU. Based on the preliminary analyses performed, the Group does not expect significant impact on its Consolidated Financial Statements. Conclusion on detailed analysis on implementation of the standard will be disclosed in financial year 2017-2018.

IFRS 16: Leases
The standard is effective for annual periods beginning on or after 1 January 2019. IFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases for both parties to a contract, i.e. the customer ('lessee') and the supplier ('lessor'). The new standard requires lessees to recognize most leases on their financial statements. Lessees will have a single accounting model for all leases, with certain exemptions. Lessor accounting is substantially unchanged. The standard has not been yet endorsed by the EU. Detailed analysis on implementation of the standard will be made in financial year 2017-2018.

Amendment in IFRS 10 Consolidated Financial Statements and IAS 28 Investments in Associates and Joint Ventures: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture
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 recognized when a transaction involves a business (whether it is housed in a subsidiary or not). A partial gain or loss is recognized when a transaction involves assets that do not constitute a business, even if these assets are housed in a subsidiary. In December 2015 the IASB postponed the effective date of this amendment indefinitely pending the outcome of its research project on the equity method of accounting. The amendments have not yet been endorsed by the EU. This amendment will have no impact on the financial statements of the Group, as the Group has no investments in associates or joint ventures.

IFRS 2: Classification and Measurement of Share based Payment Transactions (Amendments)
The Amendments are effective for annual periods beginning on or after 1 January 2018 with earlier application permitted. The Amendments provide requirements on the accounting for the effects of vesting and non-vesting conditions on the measurement of cash-settled share-based payments, for share-based payment transactions with a net settlement feature for withholding tax obligations and for modifications to the terms and conditions of a share-based payment that changes the classification of the transaction from cash-settled to equity-settled. These Amendments have not yet been endorsed by the EU. These amendments will have no impact on the financial statements of the Group, as the Group has no share based payment transactions.

IAS 40: Transfers to Investment Property (Amendments)
The Amendments are effective for annual periods beginning on or after 1 January 2018 with earlier application permitted. The Amendments clarify when an entity should transfer property, including property under construction or development into, or out of investment property. The Amendments state that a change in use occurs when the property meets, or ceases to meet, the definition of investment property and there is evidence of the change in use. A mere change in management's intentions for the use of a property does not provide evidence of a change in use. These Amendments have not yet been endorsed by the EU. These amendments will have no impact on the financial statements of the Group, as the Group has no investment property under the development.

IFRIC INTERPETATION 22: Foreign Currency Transactions and Advance Consideration
The Interpretation is effective for annual periods beginning on or after 1 January 2018 with earlier application permitted. The Interpretation clarifies the accounting for transactions that include the receipt or payment of advance consideration in a foreign currency. The Interpretation covers foreign currency transactions when an entity recognizes a non-monetary asset or a non-monetary liability arising from the payment or receipt of advance consideration before the entity recognizes the related asset, expense or income. The Interpretation states that the date of the transaction, for the purpose of determining the exchange rate, is the date of initial recognition of the non-monetary prepayment asset or deferred income liability. If there are multiple payments or receipts in advance, then the entity must determine a date of the transactions for each payment or receipt of advance consideration. This Interpretation has not yet been endorsed by the EU. The Group has not yet evaluated the impact of the implementation of this interpretation.

2. Accounting principles (cont'd)

2.1. Basis of preparation (cont'd)

The **IASB has issued the Annual Improvements to IFRSs 2014 – 2016 Cycle**, which is a collection of amendments to IFRSs. The amendments are effective for annual periods beginning on or after 1 January 2018 for IFRS 1 First-time Adoption of International Financial Reporting Standards and for IAS 28 Investments in Associates and Joint Ventures. Earlier application is permitted for IAS 28 Investments in Associates and Joint Ventures. These annual improvements have not yet been endorsed by the EU. These amendments will have no impact on the financial statements of the Group.

IAS 28 Investments in Associates and Joint Ventures: The amendments clarify that the election to measure at fair value through profit or loss an investment in an associate or a joint venture that is held by an entity that is venture capital organization, or other qualifying entity, is available for each investment in an associate or joint venture on an investment-by-investment basis, upon initial recognition.

IFRIC INTERPETATION 23: Uncertainty over Income Tax Treatments
The Interpretation is effective for annual periods beginning on or after 1 January 2019 with earlier application permitted. The Interpretation addresses the accounting for income taxes when tax treatments involve uncertainty that affects the application of IAS 12. The Interpretation provides guidance on considering uncertain tax treatments separately or together, examination by tax authorities, the appropriate method to reflect uncertainty and accounting for changes in facts and circumstances. This Interpetation has not yet been endorsed by the EU. The Group has not yet evaluated the impact of the implementation of this interpetation.

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

2.2. Functional and presentation currency

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

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

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

2. 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.

Losses of a subsidiary are attributed to the non-controlling interest even if that results in a deficit balance.

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

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

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. Currently the Group does not have any associates.

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

2.5. Intangible assets other than goodwill

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

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

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

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

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

Licenses

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

Software

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

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

2. 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 do not have any held-to-maturity investments.

Loans and receivables

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

Available-for-sale financial assets

Available-for-sale financial assets are those non-derivative financial assets that are designated as available-for-sale or are not classified in any of the three preceding categories. After initial recognition available-for-sale financial assets are measured at fair value with unrealised gains or losses (except for impairment and gain or losses from foreign currencies exchange) being recognised in other comprehensive income until the investment is 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 do 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 prices based on expected yield (level 3).

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

As at 30 June 2017 and 30 June 2016 the management of the Group treats all animals and livestock (excluding eggs and broilers) as non-current assets and all crops, eggs and broilers as current.

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

2.11. Inventories

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

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

2.12. Cash and cash equivalents

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

For the purposes of the cash flows statement, cash and cash equivalents comprise cash on hand and in current bank accounts as well as deposits in bank with original term of three months or less.
Restricted cash held as a deposit for trading in the futures exchange is accounted as other current financial asset.

2. 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. 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 payables

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

2.15. Derivative financial instruments and hedge accounting

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

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

2. 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.

Fair value hedges

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

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

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

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

Cash flow hedges

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

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

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

In year ended 30 June 2017 the Group has entered into interest swap agreement with a purpose to hedge itself against a possible fluctuation/increase of EURIBOR on the loan taken from a bank, i. e. effectively switching the interest into a fixed rate (Note 14).

2.16. Finance and operating lease obligations

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

Finance lease – the Group as a lessee

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

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

2. Accounting principles (cont'd)

2.16. Finance and operating lease obligations (cont'd)

Operating lease – the Group as a lessee

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

Operating lease – the Group as a lessor

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

2.17. Share capital

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

2.18. Provisions

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

Onerous contracts provision

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

2.19. Non-current employee benefits

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

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.

(all amounts are in thousand euros unless otherwise stated)

2. Accounting principles (cont'd)

2.20. Grants and subsidies

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

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

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

2.21. Income tax

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

In the year ended 30 June 2017 and 30 June 2016 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, Kėdainiai district Labūnavos ŽŪB, Panevėžys district Žibartonys ŽŪB.

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

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

	Financial year ended	
	30 June 2017	**30 June 2016**
Republic of Latvia	15%	15%
Republic of Estonia*	-	–
Kingdom of Denmark	22%	22%

**In Estonia, the taxation of profit of operating subsidiaries is deferred until the profit appropriation moment, i.e. payment of dividends. The dividends paid by the Group's companies in Estonia are taxed at the withholding tax rate of 25% as at 30 June 2017 (25% as at 30 June 2016).*

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. Accounting principles (cont'd)

2.22. Revenue recognition

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

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

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

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

Revenue from services is recognised when services are rendered.

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

Revenue recognition gross versus net

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

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

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

2.23. Expense recognition

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

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

2.24. Impairment of assets

Financial assets

Financial assets are reviewed for impairment at each reporting date.

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

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

2. 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.

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

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

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

2. Accounting principles (cont'd)

2.26. Fair value measurement

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

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

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

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.
A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

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

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

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

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

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

2. Accounting principles (cont'd)

2.27. Use of significant accounting judgments and estimates in the preparation of financial statements

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

Significant accounting judgments

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

Determining control of Karčemos kooperatinė bendrovė

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

Accounting for trading contracts

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

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

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

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 (Notes 2.10 and 9), impairment evaluation (Notes 2.24, 5, 6, 7, 8, 11, 12 and 13), estimation of fair value of assets acquired and liabilities assumed in business combinations (Note 3), assessment of net realizable value of inventories (Note 2.11 and Note 10) and assessment of provision for onerous contracts (Note 2.18). 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 further.

(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

As at 30 June 2017 and 30 June 2016 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 mostly 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 assumptions based on historical figures and the best estimate as at the reporting date. Applied unobservable assumptions are challenged on a regular basis and adjusted after back testing is performed. Other observable inputs used are based on publicly available sources (prices in the market). The management of the Group constantly analyses the changes in fair value and assesses what has the biggest influence on it – quantity produced, sales prices and etc.

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

Poultry are valued in the following way:

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

Meat broilers are valued 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 2017 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 0.30 for the year ending 30 June 2018 and EUR 0.28 for the year ending 30 June 2019) used to calculate the expected future cash inflows as well as pre-tax discount rate (10%). As at 30 June 2016 the key assumptions used to determine fair value of milking cows were the estimated milk selling price (EUR 0.28 for the year ending 30 June 2017 and EUR 0.30 for the year ending 30 June 2018) used to calculate the expected future cash inflows as well as pre-tax discount rate (10%).

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 2017		30 June 2016	
	Possible change	**Effect on fair value**	**Possible change**	**Effect on fair value**
Milk price	+ 15%	2,440	+ 15%	2,247
Milk price	- 15%	(2,420)	- 15%	(2,214)
Discount rate	+ 1 p.p.	(52)	+ 1 p.p.	(47)
Discount rate	- 1 p.p.	53	- 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 2017 and 2016 the key assumptions used to determine fair value of crops are the estimated yield ranges depending on the type of crops (4.0 – 9.5 tones/ha for the year ending 30 June 2017 and 2.3 – 8.8 tones/ha for the year ending 30 June 2016) 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 2017		30 June 2016	
	Possible change	**Effect on fair value**	**Possible change**	**Effect on fair value**
Yield	+ 5%	619	+ 5%	562
Yield	- 5%	(619)	- 5%	(562)
Price	+ 5%	518	+ 5%	422
Price	- 5%	(518)	- 5%	(422)

Poultry

As at 30 June 2017 and 2016 the main assumptions used to determine fair value of hatching chicken are the price of the incubation eggs (EUR 0.13-0.23 for the unit) which was estimated based on publicly available yearly average market price and the average number of hatching eggs produced per hatching chicken in the lifetime (153.7 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 2017		30 June 2016	
	Possible change	**Effect on fair value**	**Possible change**	**Effect on fair value**
Number of eggs per lifecycle/price of eggs	+ 5%	95	+ 5%	114
Number of eggs per lifecycle/price of eggs	- 5%	(95)	- 5%	(109)

As at 30 June 2017 and 2016 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 2.09for 36 days old) which was estimated based on actual purchases/sales taking place close to the 30 June 2017 and broiler weight of 2.16 kg as at 36 days old (as at 30 June 2016 – 2.19 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 2017		30 June 2016	
	Possible change	**Effect on fair value**	**Possible change**	**Effect on fair value**
Weight	+ 5%	49	+ 5%	70
Weight	- 5%	(49)	- 5%	(67)
Price	+ 5%	68	+ 5%	70
Price	- 5%	(68)	- 5%	(67)

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. Key assumptions on poultry business CGU are disclosed in Note 2.27 section *Impairment of the Company's investments into subsidiaries and loans granted.*

As at 30 June 2017 and 30 June 2016 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 2017 and 30 June 2016 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 into subsidiaries and loans granted

As at 30 June 2017 and 30 June 2016 the Company has investments in subsidiaries and associates. The Company makes an assessment, at least annually, whether there are any indications that investments in subsidiaries and associates have suffered impairment.

The recoverable amount of poultry business cash generating unit (CGU), comprising of investments into and loans granted to 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. Carrying value of these investments and loans amount to EUR 21.808 thousand as at 30 June 2017. The above mentioned subsidiaries were assessed as one cash generating unit. The cash flows are derived from the forecast for the next five years and a terminal value which was calculated with a terminal growth of 2% (2% as at 30 June 2016). As at 30 June 2017 and 2016 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 10.0% (11.8% as at 30 June 2016) which is used for the discounted cash flow model.

As at 30 June 2017 and 30 June 2016 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.

The Company also performed an impairment test for investments into land holding subsidiaries and associates using comparable market prices method. The Company's investments into land holding entities amounted to thousand 1.907 EUR as at 30 June 2017 (thousand 1.650 EUR 30 June 2016). According to the test performed no impairment was identified forthe year ended 30 June 2017 as recoverable value of investments was higher than the carrying value.

Impairment of goodwill

As further described in Note 3 below acquisition of SIA Paleo has resulted in goodwill in amount of EUR 1,970 thousand recorded as at Paleo acquisition date. Goodwill was allocated to Latvia fertilizers trading cash generating unit (CGU).

The recoverable amount of mentioned cash generating unit was determined based on the value in use calculations that use a discounted cash flow model. Carrying value of CGU before impairment amounted to EUR 4,556 thousand. The cash flows are derived from the forecast for the next five years and a terminal value which was calculated with a terminal growth of 2% (2% as at 30 June 2016). As a result of an impairment test an impairment of EUR 1,121 thousand was accounted for (Note 5). As at 30 June 2017 and 2016 the recoverable amount of CGU is most sensitive to the pre-tax discount rate of 10.0%. In case discount rate increases by 1%, the goodwill impairment would increase by additional EUR 332 thousand.

Assesment of inventories net realisable value

The management of the Group makes esimates and assumptions in order to value inventories at lower of cost or net realizable value. The main factors incorporated in management assessment of inventories net realizable value are the follows:

1) ageing of inventories,
2) subsequent sales prices,
3) signed contracts to sell,
4) market prices.

Future events may occur which will cause the assumptions to change. The effect of any changes in estimates will be recorded in the financial statements, when determinable.

Trade recievable allowance

The determination as to whether a trade receivable is collectable involves management judgment and significant esimates. Specific factors management considers, when determining if allowance for trade recievable have to be accounted for are as follows:

1) age of the balance,
2) location of customers,
3) existence of collateral,
4) recent historical payment patterns as well as data on subsequent collections.

Future events may occur which will couse the assumptions to change. The effect of any changes in estimates will be recorded in the financial statements, when determinable.

2. Accounting principles (cont'd)

2.27. Use of significant accounting judgments and estimates in the preparation of financial statements (cont'd)

Provision for onerous contracts

The Group accounted EUR 368 thousand provision for oneous peas selling contracts. According to managements assumptions, peas market price is equal to EUR 254 per 1 tone. In case of market price drop by 10 %, loss of the Group on these contracts would increase by EUR 788 thousand, in case of market price increase by 10 %, the reversal of loss of the Group would be equal to EUR 368 thousand.

2.28. Contingencies

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

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

2.29. Subsequent events

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

2.30. Offsetting

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

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

(all amounts are in thousand euros unless otherwise stated)

3. Group structure and changes in the Group

As at 30 June 2017 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		Cost of investment in the Company		Main activities
		30 June 2017	30 June 2016	30 June 2017	30 June 2016	
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	12,553	Management of the subsidiaries engaged in agriculture
UAB Dotnuva Baltic	Lithuania	100%	100%	10,688	10,688	Trade of machinery and equipment for warehousing of grains, certified seeds
UAB Jungtinė Ekspedicija	Lithuania	100%	100%	341	341	Expedition and ship's agency services
ŽŪB Landvesta 1	Lithuania	100%	100%	704	704	Rent and management of agricultural purposes land
ŽŪB Landvesta 2	Lithuania	100%	100%	439	439	Rent and management of agricultural purposes land
ŽŪB Landvesta 5	Lithuania	100%	100%	764	507	Rent and management of agricultural purposes land
Noreikiškių ŽŪB	Lithuania	100%	100%	588	511	Rent and management of agricultural purposes land
UAB Lineliai	Lithuania	100%	100%	728	638	Rent and management of agricultural purposes land
AS Putnu fabrika Kekava	Latvia	93.84%	93.81%	5,710	5,706	Broiler breeding, slaughtering and sale of products
SIA PFK Trader	Latvia	93.84%	93.81%	–	–	Retail trade of food production
SIA Lielzeltini	Latvia	100%	100%	5,854	5,854	Broiler breeding, slaughtering and sale of products, feedstuffs
SIA Cerova	Latvia	100%	100%	790	790	Egg incubation and chicken sale
SIA Broileks	Latvia	100%	100%	47	47	Chicken breeding and sale
SIA Erfolg Group	Latvia	93.84%	93.81%	–	–	Not operating company
				95,762	**95,334**	

As at 30 June 2017 and 2016 shares of AS Putnu fabrika Kekava and SIA Lielzeltini which are held by the Company were pledged to banks as a collateral for the loans (Note 18).

(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 2017	30 June 2016	30 June 2017	30 June 2016	
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%	2,080	1,133	Preparation and warehousing of grains for trade
Linas Agro A/S	Denmark	100%	100%	–	–	Wholesale trade of grains and oilseeds, feedstuffs
ŽŪB Landvesta 3*	Lithuania	100%	100%	199	199	Rent and management of agricultural purposes land
ŽŪB Landvesta 4*	Lithuania	100%	100%	159	159	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	98.96%	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%	1	1	Rent and management of agricultural purposes land
UAB Paberžėlė	Lithuania	100%	100%	–	–	Rent and management of agricultural purposes land
Panevėžys district Žibartonių ŽŪB*	Lithuania	99.89%	99.89%	1	1	Mixed agricultural activities
	Investments into associates			2,523	1,576	
	(Less) impairment			(57)	(57)	
				2,466	**1,519**	

** UAB Linas Agro Grūdų Centras KŪB, ŽŪB Landvesta 3, ŽŪB Landvesta 4 , ŽŪB Landvesta 6, Užupės ŽŪB and Panevėžys district Žibartonių ŽŪB are associates of the Company as at 30 June 2017 and 2016.*

The respective share held directly by the Company did not changed as at 30 June 2017 and 2016 of ŽŪB Landvesta 3, ŽŪB Landvesta 4, ŽŪB Landvesta 6, Užupės ŽŪB, Panevėžys district Žibartonių ŽŪB and was 13.91%; 26.42%; 15.51%; 0.05%; 0.05%, respectively.

The respective share held directly by the Company as at 30 June 2017 and 2016 of ŽŪB Landvesta 5 was 65.71% and 56%, UAB Linas Agro Grūdų Centras KŪB was 37.62% and 24.7%, respectively.

(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 2017	30 June 2016	30 June 2017	30 June 2016	
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 Dotnuvos 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
Investments 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 owns 24% of shares of Karčemos kooperatinė bendrovė (through Panevėžys district Žibartonių ŽŪB and UAB Linas Agro Grūdų centras KŪB), however, the Group has control over this entity (Note 2.27) and, therefore, it has been consolidated when preparing these financial statements.*

Changes in the Group during the 12 month period ended 30 June 2017

During 12 month period, ended 30 June 2017, the Company acquired 0.03% AS Putnu fabrika Kekava share capital for EUR 4 thousand. The shares were acquired from the non-controlling shareholders. The difference of EUR 1 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 2017, the Company increased share capital of UAB Linas Agro Grūdų Centras KŪB, UAB Lineliai, Noreikiškių ŽŪB, ŽŪB Landvesta 5 in amount of EUR 949 thousand, EUR 90 thousand, EUR 77 thousand, EUR 257 thousand, respectively.

During 12 month period, ended 30 June 2017, the Group increased share capital of SIA Linas Agro, UAB Linas Agro Grūdų Centras KŪB, ŽŪK KUPIŠKIO GRŪDAI, SIA Linas Agro Graudu Centrs, SIA Paleo in amount of EUR 169 thousand, EUR 1 thousand, EUR 147 thousand, EUR 923 thousand, EUR 150 thousand, respectively.

(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 2016

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

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

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

During 12 month period, ended 30 June 2016, the Group made restructuring 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.

In 2017 the Group's management finalized the purchase price allocation of SIA Paleo acquired on 20 April 2016. As a result of finalization of purchase price allocation the following corrections in fair value of assets and liabilities assumed were recorded:

Acquisition date for consolidation purposes	**Provisional fair value recognized at 1 May 2016**	**Effect of finalization of purchase price allocation**	**Final fair value recognized at 1 May 2016**
Property, plant and equipment and investment property	216	2,807	3,023
Inventories	1,993	-	1,993
Prepayments and other current assets	34	-	34
Cash and cash equivalents	2	-	2
Total assets	**2,245**	**2,807**	**5,052**
Total liabilities	**(20)**	**(420)**	**(440)**
Total identifiable net assets at fair value	**2,225**	**2,387**	**4,612**
Goodwill recognized on acquisition of subsidiary (Note 5)	4,358	(2,387)	1,971
Total purchase consideration	**6,583**	**-**	**6,583**
Cash consideration transferred for the inventory	1,993	-	1,993
Purchase consideration to acquire SIA Paleo	4,590	-	4,590
Cash consideration transferred for the acquisition of SIA Paleo*	1,500	-	1,500
Less: cash acquired	(2)	-	(2)
Total purchase consideration, net of cash acquired**	**3,491**	**-**	**3,491**

* EUR 3,090 thousand of cash consideration was deferred as at acquisition date and is / will be settled within two years period from the acquisition date. Discounting was not accounted for as deemed immaterial.
** EUR 1,500 thousand paid at acquisition of shares plus EUR 1,993 thousand paid for inventories, minus EUR 2 thousand of cash acquired.

At the acquisition of this subsidiary a goodwill of EUR 1,970 thousand has been accounted for. The goodwill appears due to synergies, which are expected to be derived from vertical expansion of business.

(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 **Financial year ended 30 June 2017**	**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	411,694	154,358	17,795	61,032	73	–	–	644,952
Intersegment	3,639	10,587	9,020	–	–	–	(23,246)[1)]	–
Total revenue	**415,333**	**164,945**	**26,815**	**61,032**	**73**	**–**	**(23,246)[1)]**	**644,952**
Results								
Operating expenses[6)]	(7,002)	(13,769)	(3,196)	(5,533)	(293)	(4,284)	–	(34,077)
Depreciation and amortisation	(2,603)	(1,530)	(1,770)	(3,500)	–	(382)	–	(9,785)
Provisions for onerous contracts	(368)	–	–	–	–	–	–	(368)
Write-off bad debts and change in provisions for doubtful debts	989	(146)	–	23	(266)	–	–	600
Impairment of goodwill	(1,121)	–	–	–	–	–	–	(1,121)
Segment operating profit (loss)	**7,989**	**3,806**	**3,329**	**1,545**	**(196)**	**(4,419)**	**–**	**12,054**
Assets								
Capital expenditure[2)]	5,941	851	5,935	5,326	587	–	–	18,640
Non-current assets (excluding investments into associates)	35,255	10,574	37,273	44,572	1,685	4,643[3)]	–	134,002
Current assets	21,747	143,026	20,899	13,700	198	19,277[4)]	–	218,847
Total assets	**57,002**	**153,600**	**58,172**	**58,272**	**1,883**	**23,920**	**–**	**352,849**
Current liabilities	23,410	100,053	3,771	8,351	41	17,909[5)]	–	153,535

(all amounts are in thousand euros unless otherwise stated)

4. Segment information (cont'd)

Group **Financial year ended 30 June 2016**	**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	382,388	158,399	15,084	60,334	(246)	–	–	615,959
Intersegment	4,518	9,672	12,069	–	–	–	(26,259)[1)]	–
Total revenue	**386,906**	**168,071**	**27,153**	**60,334**	**(246)**	**–**	**(26,259)[1)]**	**615,959**
Results								
Operating expenses[6)]	(6,867)	(13,585)	(2,896)	(5,824)	(24)	(4,378)	–	(33,574)
Depreciation and amortisation	(2,431)	(1,554)	(1,579)	(3,996)	(21)	(66)	–	(9,647)
Write-off bad debts and change in provisions for doubtful debts	(3)	362	–	(108)	–	–	–	251
Reversal of impairment of property, plant and equipment	–	–	58	–	–	–	–	58
Impairment of investment property	–	(51)	–	–	–	–	–	(51)
Segment operating profit (loss)	**9,583**	**2,816**	**758**	**(1,246)**	**(176)**	**(4,537)**	**–**	**7,198**
Assets								
Capital expenditure[2)]	2,358	6,988	3,958	9,358	–	64	–	22,726
Non-current assets (excluding investments into associates)	27,424	17,587	33,726	43,499	2,291	6,044[3)]	–	130,571
Current assets	21,894	135,995	19,400	13,953	568	10,092[4)]	–	201,902
Total assets	**49,318**	**153,582**	**53,126**	**57,452**	**2,859**	**16,136**	**–**	**332,473**
Current liabilities	20,826	83,124	2,334	18,030	364	17,995[5)]	–	142,673

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 2017 and 2016 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 2017	30 June 2016	30 June 2017	30 June 2016
Sales of goods	623,799	608,662	–	–
Sales of services	21,153	7,297	50	155
Dividends from subsidiaries	–	–	4,773	3,974
Rental income from investment and other property	–	–	56	56
Dividends from associates	–	–	–	908
Other	–	–	114	–
	644,952	**615,959**	**4,993**	**5,093**

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

	Group	
	12 month period ended	
Revenue from external customers	30 June 2017	30 June 2016
Lithuania	170,362	188,138
Europe (except for Scandinavian countries, CIS and Lithuania)	240,533	203,886
Scandinavian countries	51,524	59,849
Africa	30,926	54,905
Asia	134,523	97,806
CIS	17,084	11,375
	644,952	**615,959**

Revenue from largest customer amounted to EUR 46,795 thousand for the year ended 30 June 2017. Revenue from largest customer amounted to EUR 40,805 thousand for the year ended 30 June 2016. Sales for largest customers are accounted for under grain and feedstuff handling and merchandising caption of business segments as at 30 June 2017 and 2016.

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

Non-current assets	Group	
	As at 30 June 2017	As at 30 June 2016
Lithuania	66,695	65,006
Latvia	52,559	49,635
Estonia	1,429	1,406
Denmark	2	5
	120,685	**116,052**

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	Goodwill (restated)	Total
Cost:				
Balance as at 30 June 2015	804	613	–	1,417
Additions	22	70	–	92
Acquisition of subsidiaries (Note 3) (restated)	–	–	1,971	1,971
Write-offs	(21)	(15)	–	(36)
Transfers to property, plant and equipment	–	(391)	–	(391)
Reclassifications	115	(115)	–	–
Balance as at 30 June 2016 (restated)	920	162	1,971	3,053
Additions	97	–	–	97
Write-offs	(10)	(17)	–	(27)
Reclassifications	(58)	58	–	–
Balance as at 30 June 2017	949	203	1,971	3,123
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	94	12	–	106
Write-offs	(10)	–	–	(10)
Reclassifications	(26)	26	–	–
Balance as at 30 June 2017	612	59	–	671
Impairment losses:				
Balance as at 30 June 2015	–	–	–	–
Balance as at 30 June 2016	–	–	–	–
Change for the year (note 2.27)	–	–	1,121	1,121
Balance as at 30 June 2017	–	–	1,121	1,121
Net book value as at 30 June 2017	**337**	**144**	**850**	**1,331**
Net book value as at 30 June 2016 (restated)	**366**	**141**	**1,971**	**2,478**
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.

Part of the intangible assets of the Group with the acquisition value of EUR 399 thousand as at 30 June 2017 was fully amortized (EUR 299 thousand as at 30 June 2016) but was still in active use. For more details on change in provisional goodwill value, please refer to Note 3.

(all amounts are in thousand euros unless otherwise stated)

6. Property, plant and equipment

Cost:	Land (restated)	Buildings and structures (restated)	Machinery and equipment	Vehicles	Other property, plant and equipment	Construction in progress and prepayments	Total
Balance as at 30 June 2015	13,345	80,488	38,087	4,984	5,601	5,709	148,214
Additions	797	735	9,306	760	372	5,670	17,640
Acquisition of subsidiaries (Note 3) (restated)	121	2,837	40	23	3	–	3,024
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 (restated)	14,161	87,604	46,233	5,370	5,110	5,091	163,569
Additions	2,910	99	4,483	473	808	9,467	18,240
Disposals and write-offs	(177)	(171)	(2,590)	(410)	(356)	(293)	(3,997)
Transfers from investment property	248	–	–	–	–	–	248
Reclassifications	88	2,111	4,005	–	–	(6,204)	–
Balance as at 30 June 2017	17,230	89,643	52,131	5,433	5,562	8,061	178,060
Accumulated depreciation:							
Balance as at 30 June 2015	–	20,296	17,763	2,376	3,099	–	43,534
Charge for the year (restated)	7	5,618	4,158	797	813	–	11,393
Disposals and write-offs	(4)	(993)	(1,783)	(355)	(867)	–	(4,002)
Transfers from investment property	–	20	–	–	–	–	20
Balance as at 30 June 2016 (restated)	3	24,941	20,138	2,818	3,045	–	50,945
Charge for the year	36	5,672	3,840	749	788	–	11,085
Disposals and write-offs	(2)	(133)	(1,538)	(397)	(255)	–	(2,325)
Balance as at 30 June 2017	37	30,480	22,440	3,170	3,578	–	59,705
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 June 2017	–	399	10	–	–	–	409
Net book value as at 30 June 2017	**17,193**	**58,764**	**29,681**	**2,263**	**1,984**	**8,061**	**117,946**
Net book value as at 30 June 2016 (restated)	**14,158**	**62,264**	**26,085**	**2,552**	**2,065**	**5,091**	**112,215**
Net book value as at 30 June 2015	**13,324**	**59,758**	**20,313**	**2,608**	**2,501**	**5,709**	**104,213**

(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 2017 and 30 June 2016 was included into the following captions:

	Financial year ended	
	30 June 2017	**30 June 2016** (restated)
Cost of sales	8,867	8,723
Operating expenses	1,560	1,635
Other expenses	170	76
Raw materials and other inventories	50	276
Biological assets	438	685
	11,085	**11,395**

Depreciation amount was decreased in the statement of comprehensive income by EUR 922 thousand for the year ended 30 June 2017 (EUR 856 thousand for the year ended 30 June 2016) by the amortisation of grants received by the Group (Note 17).

As at 30 June 2017 part of property, plant and equipment of the Group with the net book value of EUR 96,994 thousand (EUR 89,430 thousand as at 30 June 2016), was pledged to banks as a collateral for the loans (Note 18).

Part of property, plant and equipment with the acquisition cost of EUR 19,613 thousand was fully depreciated as at 30 June 2017 (EUR 16,526 thousand as at 30 June 2016), 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 2017.

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	289	14	303
Disposals and write-offs	–	(2)	(2)
Transfers to property, plant and equipment	(248)	–	(248)
Balance as at 30 June 2017	1,376	131	1,507
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	–	6	6
Disposals and write-offs	–	(2)	(2)
Balance as at 30 June 2017	–	48	48
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 June 2017	51	–	51
Net book value as at 30 June 2017	**1,325**	**83**	**1,408**
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.

(all amounts are in thousand euros unless otherwise stated)

7. Investment property (cont'd)

As at 30 June 2017 part of investment property of the Group with the net book value of EUR 782 thousand (EUR 787 thousand as at 30 June 2016), was pledged to banks as a collateral for the loans (Note 18). As at 30 June 2017 and 30 June 2016 the Company has pledged all its investment property to the bank as collateral for the loan received by its subsidiary AB Linas Agro (Note 18).

As at 30 June 2017 part of investment property of the Group and the Company with the net book value of EUR 411 thousand and EUR 0, respectively (EUR 113 thousand and EUR 0, respectively as at 30 June 2016) 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 2017 is EUR 3,112 thousand and EUR 495 thousand, respectively (as at 30 June 2016 EUR 3,851 thousand and EUR 495 thousand, respectively). Fair value has been determined based on valuations performed by independent valuators at near reporting date using the comparable prices method (Level 2).

8. Non-current receivables and prepayments

	Group		Company	
	As at 30 June 2017	**As at 30 June 2016**	**As at 30 June 2017**	**As at 30 June 2016**
Trade receivables from agricultural produce growers due after one year	98	1,185	–	–
Other trade receivables*	932	1,483	–	–
Loans receivable from related parties after one year (Note 31)	–	800	11,259	9,514
Loans receivable after one year	1,520	2,325	296	1,108
Other non-current receivable	24	38	–	–
Loans to employees	39	45	–	–
Less: allowance for doubtful non-current receivables	(1,089)	(1,089)	–	–
	1,524	**4,787**	**11,555**	**10,622**
Non-current prepayments for services	1,784	–	–	–
Non-current prepayments	**1,784**	**–**	**–**	**–**

** Other trade receivables mainly comprise of receivable for sold lignin.*

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

	Individually impaired
Balance as at 30 June 2015	1,290
Transferred from other accounts receivables	(201)
Balance as at 30 June 2016	1,089
Balance as at 30 June 2017	1,089

The Company's non-current receivables as at 30 June 2017 and 30 June 2016 are neither past due nor impaired.

The ageing analysis of the Group's non-current receivables as at 30 June 2017 and 30 June 2016 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**	
2016	4,787	–	–	–	–	4,787
2017	1,524	–	–	–	–	1,524

(all amounts are in thousand euros unless otherwise stated)

9. Biological assets

Fair value of the Group's animals and livestock:

	Milking cows (level 3)	Heifers (level 2)	Bulls and fattening cattle (level 2)	Horses (level 2)	Poultry (level 3)	Total animals and livestock
Fair value as at 30 June 2015	**3,843**	**1,931**	**910**	**1**	**3,439**	**10,124**
Acquisition	–	10	–	–	5,692	5,702
Births	–	105	149	–	108	362
Makeweight	5	1,850	1,067	–	33,541	36,463
Transfers between groups	598	(1,608)	1,010	–	–	–
Disposals	(275)	(193)	(1,978)	–	(38,747)	(41,193)
Write-offs and falls	(93)	(21)	(23)	–	(703)	(840)
Change in fair value of biological assets (Note 23)	(489)	–	(73)	–	(720)	(1,282)
Fair value as at 30 June 2016	**3,589**	**2,074**	**1,062**	**1**	**2,610**	**9,336**
Acquisition	–	–	–	–	4,044	4,044
Births	–	104	109	–	310	523
Makeweight	–	2,032	1,187	–	38,264	41,483
Transfers between groups	1,287	(1,745)	458	–	–	–
Disposals	(905)	(211)	(1,615)	–	(42,098)	(44,829)
Write-offs and falls	(38)	(26)	(54)	–	(462)	(580)
Change in fair value of biological assets (Note 23)	(9)	–	(133)	–	339	197
Fair value as at 30 June 2017	**3,924**	**2,228**	**1,014**	**1**	**3,007**	**10,174**

As at 30 June 2017 part of poultry amounting to EUR 2,164 thousand is disclosed as current assets (EUR 1,758 thousand as at 30 June 2016).

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 2017	3,243	3,210	1,840	3	1,743,368	1,751,664
As at 30 June 2016	3,201	3,122	1,967	3	1,791,476	1,799,769
Output according to biological assets group for the year ended (t) (unaudited):						
As at 30 June 2017	30,299	544	595	–	43,767	75,205
As at 30 June 2016	30,162	565	829	–	36,851	68,407

(all amounts are in thousand euros unless otherwise stated)

9. Biological assets (cont'd)

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

	Winter cultures	Summer cultures	Rapeseeds	Feeding cultures	Total crops
Fair value as at 30 June 2015	**6,505**	**4,701**	**2,870**	**1,360**	**15,436**
Additions	6,603	4,121	2,720	2,172	15,616
Transfers between groups	(6)	145	(67)	(73)	(1)
Harvested assets	(7,712)	(5,480)	(3,242)	(1,926)	(18,360)
Fair value adjustment on biological assets (Note 23)	(13)	835	342	(42)	1,122
Fair value as at 30 June 2016	**5,377**	**4,322**	**2,623**	**1,491**	**13,813**
Additions	5,598	4,173	2,622	2,254	14,647
Harvested assets	(6,157)	(4,820)	(2,770)	(2,164)	(15,911)
Fair value adjustment on biological assets (Note 23)	1,003	493	814	(23)	2,287
Fair value as at 30 June 2017	**5,821**	**4,168**	**3,289**	**1,558**	**14,836**

Crops under groups:	Winter cultures	Summer cultures	Rapeseeds	Feeding cultures	Total crops
Total sowed (ha) as at 30 June 2016	6,529	5,306	2,338	2,698	16,871
Total sowed (ha) as at 30 June 2017	6,286	5,448	2,654	2,803	17,191
Harvested crops under groups (unaudited):					
Total harvest for the year ended 30 June 2016 (t)	43,309	31,837	9,137	68,232	152,515
Total harvest for the year ended 30 June 2017 (t)	40,596	25,975	8,346	82,068	156,985

During the years ended 30 June 2017 and 2016 there were no transfers between the different levels of fair value hierarchy.

As at 30 June 2017 part of animals and livestock of the Group with the carrying value of EUR 1,107 thousand (EUR 1,800 thousand as at 30 June 2016) were pledged to banks as a collateral for the loans (Note 18).

(all amounts are in thousand euros unless otherwise stated)

10. Inventories

	Group	
	As at 30 June 2017	**As at 30 June 2016**
Purchased goods for resale	63,334	63,070
Raw materials and other inventories	9,269	11,000
Commitments to purchase agricultural produce (Note 14)	1,020	(457)
Less: net realisable value allowance	(1,597)	(1,661)
	72,026	**71,952**

The carrying value of the Group's inventories accounted for at net realizable value as at 30 June 2017 amounted to EUR 15,466 thousand (EUR 9,090 thousand as at 30 June 2016). The amount of write-down of inventories to net realizable value recognized as an expense in the year ended 30 June 2017 is EUR 64 thousand (EUR 976 thousand in the year ended 30 June 2016), and is recognized in cost of sales of the statement of comprehensive income.

As at 30 June 2017 part of inventories of the Group with the carrying value of EUR 57,648 thousand (EUR 62,165 thousand as at 30 June 2016) were pledged to banks as collateral for the loans (Note 18).

11. Prepayments

	Group	
	As at 30 June 2017	**As at 30 June 2016**
Prepayments to agricultural produce growers	648	571
Prepayments to other suppliers	4,737	6,045
Less: allowance for doubtful prepayments to other suppliers	–	–
	5,385	**6,616**

During year ended 30 June 2017 and 30 June 2016, 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. Prepayments to other suppliers as at 30 June 2017 and 30 June 2016 mostly relate to products and services for farming business segment and are also non interest bearing.

(all amounts are in thousand euros unless otherwise stated)

12. Trade receivables

	Group	
	As at 30 June 2017	As at 30 June 2016
Trade receivables from agricultural produce growers	82,390	80,502
Trade receivables from other customers	21,920	16,227
Less: allowance for doubtful trade receivables	(2,382)	(3,309)
	101,928	**93,420**

As at 30 June 2017 the Group holds lignin as a collateral for the part of trade receivables (total amounting to EUR 1,534 thousand, part of which is accounted for as non current receivable) which could be sold or repledged if the debtor defaulted. The fair value of the collateral amounts to EUR 1,826 thousand (level 3). There are no significant terms and conditions associated with the use of collateral.

Changes in allowance for trade receivables for the years ended 30 June 2017 and 30 June 2016 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 2017 the Group's trade receivables with the nominal value of EUR 1,512 thousand (EUR 2,914 thousand as at 30 June 2016) 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 2015	3,367
Charge for the year	139
Reversed during the year	(189)
Written-off during the year	(8)
Balance as at 30 June 2016	3,309
Charge for the year	573
Reversed during the year	(1,113)
Written-off during the year	(387)
Balance as at 30 June 2017	2,382

The ageing analysis of the Group's trade receivables as at 30 June 2017 and 30 June 2016 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	
2016	86,502	5,705	305	400	508	93,420
2017	92,753	7,887	196	787	305	101,928

As at 30 June 2017 the Group transferred rights to part of its trade receivables with the value of EUR 93,165 thousand (EUR 83,243 thousand as at 30 June 2016) to banks as collateral for the loans (Note 18). Factorised trade receivables in the amount of EUR 2,189 thousand as at 30 June 2017 (EUR 0 as at 30 June 2016) are included in aggregate amount of collateral for the loans.

(all amounts are in thousand euros unless otherwise stated)

13. Other accounts receivable

	Group	
Financial assets	**As at 30 June 2017**	**As at 30 June 2016**
National Paying Agency	2,171	2,039
Loans receivable	205	635
Loans granted to the Group employees	22	89
Interest receivable	117	99
Accrued income	1,154	679
Receivable for assets held for sale	43	88
Other receivables	421	570
Less: allowance for doubtful loans receivable	(70)	(172)
	4,063	**4,027**
Non-financial assets		
VAT receivable*	7,952	1,003
Other recoverable taxes	71	114
	8,023	**1,117**
	12,086	**5,144**

* The Company's other receivables, were not past due as at 30 June 2017 and 30 June 2016. After the end of financial year the biggest part of VAT receivable was received by the Group.

Changes in allowance for other accounts receivables for the years ended 30 June 2017 and 2016 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 2015	514
Charge for the year	–
Written-off during the year	(342)
Balance as at 30 June 2016	172
Written-off during the year	(102)
Balance as at 30 June 2017	70

The ageing analysis of the Group's other receivables (except for non-financial assets) as at 30 June 2017 and 30 June 2016 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**	
2016	3,717	133	32	116	29	4,027
2017	3,891	84	1	25	62	4,063

(all amounts are in thousand euros unless otherwise stated)

14. Other current financial assets and derivative financial instruments

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

			Group	
			As at 30 June 2017	**As at 30 June 2016**
Derivative financial instruments				
Derivative financial instruments used to hedge the price risk (current portion) – assets (liabilities)	Level 1	a)	(1,170)	664
Derivative financial instruments used to hedge the interest risk (current portion) – assets (liabilities)	Level 2	b)	(60)	(60)
Derivative financial instruments used to hedge the interest risk (long term portion) – assets (liabilities)	Level 2	b)	(25)	(120)
Foreign exchange forward and swap contracts – assets	Level 2		28	47
Foreign exchange forward and swap contracts – liabilities	Level 2		(165)	-
Other financial assets				
Other	Level 3		82	16
Restricted cash		c)	690	889
			772	905

The Group concludes forward agreements (with fixed price) with Lithuanian and Latvian agricultural production growers for purchase/sale of agricultural produce. For part of such agreements the Group does not have agreed sales/purchases contracts with fixed price. As at 30 June 2017 to hedge the arising risk of price fluctuations for the total amount of such unutilised purchase or sales commitments the Group concluded futures contracts that are traded on NYSE Euronext Paris SA exchange.

a) Derivative financial instruments used to hedge the price risk were attributed to the category of fair value hedge. As at 30 June 2017 the negative fair value of such futures contracts was equal to EUR 1,170 thousand (EUR 664 thousand of positive fair value as at 30 June 2016). These results are accounted for in cost of sales in the statement of comprehensive income. Hedged item (commitments to purchase agricultural produce) of EUR 1,020 thousand of gain (EUR 457 thousand of loss as at 30 June 2016) is accounted for as inventories (Note 10) in the statement of financial position and in cost of sales in the statement of comprehensive income by netting with gain and losses arising from the hedge instrument. Derivative financial instruments used for trading are accounted in other income (expenses).

b) Derivative financial instruments used to hedge interest rate fluctuation risk were attributed to the category of cash flow hedge. As at 30 June 2017 the Group had an interest rate swap agreement. As at 2 March 2016 the Group signed the interest rate swap agreement for a nominal of EUR 20,000 thousand, for the period of 4 March 2016 – 4 March 2019. The Group pays 0 % fixed interest rate and receives fluctuating EURIBOR interest for the amount set per agreement. The interest rate swap is used to hedge market interest rate fluctuations and secure cash flow used for credit line repayments (Note 18).

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

	Group	
	Financial year ended 30 June 2017	**Financial year ended 30 June 2016**
Recognised in other comprehensive income:		
Gain (loss) on interest rate swap contract (effective part)	94	(180)
Income tax effect	(14)	27
	80	**(153)**

c) As at 30 June 2017 and 30 June 2016 restricted cash balance mostly consists of cash at bank account, held as a deposit for trading in the futures exchange.

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

(all amounts are in thousand euros unless otherwise stated)

15. Cash and equivalents

	Group		Company	
	As at 30 June 2017	As at 30 June 2016	As at 30 June 2017	As at 30 June 2016
Cash at bank	8,839	6,808	419	89
Cash in transit	17	14	–	–
Cash on hand	41	79	–	–
	8,897	**6,901**	**419**	**89**

As at 30 June 2017 the Group pledged cash of EUR 1,178 thousand (EUR 974 thousand as at 30 June 2016) to banks as collateral for the loans (Note 18).

As at 30 June 2017 and 30 June 2016 there were no restrictions on use of cash balances held in the pledged accounts (Note 18).

16. Reserves

Legal reserve

A legal reserve is a compulsory reserve under the Lithuanian legislation. Annual transfers of not less than 5% of net profit, calculated in accordance with International Financial Reporting Standards, are compulsory until the reserve reaches 10% of the share capital. Legal reserve was not fully formed as at 30 June 2017 and 30 June 2016.

Reserve for own shares

During the year ended 30 June 2017 the Company disposed of 4,000 own shares (3,000 shares as at 30 June 2016), net result of this transaction is recognised directly to the statement of changes in equity. During the year ended 30 June 2017 the Company did not acquire its own shares. Reserve was released in full in prior financial year based on the decision of Company's shareholders.

Foreign currency translation reserve

The foreign currency translation reserve results from translation differences arising on consolidation of Linas Agro A/S as at 30 June 2017 and 2016.

Cash flow hedge reserve

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

17. Grants and subsidies

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

Balance as at 30 June 2015	7,517
Received	620
Amortisation	(941)
Balance as at 30 June 2016	7,196
Received	858
Amortisation	(928)
Balance as at 30 June 2017	7,126

(all amounts are in thousand euros unless otherwise stated)

17. Grants and subsidies (cont'd)

As at 30 June 2017 the amount is disclosed in the statement of financial position as non-current liabilities (EUR 6,236 thousand) and other current liabilities (EUR 890 thousand) (as at 30 June 2016 EUR 6,289 thousand as non-current liabilities and EUR 907 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 2017 and 30 June 2016 was included into the following captions:

	Group	
	Financial year ended	
	30 June 2017	**30 June 2016**
Cost of sales (reduces the depreciation expenses of related assets)	917	851
Operating expenses	5	5
Biological assets	-	62
Raw materials and other inventories	6	23
	928	**941**

For the years ended 30 June 2017 and 30 June 2016 the Group also received subsidies for animals and livestock, crops and milk in the total amount of EUR 3,576 thousand and EUR 3,600 thousand, respectively, which were accounted for in the sales caption of the statement of comprehensive income.

18. Borrowings

	Group		**Company**	
	As at 30 June 2017	**As at 30 June 2016**	**As at 30 June 2017**	**As at 30 June 2016**
Non-current borrowings				
Bank borrowings secured by the Group assets	20,401	16,741	–	2,100
Other non-current related parties borrowings (Note 31)	–	–	1,448	2,828
	20,401	16,741	1,448	4,928
Current borrowings				
Current portion of non-current bank borrowings	11,061	19,943	2,100	1,400
Current bank borrowings secured by the Group assets	74,279	56,202	–	–
Other current borrowings	3,215	880	–	–
Other current related parties borrowings (Note 31)	–	1,010	2,195	4
	88,555	78,035	4,295	1,404
	108,956	**94,776**	**5,743**	**6,332**

Interest payable is normally settled monthly throughout the financial year.

As at 30 June 2017 and 30 June 2016 part of shares, property, plant and equipment, investment property, biological assets, inventories, trade receivables and bank accounts were pledged to banks as a collateral for the loans (Notes 3, 6, 7, 9, 10, 12, 15).

Compliance with the covenants of the borrowings agreements

During the year ended 30 June 2017 one of the Group companies did not comply with the covenants of the part of non-current borrowing agreements. In the case of non-compliance the creditors have the right to ask for the early repayment. Non-current portion of such borrowings, amounting to EUR 933 thousand is presented as current liability in the financial statements of the Group. As at 30 June 2016 non-current portion of such borrowings, amounting to EUR 16,341 is presented as current iability in the financial statements of the Group.

(all amounts are in thousand euros unless otherwise stated)

18. Borrowings (cont'd)

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

	Group		Company	
	As at 30 June 2017	As at 30 June 2016	As at 30 June 2017	As at 30 June 2016
Current borrowings	1.59%	1.63%	3.00%	1.95%
Non-current borrowings	1.80%	1.84%	2.22%	2.25%

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

	Group		Company	
	As at 30 June 2017	As at 30 June 2016	As at 30 June 2017	As at 30 June 2016
Borrowings denominated in:				
EUR	106,883	94,235	5,743	6,332
USD	2,073	541	–	–
	108,956	**94,776**	**5,743**	**6,332**

As at 30 June 2017 the Group's not utilized credit lines comprise EUR 57,200 thousand (EUR 68,743 thousand as at 30 June 2016).

19. Finance lease obligations

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

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

	Group	
	As at 30 June 2017	As at 30 June 2016
Machinery and equipment	437	576
Vehicles	639	628
Other property, plant and equipment	–	24
	1,076	**1,228**

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

	Group	
	As at 30 June 2017	As at 30 June 2016
EUR	1,635	2,161
	1,635	**2,161**

As at 30 June 2017 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 2017 is fixed, i.e. from 1.8% to 5.89%.

As at 30 June 2016 the interest rate on the finance lease obligations in EUR varies depending on the EURLIBOR and EURIBOR and ranges from 1.00% to 5.67%.

(all amounts are in thousand euros unless otherwise stated)

19. Finance lease obligations (cont'd)

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

	Group	
	As at 30 June 2017	**As at 30 June 2016**
Within one year	601	985
From one to five years	991	1,050
After five years	201	302
Total finance lease obligations	**1,793**	**2,337**
Interest	(158)	(176)
Present value of finance lease obligations	1,635	2,161
Finance lease obligations are accounted for as:		
- current	559	933
- non-current	1,076	1,228

20. Operating lease

The Group concluded several contracts of operating lease. The terms of lease do not include restrictions on the activities of the Group in connection with the dividends, additional borrowings or additional lease agreements. For the year ended 30 June 2017 the lease expenses of the Group amounted to EUR 1,470 thousand (EUR 1,210 thousand for the year ended 30 June 2016).

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

	Group	
	As at 30 June 2017	**As at 30 June 2016**
Within one year	1,502	1,165
From one to five years	2,422	2,273
After five years	85	203
Total	**4,009**	**3,641**
Denominated in (EUR equivalent):		
- EUR	4,009	3,641

The Company does not have operating lease agreements as at 30 June 2017 and 30 June 2016.

21. 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)

22. Other current liabilities

	Group	
	As at 30 June 2017	**As at 30 June 2016**
Bonuses to employees	4,504	3,643
Vacation accrual	3,103	2,880
Advances received	976	1,453
Payroll related liabilities	2,986	2,916
VAT payable	2,738	3,676
Current portion of grants (Note 17)	890	907
Other liabilities	2,740	3,077
	17,937	**18,552**

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

23. Cost of sales

	Group Financial year ended	
	30 June 2017	**30 June 2016**
Cost of inventories recognised as an expense*	(522,845)	(496,307)
Logistics expenses	(40,567)	(45,303)
Wages and salaries and social security	(22,821)	(20,304)
Depreciation (Notes 6, 17)	(7,950)	(7,873)
Utilities expenses	(5,171)	(4,497)
Change in fair value of biological assets (Note 9)	2,484	(160)
Change in fair value of financial instruments	303	1,308
Other	(2,109)	(2,976)
	(598,676)	**(576,112)**

* Cost of inventories recognised as an expense includes previous season fair value adjustment to sold crops amounting to EUR 1,122 thousand which was expensed during the year ended 30 June 2017 (EUR 2,595 thousand recognized as an expense for the year ended 30 June 2016).

24. Operating expenses

	Group		Company	
	Financial year ended			
	30 June 2017	**30 June 2016**	**30 June 2017**	**30 June 2016**
Wages and salaries and social security	(21,870)	(21,494)	(570)	(237)
Change in allowance for and write-offs of receivables and prepayments	600	251	–	–
Consulting expenses	(1,344)	(997)	(71)	(71)
Depreciation and amortization	(1,661)	(1,723)	(40)	(8)
Advertisement, marketing	(1,405)	(1,337)	–	–
Bank fees	(986)	(662)	(2)	(2)
Change in impairment of property, plant and equipment (Note 6)	–	58	–	–
Currency exchange loss	(127)	(7)	–	–
Other	(7,284)	(7,663)	(154)	(139)
	(34,077)	**(33,574)**	**(837)**	**(457)**

(all amounts are in thousand euros unless otherwise stated)

25. Other income (expenses)

	Group	
	Financial year ended	
Other income	**30 June 2017**	**30 June 2016**
Rental income from investment property and property, plant and equipment	252	234
Gain from disposal of investment property and property, plant and equipment	351	343
Gain from disposal other investments	–	3
Currency exchange gain	729	–
Change in fair value of currency financial instruments	219	264
Write-off of liabilities	1	4
Other income	103	673
	1,655	**1,521**
Other (expenses)		
Direct operating expenses arising on rental and non-rental earning investment properties	(298)	(281)
Loss from disposal of property, plant and equipment	(41)	(22)
Impairment of goodwill value (Note 2.27)	(1,121)	–
Change in fair value of currency financial instruments	(165)	–
Change in impairment of investment property	–	(51)
Other expenses	(175)	(242)
	(1,800)	**(596)**

26. Income (expenses) from financing activities

	Group		Company	
	Financial year ended		Financial year ended	
	30 June 2017	**30 June 2016**	**30 June 2017**	**30 June 2016**
Income from financing activities				
Interest income	868	508	603	554
Income from overdue payments	34	21	–	–
	902	**529**	**603**	**554**
(Expenses) from financing activities				
Interest expenses	(2,872)	(2,431)	(139)	(174)
Expenses for overdue payments	(39)	(14)	–	–
	(2,911)	**(2,445)**	**(139)**	**(174)**

27. Income tax

	Group	
	Financial year ended	
	30 June 2017	**30 June 2016**
Current income tax (expense)	(1,790)	(1,498)
Income tax correction for prior periods	645	(48)
Deferred income tax income (expense)	(492)	182
Income tax (expenses) recorded in the statement of comprehensive income	**(1,637)**	**(1,364)**
Net gain (loss) on revaluation of cash flow hedges	(14)	27
Deferred tax gain (loss) recorded in the statement of other comprehensive income	**(14)**	**27**

(all amounts are in thousand euros unless otherwise stated)

27. Income tax (cont'd)

	Group	
	Financial year ended	
	As at 30 June 2017	As at 30 June 2016
Deferred income tax asset		
Tax loss carry forward (available indefinitely)	276	1,751
Tax loss carry forward (available to carry forward 5 years)*	2,016	–
Accruals	619	751
Investment incentive	456	396
Differences in tax base of trade receivables	218	610
Impairment of investment property	19	–
Allowance for inventories	143	246
Fair value of financial instruments	29	101
Other	186	105
Fair value of biological assets	–	53
Total deferred income tax asset	3,962	4,013
Deferred income tax liability		
Property, plant and equipment and investment property (difference between tax and accounting values)	(3,668)	(3,242)
Fair value of biological assets	(107)	–
Fair value of financial instruments	(14)	(103)
Other	(97)	(86)
Total deferred income tax liability	(3,886)	(3,431)
Deferred income tax, net	76	582
Accounted for as deferred income tax asset in the statements of financial position	1,982	2,137
Accounted for as deferred income tax liability in the statements of financial position	1,906	1,555

*Disclosed amounts are related to changes in Latvian income tax legislation described in Note 33.

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 2017 and 30 June 2016 the Group has not recognised deferred tax asset for the following temporary differences (temporary differences basis is provided below before application of income tax rate):

	Group	
	As at 30 June 2017	As at 30 June 2016
Tax loss carry forward*	4,615	5,015
Allowance for trade receivables	467	502
	5,082	**5,517**

*Tax lossess are available to carry forward indefinitely (EUR 2,599 thousand) and 5 years (EUR 2,016 thousand).

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)

27. Income tax (cont'd)

There are no temporary differences associated with investments in associates as at 30 June 2017 and 2016 because Group has no associates.

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

	Group	
	Financial year ended	
	30 June 2017	**30 June 2016**
Profit before tax	10,045	5,282
Income tax expenses, applying the statutory rate in Lithuania (15%)	1,507	792
Effect of different tax rates in Estonia, Denmark, 5% tax rate for the entities engaged in agricultural activities (Note 2.21.)	72	(180)
Recognition of previously unrecognized deferred tax liability	318	318
Income tax correction for prior periods	(645)	48
Temporary differences for which no deferred taxes were recognized	237	251
Permanent differences	478	297
Tax incentive	(330)	(162)
Total income tax (income) expenses	**1,637**	**1,364**

28. Basic and diluted earnings per share

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

The weighted average number of ordinary shares for the years ended 30 June 2017 and 30 June 2016 was as follows:

Calculation of weighted average for the year ended 30 June 2017	**Number of shares**	**Par value (EUR)**	**Issued/365 (days)**	**Weighted average**
Shares issued as at 30 June 2016	158,154,426	0.29	85/365	36,830,483
Disposal of own shares 23 September 2016	3000	0.29	181/365	78,428,751
Disposal of own shares 22 March 2017	1000	0.29	99/365	42,897,765
Shares issued as at 30 June 2017	158,158,426			158,156,999

Calculation of weighted average for the year ended 30 June 2016	**Number of shares**	**Par value (EUR)**	**Issued/365 (days)**	**Weighted average**
Shares issued as at 30 June 2015	158,151,426	0.29	65/365	28,163,952
Disposal of own shares 3 September 2015	2,000	0.29	209/365	90,559,085
Disposal of own shares 30 March 2016	1,000	0.29	91/365	39,430,282
Shares issued as at 30 June 2016	158,154,426			158,153,319

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 2017	**30 June 2016**
Net profit, attributable to the shareholders of the parent (in EUR thousand)	8,320	4,069
Weighted average number of ordinary shares outstanding for the year	158,156,999	158,153,319
Basic and diluted earnings per share (in EUR)	0.05	0.03

For the year ended 30 June 2016 the Company paid EUR 1,202 thousand dividends, or EUR 0.0076 per share. The Board of the Company plans to offer to pay EUR 1,202 thousand dividends, or EUR 0.0076 per share, for the year ended 30 June 2017.

29. Financial assets and liabilities and risk management

Credit risk

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

The Group's procedures are in force to ensure that sales are made to customers with an appropriate credit history and do not exceed an acceptable credit exposure limit. As at 30 June 2017 part of AB Linas Agro trade receivables were insured with the insurance limit equal to equivalent of EUR 11,999 thousand (EUR 8,904 thousand as at 30 June 2016).

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 and cash, net of allowance for doubtful accounts recognised at the reporting date. Part of the trade and other accounts receivables is secured with pledged assets (Notes 12 and 13).

29. 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 which creates an interest rate risk. The Group uses interest rate swap to hedge interest rate fluctuation risk for loans with variable interest rate as disclosed in Note 14.

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

	Effect on the profit before income tax for the year ended (in EUR thousand)			
	Increase / decrease of basis points	30 June 2017	Increase / decrease of basis points	30 June 2016
EUR	+150	(1,626)	+150	(1,374)
EUR	-30	325	-30	214

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 2017 were 1.43 and 0.85, respectively (as at 30 June 2016 1.42 and 0.80, 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	–	2,377	17,012	8,646	9,499	865	38,399
Lease liabilities	133	190	653	469	440	341	2,226
Current borrowings	16,615	28,210	13,346	–	–	–	58,171
Other non-current liabilities	–	–	–	1,553	–	–	1,553
Derivative financial instruments	–	13	47	73	47	–	180
Current trade payables	2,411	28,556	12,272	–	–	–	43,239
Payables to related parties	–	1,514	–	–	–	–	1,514
Other liabilities	97	1,070	53	–	–	–	1,220
Balance as at 30 June 2016	**19,256**	**61,930**	**43,383**	**10,741**	**9,986**	**1,206**	**146,502**
Non-current borrowings	2,658	1,161	8,325	4,706	14,993	1,314	33,157
Lease liabilities	56	162	371	559	413	232	1,793
Current borrowings	19,081	37,909	20,524	–	–	–	77,514
Derivative financial instruments	–	1,352	43	25	–	–	1,420
Current trade payables	188	29,578	14,386	–	–	–	44,152
Other liabilities	45	689	302	–	–	–	1,036
Balance as at 30 June 2017	**22,028**	**70,851**	**43,951**	**5,290**	**15,406**	**1,546**	**159,072**

(all amounts are in thousand euros unless otherwise stated)

29. 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	–	717	738	1,196	941	–	3,592
Non-current borrowings from related parties	–	17	58	1,444	1,490	–	3,009
Non-current payable to related parties	–	–	–	–	54	–	54
Current trade payables	–	47	–	–	–	–	47
Payables to related parties	–	–	810	–	–	–	810
Other liabilities	–	29	–	–	–	–	29
Balance as at 30 June 2016	**–**	**810**	**1,606**	**2,640**	**2,485**	**–**	**7,541**
Non-current borrowings	2,136	–	–	–	–	–	2,136
Non-current borrowings from related parties	–	–	–	38	1,451	–	1,489
Non-current payable to related parties	–	–	–	–	58	–	58
Current borrowings from related parties	–	17	2,254	–	–	–	2,271
Current trade payables	–	29	–	–	–	–	29
Payables to related parties	–	–	810	–	–	–	810
Other liabilities	–	32	–	–	–	–	32
Balance as at 30 June 2017	**2,136**	**78**	**3,064**	**38**	**1,509**	**–**	**6,825**

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 2017 and 2016 is denominated in EUR, consequently the management of the Group believes that foreign exchange risk on EUR is insignificant. The Group used financial derivatives to manage the USD foreign currency exchange risk.

Monetary assets and liabilities stated in various currencies as at 30 June 2017 and 30 June 2016 were as follows (EUR equivalent):

Group	As at 30 June 2017		As at 30 June 2016	
	Assets	Liabilities	Assets	Liabilities
EUR	125,195	173,359	111,280	160,222
USD	1,881	264	1,499	745
DKK	653	694	435	637
PLN	1,990	159	1,229	33
	129,718	**174,477**	**114,443**	**161,637**

29. 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 2017	30 June 2016
USD	+ 15.00%	243	113
USD	- 15.00%	(243)	(113)
PLN	+ 15.00%	275	180
PLN	- 15.00%	(275)	(180)

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 (at current period price increase noted) and, therefore, has not entered into derivative or other contracts to manage the risk of the decline in milk prices. The Group reviews its outlook for milk prices regularly in considering the need for active risk management.

Market price risk

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

Fair value of financial instruments

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

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

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

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

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

Capital management

For capital management purposes the Group's capital is equal to equity in the statement of financial position amounting to EUR 166,946 thousand as at 30 June 2017 (EUR 159,747 thousand as at 30 June 2016).

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 2017 and 30 June 2016.

(all amounts are in thousand euros unless otherwise stated)

29. 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 2017	As at 30 June 2016	As at 30 June 2017	As at 30 June 2016
Total equity	169,217	161,961	107,273	103,817
Total assets	352,849	332,473	114,365	111,223
Total equity / Total assets	48%	49%	94%	93%
Leverage ratio	52%	51%	6%	7%

30. Commitments and contingencies

As at 30 June 2017 the Group is committed to purchase property, plant and equipment for the total amount of EUR 3,828 thousand (EUR 9,274 thousand as at 30 June 2016).

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

Panevėžys district Aukštadvario ŽŪB, Kėdainių district Labūnavos ŽŪB, Sidabravo ŽŪB, Panevėžys district Žibartonių ŽŪB are committed not to discontinue operations related to agricultural up to the end of 2019 and 2021, Šakiai district Lukšių ŽŪB – up to 2020 and 2021. UAB Linas Agro Grūdų Centras KŪB 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 and 2021.

SIA Lielzeltini and 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 1,683 thousand as at 30 June 2017 (EUR 4,385 thousand as at 30 June 2016).

As at 30 June 2017 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 67,463 thousand (EUR 61,711 thousand as at 30 June 2016).

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 2017 and 30 June 2016.

As of 30 June 2017 the Group has a commitments in amount of EUR 1,422 thousand to purchase agriculture equipment from leasing providers in case the customers will not use option to repurchase equipment at the end of lease period (30 June 2016 – EUR 1,526 thousand).

(all amounts are in thousand euros unless otherwise stated)

31. Related parties transactions

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

The related parties of the Company and Group for the years ended 30 June 2017 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 12 month period ended 30 June 2017 and 30 June 2016 were as follows:
2017

	Purchases	**Sales**	**Trade receivables**	**Non-current loans receivable**	**Current payables**	**Current loans payables**
Akola ApS group companies	891	13,466	470	–	–	–
Members of the board	–	2	–	–	–	–
	891	**13,468**	**470**	–	–	–

(all amounts are in thousand euros unless otherwise stated)

31. Related parties transactions (cont'd)

2016

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

The Company's transactions with related parties in the years ended 30 June 2017 and 30 June 2016 were as follows:

2017	**Purchases**	**Income**	**Receivables**				**Payables**		
			Non-current loans receivable	**Current loans receivable**	**Other account receivables**	**Non-current payables**	**Current Payables**	**Non-current loans received**	**Current loans received**
Akola ApS group companies	–	–	–	–	–	–	–	–	–
Subsidiaries	86	4,989	11,260	3,539	4	58	810	1,448	2,195
	86	**4,989**	**11,260**	**3,539**	**4**	**58**	**810**	**1,448**	**2,195**

2016	**Purchases**	**Income**	**Receivables**		**Other accounts receivables**		**Payables**		
			Non-current loans receivable	**Current loans receivable**		**Non-current payables**	**Current Payables**	**Non-current loans received**	**Current loans received**
Akola ApS group companies	–	–	800	–	–	–	–	–	–
Subsidiaries	78	5,090	8,714	2,969	48	54	810	2,828	4
	78	**5,090**	**9,514**	**2,969**	**48**	**54**	**810**	**2,828**	**4**

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

As at 30 June 2017 and 2016 interest rates of the Company for non-current loans receivable from related parties are 2.61%, and 3 month EURIBOR + 2.45% margin. As at 30 June 2017 interest rates of the Company for current loans receivable from related parties are 4% . As at 30 June 2016 rates of the Company for current loans receivable from related parties varies are 4%. As at 30 June 2017 and 2016 interest rates of the Company for non-current loans payable to related parties are 2.60%, and 3 month EURIBOR + 2.50% margin.

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 2017 and 30 June 2016.

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 2,612 thousand (including EUR 1,074 thousand of bonuses to the board of directors of AB Linas Agro and AB Linas Agro Group) for the year ended 30 June 2017 (EUR 3,128 thousand (including EUR 945 thousand of bonuses to the board of directors of AB Linas Agro) for the year ended 30 June 2016). For the year ended 30 June 2017 the Group's management received EUR 182 thousand dividends from the Company (for the year ended 30 June 2016 the Group's management received EUR 182 thousand dividends from the Company).

For the year ended 30 June 2017 the Group's management has also received EUR 49 thousand of rent payments (EUR 58 thousand of rent payments for the year ended 30 June 2016).The Company's management consists of the board of directors and a managing director. The Company's management remuneration amounted to EUR 548 thousand (including EUR 540 thousand of bonuses to the board of directors of AB Linas Agro Group) for the year ended 30 June 2017 (EUR 129 thousand for the year ended 30 June 2016).

(all amounts are in thousand euros unless otherwise stated)

31. Related parties transactions (cont'd)

No other payments or property transfers to/from the management were made or accrued; no other loans or guarantees were received / granted in the years ended 30 June 2017 and 30 June 2016.

32. Materially partly-owned subsidiaries

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

Proportion of equity interest held by non-controlling interests:

Name	**Country of incorporation and operation**	**30 June 2017**	**30 June 2016**
AS Putnu fabrika Kekava	Latvia	6.16%	6.19%
Karčemos Kooperatinė Bendrovė	Lithuania	76.00%	76.00%

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 2017	**30 June 2016**	**30 June 2017**	**30 June 2016**
Revenue	61,904	57,421	859	629
Net profit (loss)	(861)	(1,515)	136	20
Total comprehensive income	**(861)**	**(1,515)**	**136**	**20**
Attributable to non-controlling interests	(41)	(94)	103	15
Dividends paid to non-controlling interests	–	–	–	–

Summarised statement of financial position:

	AS Putnu fabrika Kekava		Karčemos Kooperatinė Bendrovė	
	Financial year ended			
	30 June 2017	**30 June 2016**	**30 June 2017**	**30 June 2016**
Current assets	8,721	9,416	380	188
Non-current assets	34,501	31,698	3,357	3,798
Current liabilities	10,030	14,217	353	1,500
Non-current liabilities	15,892	8,598	2,554	1,791
Total equity	**17,300**	**18,299**	**830**	**695**
Attributable to Non-controlling interests	1,066	1,133	631	487

Summarised cash flow statement:

	AS Putnu fabrika Kekava		Karčemos Kooperatinė Bendrovė	
	Financial year ended			
	30 June 2017	**30 June 2016**	**30 June 2017**	**30 June 2016**
Operating activities	3,691	5,071	340	265
Investing activities	(4,202)	(8,090)	12	(34)
Financing activities	272	5,497	(344)	(310)
Net increase/(decrease) in cash and cash equivalents	**(239)**	**2,478**	**8**	**(79)**

33. Subsequent events

Group

On 28 July 2017 the Latvian tax reform guidelines and further progress of tax system has been approved by the Parliament. As per the current government's position, it is expected that all changes will enter into force on 1 January 2018, with appropriate transitional period for certain tax positions. The framework of the tax reform suggests transformation of the corporate income tax (CIT) system; consequently deferred tax computations might be affected. The new system introduces new tax base, tax rate, and payment principle. In particular, the new tax framework dismisses temporary adjustments, taxes non-deductible expenses at fraction rate 0.8/0.2 on monthly basis, while profit distribution will be taxed at 20% rate. The undistributed profit does not attract CIT.

The Group has performed a preliminary assessment of the potential impact of the tax reform. According to the preliminary assessment Linas Agro Latvian entities will have to derecognize the Deferred Income tax liabilities in amount of 1,225 thousands EUR as at the 31.12.2017.

Company

On 14 July 2017 the Company increased share capital of its subsidiary UAB Lineliai by EUR 80 thousand and ŽŪB Noreikiškių ŽŪB by EUR 70 thousand.

Consolidated Annual Report of AB Linas Agro Group

for the financial year 2016/17 ended 30 June 2017

MISSION

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

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

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

Letter to the shareholders

Dear shareholders,

During the past financial year we have grown: consolidated revenue was 4.7% higher than in previous years, while our volume of sales in tons grew by 8% up to 2.4 million tons, and most of it was increase by the grain trade. The grain traders were active and increased sales of our traditional crops – wheat, oilseed rape, barley – from 1.5 million tons to 1.7 million tons. And we have been growing in conditions where the yield of agricultural produce in the Baltic States decreased by 13% due to bad weather. Flexibility of traders and the previous development of grain storage facilities, which we have been doing this year and we plan to continue in the coming financial year as well, have also helped the growth. We started to provide grain drying service in Rezekne (Latvia), using the acquired infrastructure of SIA Paleo. At present, we can accommodate over 379 thousand tons of grain and other goods at the same time, and in the upcoming years – over 455 thousand tons. At the beginning of next financial year, a new grain storage facility will start operating in Kartena (Lithuania), also grain storage capacity will increase in Pasvalys, Lukšiai (Šakiai district) and Kupiškis. We build grain storages in areas where there is still shortage of them. The total capacity of our own storage facilities in Lithuania will increase by 76,400 tons, which will allow us to strengthen our trading and grain buying positions in the northern and western parts of Lithuania. During the last year AB Linas Agro received GMP+ (Good Manufacturing Practice) certificate and SIA Linas Agro – ISCC (International Sustainability and Carbon Certification) certificate, which increases the recognition of companies on the international market.

The sales volume in tons of agricultural products we produced fell by 1% due to bad weather conditions, but the yields of cultivated crops and the milk yield per cow far exceed the average in Lithuania.

The sales volume of poultry and meat products in tons dropped by 2%, but the revenue gained from poultry business increased by 1%. During the last financial year we invested over EUR 5.3 million for the upgrades of poultry equipment. As a result, production capacity has increased, which will increase sales revenue in the future. Additionally, the investment in the development of better bird breeding conditions has reduced the morbidity of birds, and at the end of the reporting period AS Putnu fabrika Kekava started to sell chicken raised without antibiotics – it became the first and the only poultry farm in the Baltics, which has the right to mark the production of chicken as “Raised without antibiotics”. These added value products will allow us to expand sales in Scandinavia and increase homemarket sales. AS Putnu fabrika Kekava received the BRC (British Retail Consortium) certificate and ISO 50001: 2012 certificate in the last year, while SIA Lielzeltini received the ISO 50001: 2012 certificate. AS Putnu fabrika Kekava has participated in the “Sustainability Index” assessments in Latvia for the third time and for the second year in a row has received the “Golden Sustainability Award”. This shows a consistent improvement of the company. In the future, we plan to expand the poultry production capacity so that we can sell as many high-nutritional value products as possible.

Revenue gained from sales of goods and services to farmers slightly decreased, while gross and operating profit slightly increased. In the background of a poor harvest in 2016 and the fall in grain prices, this result is good, and it was ensured by the excellent teamwork. We expanded the range of products offered to farmers, improved sales teams, organized various sales promotions, made management of operating costs and warehouses more efficient, improved service quality. We have also set some new records – for example, Dotnuva Baltic was installing 48 grain storage facilities in the Baltic States at the same time; for the first time in the history of the Dotnuva Baltic, the seed processing factory prepared more than 20,000 tons of certified seeds. However, this year has formed some not so favourable and completely new trends in the market for new and second-hand agricultural machinery: lease and repos of machinery have been intensified, non-original suppliers came into the market and increased the competition for certified services in the Baltic states. These challenges will have to be overcome in the coming financial year. However, we represent strong brands, have a wide network of agricultural machinery services in the Baltic States, a skilled team, thus we believe there are no insurmountable challenges.

UAB Dotnuva Baltic received the certificate of preparation and marketing of ecological crop products issued by VšĮ Ekoagros, received the ‘Dealer of the Year 2016 Award‘ from producer of grain processing equipment Cimbria, joined the Red Excellence international quality network of Case IH, and was even recognized as “The best business enterprise in Kėdainiai region” in the segment of medium-sized enterprises.

One part of our mission is to provide employees with opportunities for professional development in an organization of high internal culture. It is difficult to unify the culture in all of the managed companies, but we have the goal of creating an organization in which it is fun and safe to work and grow as a person. We are glad that this year, according to the assessment of employees, AB Linas Agro has become the most desirable employer in Lithuania in the category of agribusiness.

If I had to somehow differentiate the past financial year from the rest of the years, I would name them as the year of transformation and realization of dreams. We strengthened our organizational structure and looked for even better synergies between companies. We have created an added value product – poultry without antibiotics, although the realization of that dream took almost two years. In the world of diminishing trade margin, we are looking for and will continue to look for other value added products and services in the future.

Sincerely

Managing Director Darius Zubas

Leadership
in the Baltic
agribusiness sector

Content

1. 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 2016/17 financial year, and all the figures are stated as at 30 June 2017 unless it is indicated otherwise.

2. References and additional explanatory notes on the information disclosed in the Annual Report

All the financial data disclosed in this Consolidated 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.

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Investor Relations Specialist

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3. The main information about the Company and the Group

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

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

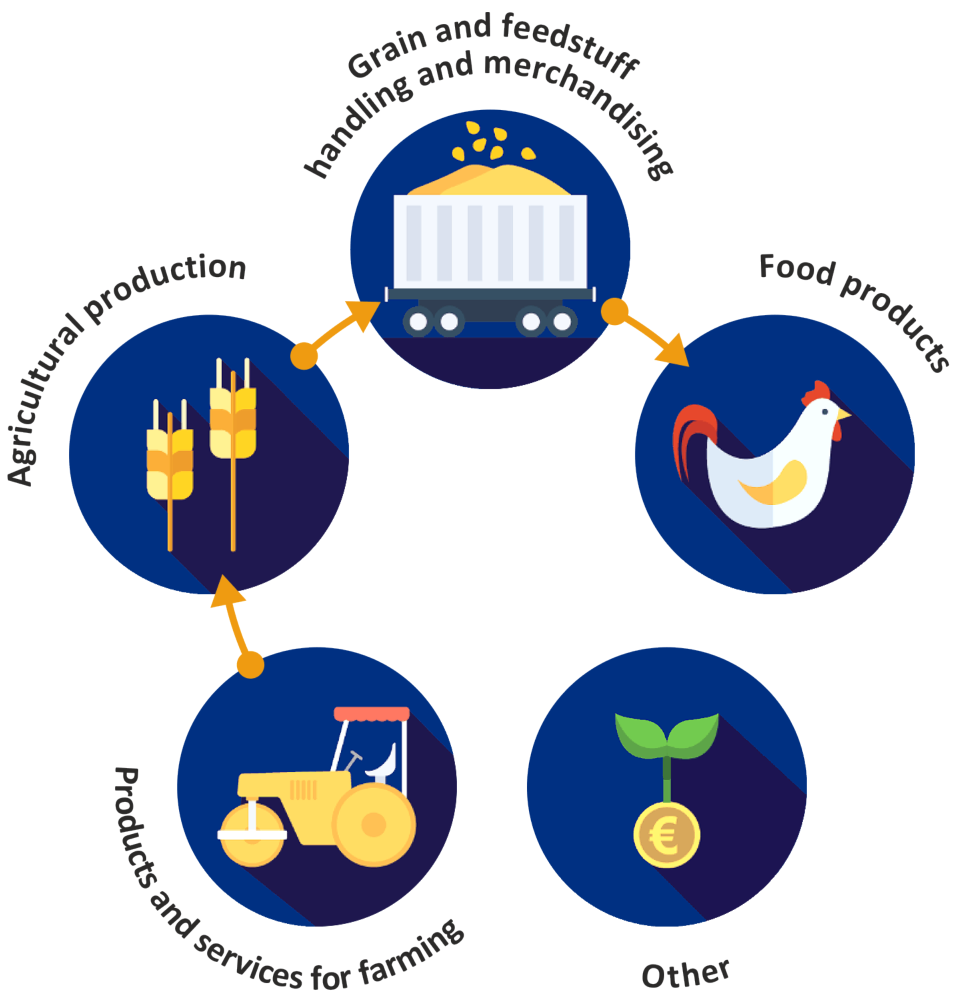
The Company does not have any branches and representative offices.

Activities

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

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

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

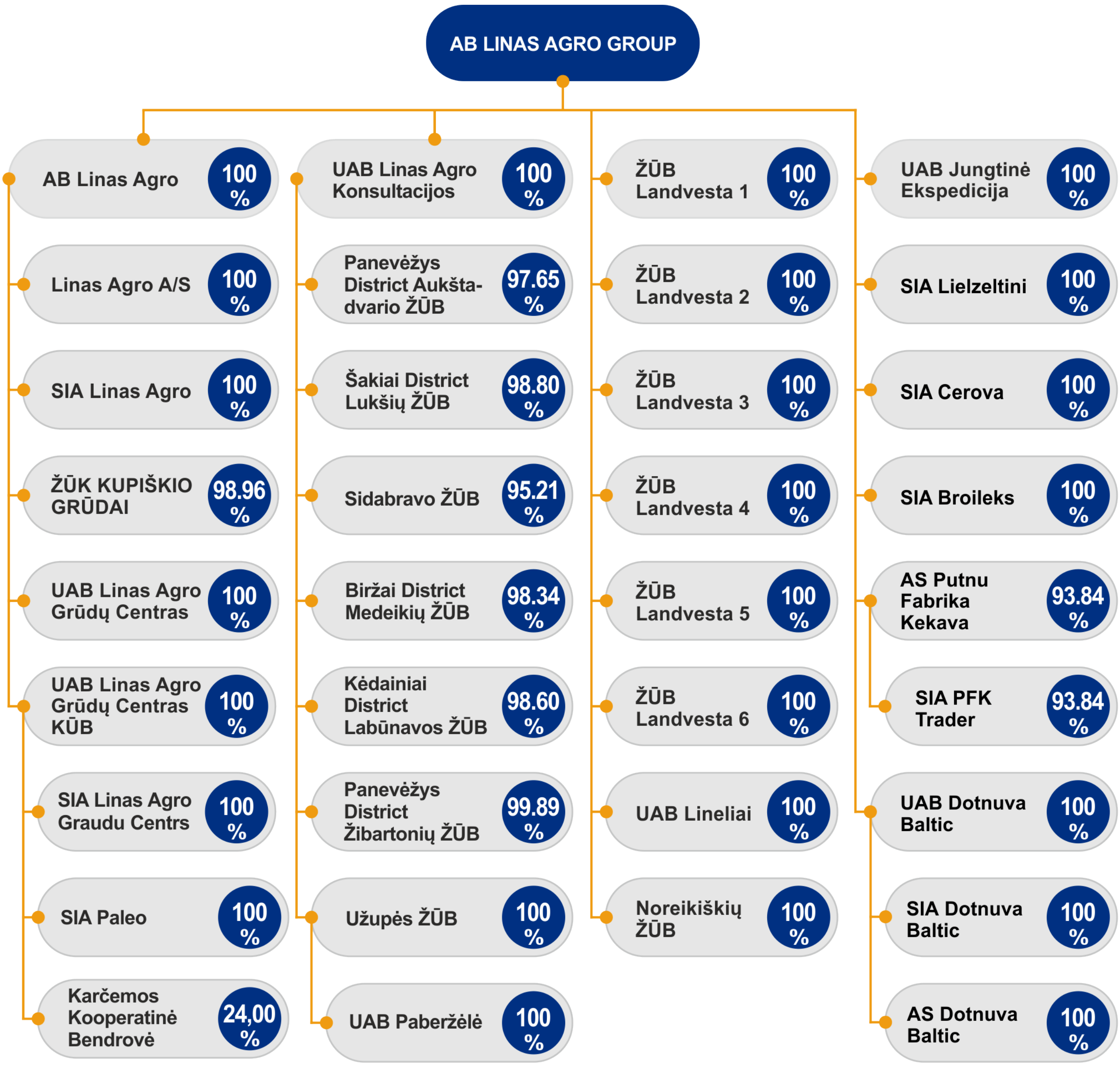


Information about subsidiaries of the company

The Company controlled 38 companies* in Lithuania, Latvia, Estonia and Denmark as at 30 June, 2017.

**Dormant companies UAB Gerera (100% shares), UAB Dotnuvos Technika (100% shares) and SIA Erfolg Group (93.84% shares) not included).*

Structural chart of the effective stock held by AB Linas Agro Group as at 30 June, 2017:



Shareholding structure of the companies

As at 30 June 2017, 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 Dotnuva Baltic) 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 Dotnuva Baltic	
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	37.61%	62.37%		0.02%		100%
SIA Linas Agro Graudu Centrs	Subsidiary	UAB „Linas Agro“ Grūdų centras KŪB owns 100% shares of the company					100%
SIA Paleo	Subsidiary	UAB „Linas Agro“ Grūdų centras KŪB owns 100% shares of the company					100%
UAB Linas Agro Konsultacijos	Subsidiary	100%					100%
Noreikiškių ŽŪB	Subsidiary	99.95%		0.05%			100%
Panevėžys District Aukštadvario ŽŪB	Subsidiary			97.65%			97.65%
Sidabravo ŽŪB	Subsidiary			95.21%			95.21%
Šakiai District Lukšių ŽŪB	Subsidiary			98.80%			98.80%
Biržai District Medeikių ŽŪB	Subsidiary			98.34%			98.34%
Kėdainiai District Labūnavos ŽŪB	Subsidiary			98.60%			98.60%
Užupės ŽŪB	Subsidiary	0.05%		99.95%			100%
UAB Paberžėlė	Subsidiary	Užupės ŽŪB owns 100% shares of the company					100%
UAB Lineliai	Subsidiary	100%					100%
Panevėžys District Žibartonių ŽŪB	Subsidiary	0.05%		49.02%	Užupės ŽŪB owns 50.82% parts of the company		99.89%
ŽŪB Landvesta 1	Subsidiary	76.47%	23.53%				100%

Company	Status	Share of the stock held by companies: AB Linas Agro Group	AB Linas Agro	UAB Linas Agro Konsultacijos	UAB Linas Agro Grūdų Centras	UAB Dotnuva Baltic	Share of the stock held by the Group
ŽŪB Landvesta 2	Subsidiary	76.97%	23.03%				100%
ŽŪB Landvesta 3	Subsidiary	13.91%	86.09%				100%
ŽŪB Landvesta 4	Subsidiary	26.42%	73.58%				100%
ŽŪB Landvesta 5	Subsidiary	65.71%	34.29%				100%
ŽŪB Landvesta 6	Subsidiary	15.51%	84.49%				100%
ŽŪK KUPIŠKIO GRŪDAI	Subsidiary	Lukšių ŽŪB, Aukštadvario ŽŪB and Sidabravo ŽŪB helds 6.29%, Medeikių ŽŪB – 31.45%, AB Linas Agro – 49.69% parts of the company					98.49%
UAB Dotnuva Baltic	Subsidiary	100%					100%
SIA Dotnuva Baltic	Subsidiary					100%	100%
AS Dotnuva Baltic	Subsidiary					100%	100%
UAB Jungtinė Ekspedicija	Subsidiary	100%					100%
Karčemos Kooperatinė Bendrovė***	Subsidiary	UAB Linas Agro Grūdų centras KŪB owns 20% parts of the company and Panevėžys District Žibartonių ŽŪB own 4% parts of the company					24%

**** The Group owns 24% parts of Karčemos Kooperatinė Bendrovė, but controls this company and consolidates in the financial statements.*

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**	
AS Putnu Fabrika Kekava	Subsidiary	57.56%		36.28%	93.84%
SIA PFK Trader	Subsidiary		100%		93.84%
SIA Lielzeltini	Subsidiary	100%			100%
SIA Cerova	Subsidiary	100%			100%
SIA Broileks	Subsidiary	100%			100%

Activities and contact data of the companies of the Group*

** Dormant companies are not included:*

1. *UAB Gerera, private limited liability company, founded 15/1/1993, code of legal entity 147676584, address Smėlynės St. 2C, LT-35143 Panevėžys, Lithuania, company register – State Enterprise Centre of Registers (Valstybės įmonė Registrų centras);*
2. *UAB Dotnuvos Technika, private limited liability company, founded 25/6/1998, code of legal entity 161452398, address Parko St. 6, Akademija, LT-58351 Kėdainiai District, Lithuania, company register – State Enterprise Centre of Registers (Valstybės įmonė Registrų centras).*
3. *SIA Erfolg Group, private limited liability company, founded 30/11/2009, code of legal entity 50103261581, address Gaismas iela 2A-48, Kekava, Kekava district, Latvia, company register – Register of Enterprises of the Republic of Latvia.*

Subsidiaries in Lithuania

Company name	Principal activities	Registration date, code of legal entity, legal form, company register	Contact data
AB Linas Agro	Wholesale trade of grains and oilseeds, feedstuffs and agricultural inputs supply	8/7/1991, Code of legal entity 1473 28026, public limited liability company, Register of Enterprises of Republic of Lithuania, VĮ Registrų centras	Smėlynės St. 2C, LT-35143 Panevėžys, Lithuania Ph. +370 45 507 333 Fax +370 45 507 444 E-mail *info@linasagro.lt* *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 Ph. +370 45 507 365 Fax +370 45 507 344 E-mail *grudai@linasagro.lt*
UAB Linas Agro Grūdų Centras KŪB	Grain processing and storage	10/7/2002, Code of legal entity 148451131, limited partnership, Register of Enterprises of Republic of Lithuania, VĮ Registrų centras	Smėlynės St. 2C, LT-35143 Panevėžys, Lithuania Ph. +370 45 507 343 Fax +370 45 507 344 E-mail *grudu.centras@linasagro.lt*
UAB Linas Agro Konsultacijos	Management of subsidiary farming companies	23/6/2003, Code of legal entity 248520920, private limited liability company, Register of Enterprises of Republic of Lithuania, VĮ Registrų centras	Žibuoklių St. 14, LT-57125 Kėdainiai, Lithuania Ph. +370 688 674 29 E-mail *konsultavimas@linasagro.lt*
ŽŪB Landvesta 1	Rent and management of agricultural purposes land	21/10/2005, Code of legal entity 300501060, agricultural company, Register of Enterprises of Republic of Lithuania, VĮ Registrų centras	Smėlynės St. 2C, LT-35143 Panevėžys, Lithuania Ph. +370 45 507 406 Fax +370 45 507 404 E-mail *info@landvesta.lt*
ŽŪB Landvesta 2	Rent and management of agricultural purposes land	21/10/2005, Code of legal entity 300501085, agricultural company, Register of Enterprises of Republic of Lithuania, VĮ Registrų centras	Smėlynės St. 2C, LT-35143 Panevėžys, Lithuania Ph. +370 45 507 406 Fax +370 45 507 404 E-mail *info@landvesta.lt*
ŽŪB Landvesta 3	Rent and management of agricultural purposes land	21/10/2005, Code of legal entity 300501092, agricultural company, Register of Enterprises of Republic of Lithuania, VĮ Registrų centras	Smėlynės St. 2C, LT-35143 Panevėžys, Lithuania Ph. +370 45 507 406 Fax +370 45 507 404 E-mail *info@landvesta.lt*

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 Ph. +370 45 507 406 Fax +370 45 507 404 E-mail *info@landvesta.lt*
ŽŪB Landvesta 5	Rent and management of agricultural purposes land	16/8/2007, Code of legal entity 301019661, agricultural company, Register of Enterprises of Republic of Lithuania, VĮ Registrų centras	Smėlynės St. 2C, LT-35143 Panevėžys, Lithuania Ph. +370 45 507 406 Fax +370 45 507 404 E-mail *info@landvesta.lt*
ŽŪB Landvesta 6	Rent and management of agricultural purposes land	14/1/2008, Code of legal entity 301520074, agricultural company, Register of Enterprises of Republic of Lithuania, VĮ Registrų centras	Smėlynės St. 2C, LT-35143 Panevėžys, Lithuania Ph. +370 45 507 406 Fax +370 45 507 404 E-mail *info@landvesta.lt*
UAB Dotnuva Baltic	Sale of seeds, agricultural machinery	5/3/1996, Code of legal entity 261415970, private limited liability company, Register of Enterprises of Republic of Lithuania, VĮ Registrų centras	Parko St. 6, Akademija, 58351 Kėdainiai district, Lithuania Ph.+370 347 370 30 Fax +370 347 370 40 E-mail *info@dotnuvabaltic.lt* *www.dotnuvabaltic.lt*
Noreikiškių ŽŪB	Rent and management of agricultural purposes land	16/8/2012, Code of legal entity 302841649, agricultural company, Register of Enterprises of Republic of Lithuania, VĮ Registrų centras	Žibartonių St. 70, Žibartoniai vill. LT-38323 Panevėžys district, Lithuania Ph.+370 45 507 333 Fax +370 45 507 444 E-mail *noreikiskes@linasagro.lt*
Užupės ŽŪB	Mixed agricultural activities	6/4/2011, Code of legal entity 302612561, agricultural company, Register of Enterprises of Republic of Lithuania, VĮ Registrų centras	Liaudės St. 81, Užupės vill. LT-58311 Kėdainiai district, Lithuania Ph. +370 698 58583 E-mail *uzupe@linasagro.lt*
UAB Paberžėlė	Rent and management of agricultural purposes land	30/6/2008, Code of legal entity 301772627, private limited liability company, Register of Enterprises of Republic of Lithuania, VĮ Registrų centras	Liaudės St. 81, Užupės vill., LT-58311 Kėdainiai district, Lithuania Ph. +370 698 58583 E-mail *paberzele@linasagro.lt*
UAB Lineliai	Rent and management of agricultural purposes land	9/3/2012, Code of legal entity 302740714, private limited liability company, Register of Enterprises of Republic of Lithuania, VĮ Registrų centras	Smėlynės St. 2C, LT-35143 Panevėžys, Lithuania Ph. +370 45 507 406 Fax +370 45 507 404 E-mail *lineliai@linasagro.lt*
Šakiai District Lukšių ŽŪB	Mixed agricultural activities	30/10/1992, Code of legal entity 174317183, agricultural company, Register of Enterprises of Republic of Lithuania, VĮ Registrų centras	Lukšių vill. 2, LT-71176 Šakiai district, Lithuania Ph. +370 345 442 88 Fax +370 345 442 25 E-mail *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 Ph. + 370 347 34 4166 Fax. + 370 347 34 180 E-mail *labunava@linasagro.lt*

Company name	Principal activities	Registration date, code of legal entity, legal form, company register	Contact data
Biržai District Medeikių ŽŪB	Growing and sale of crop	5/10/1992, Code of legal entity 154771488, agricultural company, Register of Enterprises of Republic of Lithuania, VĮ Registrų centras	Biržų St.32, Medeikių vill., LT-41462 Biržai district, Lithuania Ph. +370 450 584 22 Fax +370 450 584 12 E-mail *medeikiai@linasagro.lt*
ŽŪK KUPIŠKIO GRŪDAI	Grain processing and storage	8/4/1999, Code of legal entity 160189745, co-operative society, Register of Enterprises of Republic of Lithuania, VĮ Registrų centras	Technikos St. 6D, LT-40122 Kupiškis, Lithuania Ph./Fax +370 459 529 16 E-mail *info@kupiskiogrudai.lt*
Panevėžys District Aukštadvario ŽŪB	Mixed agricultural activities	9/3/1993, Code of legal entity 168573274, agricultural company, Register of Enterprises of Republic of Lithuania, VĮ Registrų centras	Pirties St. 3, Aukštadvario vill. LT-38255 Panevėžys district, Lithuania Ph./fax +370 45 592 651 E-mail *aukstadvaris@linasagro.lt*
Sidabravo ŽŪB	Mixed agricultural activities	20/4/1993, Code of legal entity 171331516, agricultural company, Register of Enterprises of Republic of Lithuania, VĮ Registrų centras	Pergalės St. 1A, Sidabravas, LT-82251 Radviliškis district, Lithuania Ph. +370 422 477 27 Fax +370 422 476 18 E-mail *sidabravas@linasagro.lt*
UAB Jungtinė Ekspedicija	Logistics and forwarding services	17/2/1998, Code of legal entity 141642963, private limited liability company, Register of Enterprises of Republic of Lithuania, VĮ Registrų centras	I. Kanto g. 12-3, LT-92235 Klaipėda, Lithuania Ph. +370 46 310 163 Fax +370 46 312 529 E-mail *info@je.lt* *www.je.lt*
Panevėžys District Žibartonių ŽŪB	Mixed agricultural activities	22/5/1992, Code of legal entity 168521815, agricultural company, Register of Enterprises of Republic of Lithuania, VĮ Registrų centras	Žibartonių St. 74, Žibartoniai vill., LT-78323 Panevėžys district, Lithuania Ph. +370 45 557 444 Fax +370 45 557 486 E-mail *zibartoniai@linasagro.lt*
Karčemos Kooperatinė Bendrovė	Grain processing and storage	9/3/2010, Code of legal entity 302487798, co-operative society, Register of Enterprises of Republic of Lithuania, VĮ Registrų centras	Šiaulių St. 72, Gustonys vill. LT-38355 Panevėžys district, Lithuania Ph. +370 45 454 051 Fax +370 45 454 054 E-mail *priemimas@karcemoskb.lt*

Subsidiaries operating in foreign countries

Company name	Principal activities	Registration date, code of legal entity, company register	Contact data
Linas Agro A/S	Wholesale trade of grains and oilseeds, feedstuffs and other similar products and services	15/3/1994, Code of legal entity CVR 17689037, register of the company – Danish Commerce and Companies Agency	Vinkel Allé 1, DK-9000 Aalborg, Denmark Ph. +45 988 430 70 Fax +45 988 440 07 E-mail *info@linasagro.dk* *www.linasagro.dk*

Company name	Principal activities	Registration date, code of legal entity, company register	Contact data
SIA Linas Agro	Wholesale trade of grains and oilseeds, agricultural inputs supply	23/4/2003, Code of legal entity 53603019011, Register of Enterprises of the Republic of Latvia	Bauskas St. 2, LV-3001 Jelgava, Latvia Ph. +371 630 840 24 Fax +371 630 842 24 E-mail *info@linasagro.lv* *www.rapsim.lv*
SIA Linas Agro Graudu Centrs	Grain processing and storage	2/5/2013, Code of legal entity 43603059101, Register of Enterprises of the Republic of Latvia	„Jaunsalieši“, LV-5202 Jekabpils, Latvia Ph. +371 220 001 82 E-mail *graudu.centrs@linasagro.lv*
SIA Paleo	Warehousing services	15/2/2000, Code of legal entity 40003480783, Register of Enterprises of the Republic of Latvia	„Iecavas baze“, Iecavas nov., LV-3913 Latvia Ph. +371 639 415 41 Fax +371 639 419 55 E-mail *paleo@linasagro.lv*
SIA Dotnuva Baltic	Sale of seeds, agricultural machinery	26/04/2010, Code of legal entity 43603041881, Register of Enterprises of the Republic of Latvia	Jūrmalas St. 13C, Pinki, LV–2107 Babītes district, Latvia Ph. +371 679 131 61 Fax +371 677 602 52 E-mail *info@dotnuvabaltic.lv* *www.dotnuvabaltic.lv*
AS Dotnuva Baltic	Sale of seeds, agricultural machinery	11/11/2010, Code of legal entity 12019737, Estonian Central Register of Securities (Eesti Väärtpaberikeskus AS)	Savimäe 7, Vahi 60534, Tartu district, Estonia Ph. +372 661 2800 Fax +372 661 8004 E-mail *info@dotnuvabaltic.ee* *www.dotnuvabaltic.ee*
AS Putnu Fabrika Kekava	Poultry farming, production and marketing of poultry and poultry products	11/6/1991, Code of legal entity 50003007411, Register of Enterprises of the Republic of Latvia	Kekava, Kekava district, LV-2123 Latvia Ph. +371 6787 4000 Fax +371 6787 4001 E-mail *info@pfkekava.lv* *www.vistas.lv*
SIA PFK TRADER	Food retail	26/8/2013, Code of legal entity 40103703853, Register of Enterprises of the Republic of Latvia	Kekava, Kekava district, LV-2123 Latvia Ph. +371 6787 4000 Fax +371 6787 4001 E-mail *info@pfkekava.lv* *www.vistas.lv*
SIA Lielzeltini	Poultry farming, production and marketing of poultry and poultry products, feed production	7/7/1994, Code of legal entity 40003205232, Register of Enterprises of the Republic of Latvia	„Mazzeltini“, Janeikas, Bauskas district, Latvia Ph. +371 6396 0770 Fax +371 6396 0768 E-mail *lielzeltini@lielzeltini.lv* *www.lielzeltini.lv*
SIA Broileks	Chicken breeding and sale	7/12/2009, Code of legal entity 50103262981, Register of Enterprises of the Republic of Latvia	Gaismas St. 2A-48, Kekava LV-2123, Latvia Ph./Fax +371 67313182

Company name	Principal activities	Registration date, code of legal entity, company register	Contact data
SIA Cerova	Egg incubation and chicken sale	8/10/2003, Code of legal entity 43603019946, Register of Enterprises of the Republic of Latvia	Centra St. 11, Musa, Bauskas district, Latvia Ph. +371 2633 4110 Fax +371 6392 6234 E-mail *cerova@latnet.lv*

4. Activity and financial results of the Group

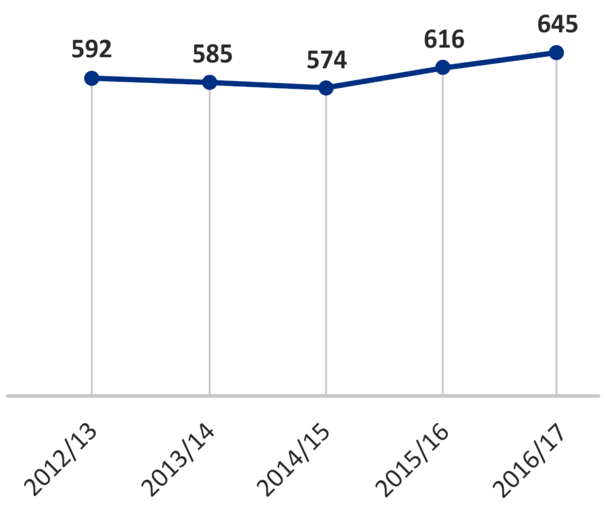
- Consolidated revenue of AB Linas Agro Group for 2016/17 financial year totaled EUR 645 million and was 4.7% more as compared to previous year (EUR 616 million).
- The Group's sales volume in tons reached 2.36 million of various grains and agricultural inputs and was 8% more as compared to previous year (2.18 million tons).
- The gross profit reached EUR 46 million or was 16% higher than a year before (EUR 40 million).
- Consolidated EBITDA was almost 33% higher and amounted to almost EUR 22.7 million as compared to the previous year (EUR 17.1 million).
- The Group's operating profit reached EUR 12 million or was 67% more as compared to the respective period of the previous year (EUR 7 million).
- Profit before taxes amounted to almost EUR 10 million (compared to EUR 5 million in previous year). The net profit attributable to the Group stood at EUR 8 million (EUR 4 million in 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.
- The Group's own storage capacity for various grains and other products in Lithuania and Latvia exceeds 379 thousand tons, where 256 thousand tons are used for grains and 123 thousand tons for fertilisers.

Financial ratios

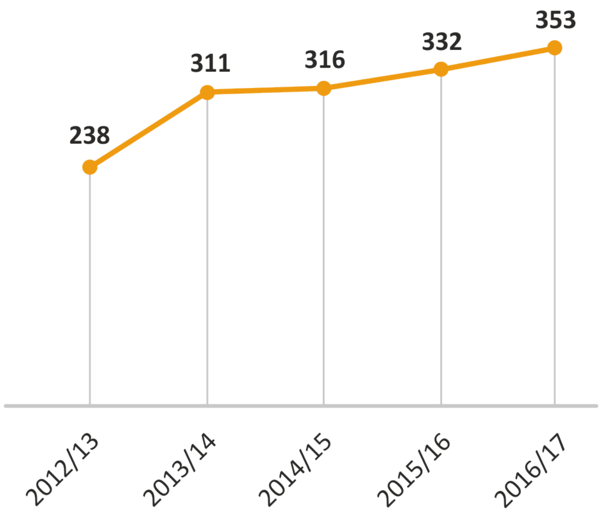
	2013/14	2014/15	2015/16	2016/17	Change 2016/17 compared to 2015/16 (thousand EUR)	Change 2016/17 compared to 2015/16 (%)
Sales revenues (thousand EUR)	**584,557**	**573,766**	**615,961**	**644,952**	**28,991**	**4.7**
Sales in tons	**2,339,135**	**1,968,469**	**2,187,388**	**2,364,713**	**177,325**	**8.1**
Gross profit (thousand EUR)	43,199	41,480	39,847	46,276	6,429	16.1
EBITDA (thousand EUR)	**34,731**	**21,781**	**17,101**	**22,716**	**5,615**	**32.8**
Operating profit (thousand EUR)	26,287	12,337	7,198	12,054	4,856	67.5
Earnings before taxes EBT (thousand EUR)	24,005	10,360	5,282	10,045	4,763	90.2
Net profit (thousand EUR)	**23,639**	**9,194**	**3,918**	**8,408**	**4,490**	**114.6**
Margins, %						
Gross profit margin	7.39	7.23	6.47	7.18	0.71	10.9
EBITDA margin	5.94	3.80	2.78	3.52	0.75	26.9
Operating profit margin	4.50	2.15	1.17	1.87	0.70	59.9
Earnings before taxes margin	4.11	1.81	0.86	1.56	0.70	81.6
Net profit margin	4.04	1.60	0.64	1.30	0.67	104.9
Solvency ratios						
Current ratio	1.63	1.59	1.42	1.43	0.01	0.7
Debt / Equity ratio	0.66	0.63	0.60	0.65	0.06	9.2
Net financial debt / EBITDA	2.63	4.30	5.14	4.40	(0.73)	(14.3)
Return on equity (ROE), %	15.54	5.79	2.55	4.98	2.44	95.7
Return on capital employed (ROCE), %	10.05	3.99	2.80	4.33	1.53	54.6
Return on assets(ROA), %	7.60	2.91	1.18	2.38	1.20	102.2
Basic and diluted earnings per share (LTL) (EPS)	0.52	0.06	0.03	0.05	0.02	66.7
Price earnings ratio (P/E)*	4.55	11.42	22.17	12.88	(9.29)	(41.9)

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

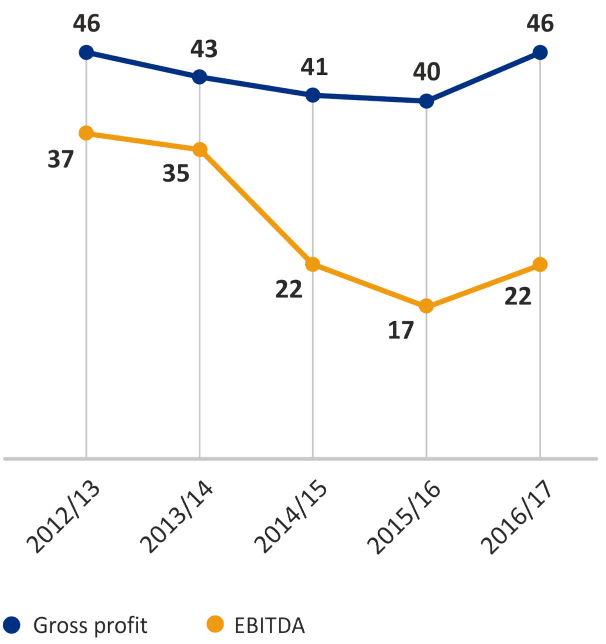
SALES REVENUE, EUR MILLION



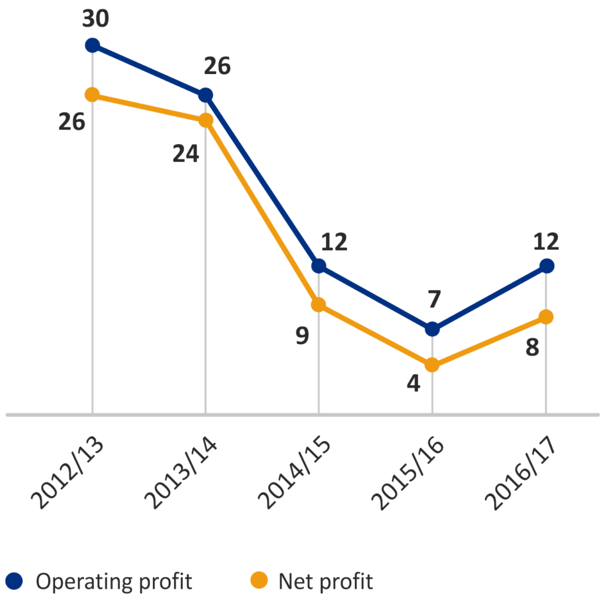
ASSETS, EUR MILLION



GROSS PROFIT AND EBITDA, EUR MILLION



OPERATING AND NET PROFIT, EUR MILLION



Overview

Despite the lower harvest in the Baltic countries in 2016 (9.7 million tons) as compared to 2015 (11 million tons), Group's total sales volume in tons grew by 8.1% and amounted to 2.36 million tons (2.18 million tons in FY2015/16). Due to accelerated sales of various grains originated from Lithuania and Latvia the sales volumes of grain and feedstuff grew by 11% from 1.8 million tons to 2 million tons. Although, sales volumes of other products slightly dropped: sales in agricultural production dropped by 1%, in various inputs to farmers – by 2% and food products – by 2% as well.

The major part of the production sold by the Group is exported - trade with foreign countries accounted for almost 74% revenue. The major export destinations are European (45%), Asian (21%) and African (5%) countries.

The consolidated revenue of AB Linas Agro Group of this financial year amounted to EUR 645 million and grew by 4.7% compared to previous year (EUR 616 million). The main reasons that had a positive impact on the revenue growth were increased sales in grain, oilseeds and feedstuff businesses, where sales revenue went up from EUR 387 million to EUR 415 million. Decline in crop yield in agricultural companies controlled by the Group have negatively affected their sales, although recovery of raw milk prices partly compensated the decline: the revenue gained from farming dropped by some 1% from EUR 27.1 million to EUR 26.8 million. Revenue gained from poultry business went up 1% and was EUR 61 million compared to EUR 60 million the year before. The revenue gained from products and services for farming slightly dropped from EUR 168 million in FY 2015/16 to EUR 165 million.

The cost of goods and services of the Group increased from EUR 576 million to EUR 599 million (3.9%). The main reason for the increase in the cost was a 7% increase in the grain and feedstuffs trading volumes. Due to diminished service fees from logistic companies and ports, logistics expenses, accounting for 8% of the total cost, dropped from EUR 45 million to EUR 41 million. The gross profit of AB Linas Agro Group for the 2016/17 financial year grew by 16% and was reported at EUR 46.3 million(EUR 39.8 million in previous year).

During the reporting period the consolidated operating costs of the Group accounted for EUR 34.1 million, and were 1.5% higher compared to previous period (EUR 33.6 million). A major contributor to the growth of the costs was the increase in the labour costs that grew by nearly 2% due to the overall increase in wages in the Baltics'. The costs were also pushed up by the expenses related to consultations as those increased from EUR 1 million to EUR 1.3 million. Those expenditures are mostly related to inter-company transactions.

The operating profit of AB Linas Agro Group soared from EUR 7.2 million to nearly EUR 12.1 milllion. One of the reasons that positively influenced the performance of the Group was the change in the value of the biological assets. At the end of the financial year the change in the market value of the crops, animals and poultry was positive and accounted for EUR 2.5 million; the overall increase in the value included an EUR 2.1 million increase in the value of crops, animals and livestock and EUR 0.34 million as an increase in the value of poultry as compared to the previous year. As an opposite, change in the value of biological assets in the previous financial year was negative and amounted to EUR 2.8 million.

The Group's consolidated earnings before interest, taxes, depreciation and amortization (EBITDA) were reported at EUR 22.7 million (EUR 17.1 million in 2015/16 financial year). Should the change in the value of the biological assets be eliminated, the Group's EBITDA would account for nearly EUR 20.2 million.

Since there were no significant acquisitions or sales of other companies, the Group's other income, unlike in previous year, corresponded to the usual activities and amounted to EUR 1.7 million as compared to EUR 1.5 million in 2015/16 financial year. Other operating expenses accounted for EUR 1.8 million compared to EUR 0.6 million to that of the previous year.

The Group suffered a loss of EUR 2.0 million from its financial and investment operations – similar to that in 2015/16 financial year (EUR 1.9 million). Financial costs during the accounting period reached EUR 2.9 million, and were up 18% from those in 2015/16 financial year (EUR 2.4 million). This is due to increased investments into long term assets and financial loans for working capital as total loan portfolio of the Group increased.

The volume of the Group's financial debts increased from EUR 95 million to EUR 109 million. A major share (71% or EUR 77 million) of the Group's financial debts was represented by short-term loans intended for funding the working capital.

The Group's net profit was reported at EUR 8.4 million and accelerated twice since 2015/16 financial year (EUR 3.9 million). The net profit allocated to the Company's shareholders was EUR 8.3 million (EUR 4.1 million in 2015/16 financial year).

Cash flows and liquidity

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

As of the balance sheet date the Group had nearly EUR 9 million in cash and cash equivalents (EUR 7 million in FY 2014/15), its current solvency ratio was 1.43. The debt and equity ratio was 0.65 (0.60 last year). The Group's ratio of the net debt and the consolidated earnings before interest, taxes, depreciation and amortization (EBITDA) dropped from 5.14 to 4.40. Should the impact of the biological assets upon EBITDA be eliminated, the relative ratio would be 4.9. The Group's financial debts accounted for EUR 109 million (exclusive the obligations under leasing (financial lease), and grew by 15% from EUR 95 million in FY 2015/16. The Group's short-term debt share accounted for 80%, their major part was allocated for funding of the working capital, such debts are secured by inventories and amounts receivable. Borrowings increased as short-term loans to finance trade activity went up as sales of various agricultural inputs to the farmers increased and stock grew as well. Also long-term loans due to undergoing investments into poultry business were higher.

Group's cash flow from operating activities before the changes in working capital were positive and amounted to EUR 20.6 million as compared to EUR 17 million of the corresponding period of the previous year. Cash flow from operating activities after changes in working capital was positive and amounted to EUR 5.9 million (positive EUR 23 million over the respective period of 2015/16 financial year), the reason was Group's payment to its suplyers.

The Group's cash flow from investment activity was negative and amounted to EUR 14.3 million (compared to EUR 13.3 million in the financial year 2015/16). During the reporting period all companies managed by the Group were actively involved in development including the expansion of the grain storage network, upgrading and renewal of non-current assets used by agricultural companies, and investments into poultry business.

The Group's cash flow from financial activity was positive and were reported at EUR 10.3 million, to a large extent the figure was determined by the increase in the financial loans (change in the debt amounted to EUR 14 million).

The Group's cash equivalents at the end of the reporting period accounted for EUR 9 million compared to EUR 7 million in FY 2015/16.

AB Linas Agro Group is fully able to finance its main and investment activities. The Group finances its working capital and long-term investments at four major banks - AB SEB Bank, ABN AMRO Bank N.V., Swedbank AB and AB DNB bank. The overall credit line held in these banks exceeds EUR 180 million.

Performance results by segments

Activities of the Group are divided into five business segments:

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

Operating profit (loss) by segments, thousand EUR

	2016/17	2015/16	2014/15	2013/14	2012/13
Grain and Feedstuff Handling and Merchandising	7,989	9,583	7,484	10,978	23,379
Products and Services for Farming	3,806	2,816	965	1,796	7,645
Agricultural Production	3,329	758	3,532	4,848	8,232
Food products	1,545	(1,246)	3,193	9,888	n.d.
Other	(196)	(176)	97	2,745	(72)

Grain and feedstuff handling and merchandising

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

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

'Oilseeds' means rapeseed, sunflower and flax seeds.

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

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

The Group has been operating in this area since 1991, this activity makes a major part of the Group's revenue. Companies that run this type of business are: AB Linas Agro (Lithuania), UAB Linas Agro Grūdų centras KŪB, ŽŪK Kupiškio Grūdai, Karčemos Kooperatinė Bendrovė, UAB Jungtinė Ekspedicija (Lithuania), SIA Linas Agro and SIA Linas Agro Graudu Centrs (Latvia), Linas Agro A/S (Denmark).

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, is ISCC (International Sustainability and Carbon certification) certified. AB Linas Agro received a GMP+ (European Good Manufacturing Practice) certification and SIA Linas Agro was ISCC certified during the reporting period.

The Group continuously increases the capacity of own grain storage facilities: over the reporting period, the Group invested more than EUR 6 million to the development of grain storage facilities. The development of elevator capacity was carried out, as well as working conditions for employees were improved. During the reporting period, the Group started to provide grain drying service in Rezekne (Latvia), using the acquired infrastructure of SIA Paleo. At the beginning of the next financial year, the Group will open a new grain storage facility in Kartena (Lithuania) and expand the storage capacity of other grain storage facilities in Lithuania. The total capacity of the Group's own storage facilities in Lithuania will increase by 76,400 tons.

Currently the Group's own storage capacity for various grains and inputs amounts to 379 thousand tons. The capacities of the storage facilities at ports operated by the Group reach 257,000 tons.

The total sales volume in this business Segment increased by 11.4% from 1.8 million tons to 2 million tons and sales revenue accelerated 7.4% from EUR 387 million to EUR 415 million. The sales of traditional crops (wheat, rapeseed, barley) grew by 10% to EUR 317 million while their trading volume in tons went up from 1.5 million to 1.7 million.

The sales of feedstuff in tons decreased by 15% mainly due to the poor harvest in one of sourcing regions and sales revenue dropped from EUR 95 million to EUR 91 million. The Group produced and sold almost 10 thousand tons of feed or almost 36% more than a year before.

Due to a lower grain harvest in the region, grain storage facilities owned by the Group collected and processed over 457 thousand tons of various grains or 16% less as compared to the respective period of the 2015/16 financial year. Some grain elevators have been operating around the clock during the grain harvest season.The grain, harvested in autumn 2016 had high moisture content, and therefore revenue and profit earned by grain elevators from the drying service went up. The gross profit of the Group-owned grain elevators grew 2.9 times from EUR 1.1 million to EUR 3.2 million.

	2012/13	2013/14	2014/15	2015/16	2016/17	Change 2016/17 compared to 2015/16 (%)
Sales in tons	1,541,250	1,621,885	1,596,754	1,815,937	2,023,794	11.4
Sales revenue, thousand EUR	472,629	421,622	388,313	386,906	415,333	7.3
Gross profit, thousand EUR	29,227	18,795	13,318	15,835	15,561	-1.7
Gross profit margin	6.2%	4.5%	3.4%	4.1%	3.7%	-9.8

Operating profit of this business Segment dropped by some 17% from EUR 9.6 million to EUR 7.9 million as profit margins of grain and feedstuff trade decreased.

Products and services for farming

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

A supply of agricultural inputs (certified seeds, fertilizers, plant protection products) to farmers is a long term activity of the Group that trace back to 1993 and is currently run in Lithuania, Latvia and Estonia. The companies mostly engaged in this activity are: AB Linas Agro (Lithuania), SIA Linas Agro and SIA Paleo (Latvia), UAB Dotnuva Baltic (Lithuania) with its subsidiaries in Latvia and Estonia. UAB Dotnuva Baltic has received a certificate in preparation and trade of organic seeds issued by the PE Ekoagros. Seeking to ensure the quality and efficiency of the services it offers to clients, UAB Dotnuva Baltic joined the Case IH's Red Excellence international quality network.

The Group represents strong brands and has an agricultural machinery service network in the Baltic States. Dotnuva Baltic has a seed preparation plant, the company's certified seed market share in Lithuania is the largest and accounts for 35.3%.

The Group expanded the range of plant protection products offered to farmers: it began to sell Cleave herbicide for grain, Cantus Gold fungicide for oilseed rape, Medax Max grain growth regulator, product for plant fertilization through leaves UBINAS NPK 20-20-20 and liquid phosphate fertilizers with manganese. The new seed varieties were introduced on the market: winter wheat Balitus, KWS Emil and Etana, summer wheat Wicki, summer forage barley Ema DS, winter oilseed rape KUGA, corn varieties Sy Talisman, Belmondo, Coriphee. Fertilizer assortment was supplemented with granulated and crushed limestone and fertilizers NPK 30-4-4. In the spring of 2017, Dotnuva Baltic became a representative of the grain mill manufacturer Arskametall (Finland) in all three Baltic countries, and began to sell stationary and mobile grain dryers for small and medium farms. It also started marketing a new niche product from an American manufacturer – straw choppers for forage and litter for large dairy farms – Haybuster.

The Group improved the sales teams, made the operation costs and management of warehouses more efficient, and improved service quality. Various promotional campaigns were launched, ranging from farmers' trips to Israel to the advice for taking care of plants in the TV show Svajonių ūkis, a mobile application for farmers – Rapsai.lt Technologijos – has been improved, work with the clients of the highest value and potential has been intensified, and periodicals for customers in Latvia are now being published.

UAB Dotnuva Baltic has implemented customer-oriented Scoro and Tasker programs that improve sales and service processes.

Investments in this business Segment were EUR 0.2 million. The bulk of it was directed for the modernization of the seed treatment line at the seed factory in Dotnuva.

Sales of goods to farmers were affected by the poor harvest in 2016 and the fall in grain prices. In addition, the changed priorities for allocating EU support funds and different absorption rates in the Baltic States during the period of 2016–2017 formed new trends in the market for new and second-hand machinery: large farmers renewed their investments, agricultural machinery lease and repos were intensified. Small market players have emerged in the market for services and spare parts in the Baltic States, which increased the supply of non-original parts and competition for certified services.

In the reporting period, the market for western tractors remained rather stable in Lithuania compared to previous years, however, in the second half of the financial year, a sharp 30% fall of the market for new machinery was recorded. The Latvian market was quite stable, and the market became more active at the end of the financial year. The Estonian market has remained at a similar level.

In the reporting period, there was a record demand for grain storage equipment, with Dotnuva Baltic working in the Baltic States with 48 objects. During the reporting period, 35 installation projects of grain storage facilities were implemented, which was 21% more than last year; the revenue from this activity increased by 60% to EUR 19 million.

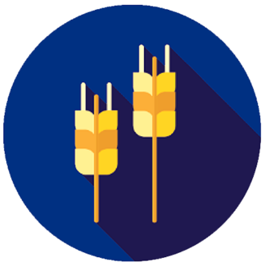
However, the Group strengthened its market positions in Latvia as 68 thousand tons of various fertilizers were sold by using the warehouses of SIA Paleo (Latvia) or 73% more as compared to previous year. Sales of various plant protection products and microelement fertilizers in Latvia also accelerated and grew by 56% and 70% accordingly.

Group's sales of new agricultural machinery decreased 6%. Revenue gained from sales and service of agricultural machinery and farming equipment dropped by 8% from EUR 60 million to EUR 55 million.

The decreased grain prices also had a negative impact on sales of various agricultural inputs (fertilizers, chemicals, seeds) where those dropped by 6% and amounted to EUR 87 million as compared to EUR 92 million a year ago.

	2012/13	**2013/14**	**2014/15**	**2015/16**	**2016/17**	**Change 2016/17 compared to 2015/16 (%)**
Sales in tons	144,197	205,298	215,947	224,184	203,541	-9.2
Sales revenue, thousand EUR	114,920	127,962	125,376	168,071	164,945	-1.9
Gross profit, thousand EUR	11,684	13,243	12,426	16,286	17,256	6.0
Gross profit margin	10.2%	10.3%	9.9%	9.7%	10.5%	8.2

The total revenue of this business Segment had slightly dropped from EUR 168 million to EUR 165 million. The gross profit of this business Segment went up from EUR 16.3 million to EUR 17.3 million and operating profit increased from EUR 2.82 million to EUR 3.81 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 or 1.5% more as compared to previous year. At the end of the reporting period the Group had 6,997 ha of own land.

9,058 ha of winter crops that has been planted in autumn 2016, the crops of winter wheat, triticale and barley (6,293 ha in total) looked good in June, 2017. Around 80% of winter oilseed rape crop looked good. In spring 5,418 hectares were sown with spring crops: 2,399 ha of barley, 1,186 ha of bean, 1,057 ha of wheat, 516 ha of peas, and 260 hectares of sugar beet. There was a lack of moisture in May, but the crop was in good condition in June.

The unfavorable weather conditions during the harvest period in 2016 influenced the 8% decrease to 90 thousand tons in Group's total agricultural production output as compared to previous year. The amount of harvested wheat was the largest one - almost 46 thousand tons, of malting barley - almost 12 thousand and of rapeseed - 9 thousand tons. The average yield of wheat was 6.52 t/ha (on average in Lithuania 4.75 t/ha), malting barley - 5.2 t/ha (average in Lithuania - 3.13 t/ha), rapeseed - 4.04 t/ha (average in Lithuania 2.82 t/ha).

Over 77 thousand tons of crop production was sold over referenced period, or 8% less than in previous year.

The Group controlled farms own over 3,240 milking cows. Over 29 thousand tons of raw milk has been sold over the referenced period, or 2% more as compared to previous year. The average milk yield per cow was 9,000 kg, while the average in Lithuania was 5,636 kg. According to 2016, the agricultural company Sidabravo ŽŪB was the fourth most efficient milk producer in Lithuania. Milk sales price was 30% higher than in previous years. Revenue from milk sales increased by 32% and exceeded EUR 9.2 million. Milk price stability is projected after the reporting period.

1,385 tons of meat has been sold or 9% more than in previous year.

The agricultural companies of the Group spent EUR 4.3 million to obtain agricultural machinery, installed grain siloses of 2,000 tonnes storage capacity, and renovated warehouse and farmhouse facilities.

	2012/13	**2013/14**	**2014/15**	**2015/16**	**2016/17**	**Change 2016/17 compared to 2015/16 (%)**
Sales in tons	77,484	100,319	113,531	117,219	107,875	-8.0
Sales revenue, thousand EUR	23,305	27,603	25,153	27,153	26,815	-1.2
Gross profit, thousand EUR	4,890	4,344	6,049	3,525	6,450	83.0
Gross profit margin	21.0%	15.7%	24.0%	13.0%	24.1%	85.4

The revenue of this business Segment went down 1.2% and amounted to EUR 26.8 million (EUR 27.0 million in 2015/16 year) as revenue from crop sales dropped from EUR 14.5 million to EUR 12.3 million.

The operating profit of the Segment after the changes in biological assets was positive and amounted to EUR 3.3 million (0.8 million profit was recorded in FY 2015/16). The fair value change of biological assets increased Segment's operating profit by EUR 2.1 million (a year ago this impact was negative and increased the operating loss by EUR 2 million).

Food products

This business Segment includes a full cycle poultry business, including incubation of hatching eggs, broiler breeding, production of poultry and its products, feed manufacturing for self-supply and retail sale of chicken meat and its products. Business is run by the Latvian companies AS Putnu Fabrika Kekava and its subsidiary SIA PFK Trader, SIA Lielzeltini, SIA Broileks and SIA Cerova.

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 company's products are marketed under the trademark "Top choice poultry" in the export markets. The subsidiary of the company, SIA PFK Trader operates 22 retail shops all over Latvia. During the reporting period, AS Putnu Fabrika Kekava received the BRC (British Retail Consortium) certification and ISO 50001:2012 certification, also has ISO 22000:2006 and Halal certification.

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. During the reporting period, the company received ISO 50001:2012 certification, also has ISO 22000:2006 and Halal certification.

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

The situation of the European Union poultry market has changed over the course of the financial year: from July 2016 to January 2017, prices in the market have remained steady, and since February 2017 they have slightly increased because of the widespread outbreak of avian influenza in Europe, which has led to a big number of poultry getting slaughtered in Europe, also the rising pork prices and a scandal of rotten Brazilian meat, which reduced the import of poultry to the EU. However, because of the excess production of poultry in the region, there is an active price pressure from the Polish and Lithuanian poultry producers. Average cost of chicken broiler in the EU in July 2016 – June 2017 was about EUR 178/100 kg, and in the same period the previous year it was about EUR 183/100 kg.

The poultry companies produced over 30.75 thousand tons of meat or 4% more as compared to previous year. Companies sold over 29.5 thousand tons of poultry and poultry products or 2% less than a year before. New export directions were Vietnam, Ukraine, Belarus and Armenia.

The Group invested over EUR 5.3 million during the referenced period to upgrade poultry production equipment. As a result, production capacity has increased, which will increase sales revenue in the future.

By investing in the creation of better conditions for birds' breeding, the Group has reduced the sickness rate of the birds. At the end of the reporting period, AS Putnu Fabrika Kekava started to sell chicken raised without antibiotics and became the first and the only poultry farm in the Baltics, which has the right to mark the production of chicken as "Raised without antibiotics".

	2012/13	2013/14	2014/15	2015/16	2016/17	Change 2016/17 compared to 2015/16 (%)
Sales in tons	-	17,023	40,881	30,048	29,503	-1.8
Sales revenue, thousand EUR	-	33,600	62,180	60,334	61,032	1.2
Gross profit, thousand EUR	-	5,657	9,642	4,496	6,987	55.4
Gross profit margin	-	16.8%	15.5%	7.5%	11.4%	52.0

Revenue from this business Segment slightly increased from EUR 60.3 million to EUR 61.0 million and previous operating loss of EUR 1.2 million has turned into operating profit amounting to EUR 1.5 million. Undergoing investments designated for modernization of production facilities resulted into higher profitability margins of certain products, also launching a new generation products "Raised without antibiotics" by the end of the financial year were the main contributors for increased profitability. A positive effect of fair value change in biological assets from negative EUR 0.7 million to positive EUR 0.34 million was a contributor as well. The consolidated EBITDA of the poultry companies amounted to EUR 5.2 million as compared to EUR 3.6 million in FY 2015/16.

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.

	2012/13	2013/14	2014/15	2015/16	2016/17	Change 2016/17 compared to 2015/16 (%)
Sales in tons	4,293	394,610	1,356	0	0	0
Sales revenue, thousand EUR	3,110	1,678	21	(246)	73	n.a.
Gross profit, thousand EUR	31	1,159	21	(261)	22	n.a.
Gross profit margin	1.0%	69.08%	100.0%	(6.1%)	30.1%	n.a.

The operating loss of this business Segment amounted to EUR 196 thousand as compared to a EUR 176 thousand loss in previous year.

Investments

During the reporting period the Group's subsidiaries have invested over EUR 18.6 million. Major investments of the Group by character:

Investment object	Investment amount, thousand EUR
Grain storage equipment, warehouses, buildings, various appliances and other machinery	6,239
Purchase and upgrade of agricultural machinery, vehicles, equipment, buildings and purchase of land	7,091
Modernization and renovation of poultry farms	5,310

Strategy and objectives of the Group

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

The main Group's objective is sustainable growth. The Group will strengthen its position in the Baltic and Scandinavian markets, plans to expand operations in Central European countries.

As Group's activities are subdivided into four basic operating Segments, the long-term objectives in each are different:

'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.

'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.

'Food products': to expand the capacity of poultry cultivation, produce 5 percent more poultry.

'Agricultural Production': increasing productivity of agricultural companies.

5. The publicly disclosed information and other events of the reporting period

The publicly disclosed information

During the reporting period ended 30 June, 2017, the Company publicly disclosed and distributed via Nasdaq Vilnius GlobeNewswire system and in Company's website the following information:

31/5/2017 09:00 EET	AB Linas Agro Group notification about interim 9 months financial results of the financial year 2016/2017	Interim information	EN, LT
28/2/2017 10:00 EET	AB Linas Agro Group notification about interim 6 months financial results of the financial year 2016/2017	Half Yearly information	EN, LT
20/12/2016 16:00 EET	Notification on AB Linas Agro Group manager's related party transactions	Notification on transactions concluded by managers of the companies	EN, LT
15/12/2016 16:00 EET	AB Linas Agro Group Notification about acquisition of voting rights	Acquisition or disposal of a block of shares	EN, LT
15/12/2016 16:00 EET	Notification on AB Linas Agro Group manager's related party transactions	Notification on transactions concluded by managers of the companies	EN, LT
02/12/2016 09:02 EET	AB Linas Agro Group investor's calendar for the 2017	Other information	EN, LT
30/11/2016 09:33 EET	Notification about interim 3 months financial results of the financial year 2016/17	Interim information	EN, LT
28/10/2016 10:33 EEST	Decisions of the Annual General Meeting of AB Linas Agro Group Shareholders, Held on 27 October 2016	Notification on material event	EN, LT
28/10/2016 10:14 EEST	Procedure for the payout of dividends for the financial year ended 30 June 2016	Notification on material event	EN, LT
28/10/2016 10:14 EEST	AB Linas Agro Group notification about the Annual information of financial year 2015/2016	Annual information	EN, LT
04/10/2016 16:00 EEST	Notice on Annual General Meeting of Shareholders of AB Linas Agro Group	Annual information	EN, LT
31/8/2016 12:18 EEST	Notification about interim 12 months financial results of the financial year 2015/2016	Interim information	EN, LT

Other events during the reporting period

July 2016-June 2017	The authorized capital of Noreikiškių ŽŪB was increased by 77,000 euros.
July 2016-June 2017	The authorized capital of SIA Linas Agro Graudu Centrs was increased by 923,172 euros.
23/05/2017	The authorized capital of UAB Linas Agro Grūdų Centras KŪB was increased by 949,671.46 euros.
08/05/2017	The authorized capital of ŽŪK Kupiškio Grūdai was increased by 146,500 euros.
08/05/2017	The authorized capital of SIA Paleo was increased by 149,647 euros.
03/05/2017	The authorized capital of SIA Linas Agro was increased by 168,565 euros.
September 2016-March 2017	The company transferred 4,000 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 781,972.
July-December 2016	The authorized capital of ŽŪB Landvesta 5 was increased by 356,500 euros.
25/11/2016	The Company paid approved EUR 1,202 thousand dividends for the financial year ended 30 June 2016.
21/09/2016	The authorized capital of UAB Lineliai was increased by 90,000 euros.

Subsequent events

24/7/2017	The Company signed the Issuer's Securities Accounting Management Agreement with Šiaulių Bankas AB (code of legal entity 112025254, address: Tilžės St. 149, LT-76348 Šiauliai).
14/7/2017	The shareholders of Noreikiškių ŽŪB made a decision to increase the authorized capital of the company by 70,000 euros.
27/9/2017	The authorized capital of UAB Lineliai was increased by 80,000 euros.

6. Scope of risk and management thereof

Market risk

Market risk shall be understood as a risk to generate profit lower than planned if the tone of market prices is unfavorable. This may happen if market price fell below the intervention prices (minimal purchase prices for grains established by state authorities) as it would prevent the Group from receiving surplus profit. In a market situation when grain purchase prices fall due to certain reasons, intervention prices are used as a leverage to uphold a certain price level and thus to ensure guaranteed income to farmers. When intervention prices are higher than or identical to market prices, the Group sells the purchased grains to the agency and thus earns certain income which under regular market conditions would be lower than market prices. Starting from 2005, intervention prices are set by the EU and are calculated for two years in advance. The mechanism has not been applied so far; however, if intervention prices were applied, the Group would have been deprived of surplus profit.

In FY 2016/17 this risk did not manifest itself as regards the Company and the Group.

Risk related to activities of subsidiaries

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

This risk did not manifest itself as regards the Company and the Group in FY 2016/17.

Political risk

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

This risk did not manifest itself as regards the Company and the Group in FY 2016/17.

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 2016/17.

Counterparty risk

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

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

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

This risk did not manifest itself as regards the Company and the Group in FY 2016/17.

7. Employees

As at 30 June 2017 the number of employees of the Group was 2,217 or 44 employees less than as at 30 June 2016(2,261).

The number of employees of the Company remained unchanged and was 8 (8 as at 30 June 2016).

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 in EUR	
	30 June 2017	**30 June 2016**	**30 June 2017**	**30 June 2016**
Managers	133	141	2,517	2,492
Specialists	579	554	1,194	1,197
Workers	1,505	1,566	985	956
Total	**2,217**	**2,261**		

Distribution of employees of the group by education degree held:

	30 June 2017	30 June 2016
Graduate academic	447	485
Higher education	388	358
Secondary education	1,048	1,115
Primary	334	303
Total	**2,217**	**2,261**

Distribution of employees of the group by geographical locations:

	30 June 2017	30 June 2016
Lithuania	1,000	1,009
Latvia	1,179	1,205
Estonia	33	40
Denmark	5	7
Total	**2,217**	**2,261**

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.

8. Structure of the authorised capital

On 30 June, 2017 the authorized capital of the Company amounted to EUR 46,092,715.42. The authorized capital of the Company is divided into 158,940,398 ordinary registered non-certificated shares. The nominal value of one share is EUR 0.29. ISIN code of the shares is LT0000128092.

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

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

All shares issued by the Company grant equal rights to the Company's shareholders. The Company has not issued any shares of a class other than the aforementioned ordinary shares. Each ordinary share of the Company shall grant one vote at the General Meeting of Shareholders (except 781,972 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.

Information about the company's own shares

At the end of the reporting period, the Company holds 781,972 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.

9. Shareholders

The number of Company's shareholders at the end of the reporting period (30 June 2017) totaled 780.

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	118,435,838	**74.52%**
Individuals	1,501,011	**0.94%**
Resident investors		
Companies	3,351,672	**2.11%**
Individuals	35,651,877	**22.43%**
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, 2017:

	Number of shares held	Portion in the authorized capital and voting rights
Akola ApS (public company, company Code 2517487; registration address: Algade 31 9000 Aalborg, Denmark)	103,905,646	65.37%
Darius Zubas	17,049,995	10.73%

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.

10. The company’s bodies and their competence

The Company’s bodies shall be as follows:

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

The Supervisory Board shall not be formed in the Company.

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

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

General meeting of shareholders

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

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

In 2016/17 financial year, the Company held one (regular) general meeting of shareholders on 27 October 2016. The meeting was attended by the shareholders of the Company holding 79.44% of all voting shares of the Company, and five members of the Company's Board – Artūras Pribušauskas, Dainius Pilkauskas, Darius Zubas, Tomas Tumėnas and Vytautas Šidlauskas.

Board of the Company

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

The Company’s Board consists of 7 (seven) members to be elected for a period of 4 (four) years. All the Board’s member were re-elected for the new term of office on 27 October 2016.

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

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

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

2. During the election of the Company's board members, each shareholder of the Company shall have the number of votes which is equal to the number of votes carried by the shares held by him/her as multiplied by the number of members of the Board being elected. The shareholder shall distribute the votes at his/her own discretion, giving them for one or several candidates. Candidates who receive the greatest number of votes shall be elected.

3. If the number of candidates who received an equal number of votes is larger than the number of vacancies on the Company's Board, a repeat voting shall be held in which each shareholder may vote only for one of the candidates who received an equal number of votes.

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

The number of terms of Board members shall be unlimited.

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

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

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

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

As at 30 June 2017, the number of the Company's board members was 7. The Company does not have independent members of the Board.

In 2016/17 financial year the Company convened and held eight meetings of the Board, that were attended by all members of the Board, including the voting ballots submitted by members of the Board in advance.

The members of the Board (as at 30 June, 2017):

Darius Zubas | Vytautas Šidlaiskas | 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	27/10/2016	26/10/2020
Vytautas Šidlauskas	6,003,521 or 3.78% of shares	Deputy Chairman of the Management Board	27/10/2016	26/10/2020
Dainius Pilkauskas	480,281 or 0.3% of hares	Member of the Management Board	27/10/2016	26/10/2020
Arūnas Zubas	480,281 or 0.3% of shares	Member of the Management Board	27/10/2016	26/10/2020
Artūras Pribušauskas	11,000 or 0.01% of shares	Member of the Management Board	27/10/2016	26/10/2020
Tomas Tumėnas	2,200 or 0.001% of shares	Member of the Management Board	27/10/2016	26/10/2020
Andrius Pranckevičius	Does not have shares of the Company	Member of the Management Board	27/10/2016	26/10/2020

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

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

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

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

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

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

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

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

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

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

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

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

Activities of the Board members in other companies

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

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

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

The Head of the Company

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

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

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

Committees formed by the Company

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

The members of Audit Committee (as at 30 June 2017):

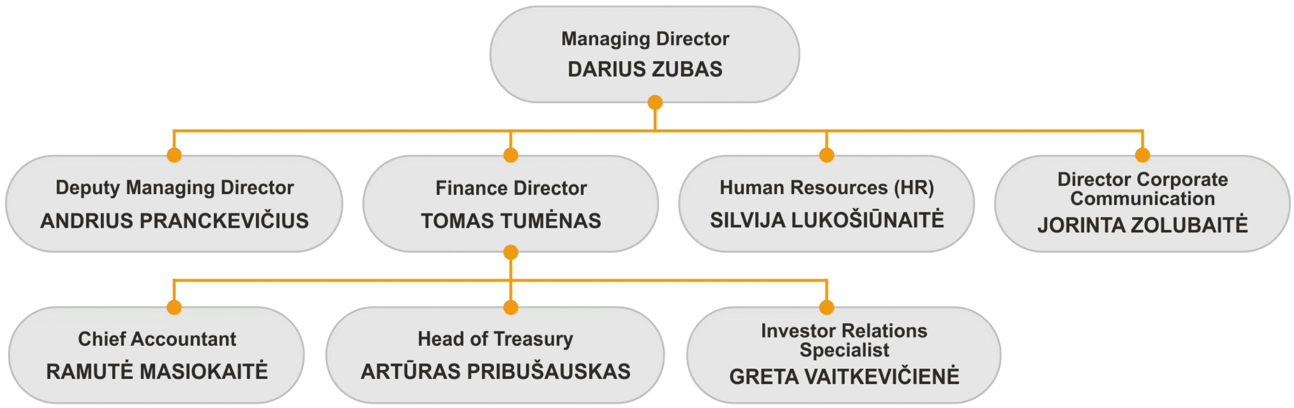
Andrius Drazdys – independent member of the Audit Committee. Term of office began on 30 October 2014, term of office ends on 30 October 2018. Does not own shares of the Company. Employed at UAB Vilniaus margarino gamykla as a Chief Finance Officer.

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 *Board of the Company*). 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 a Deputy Accountant General.

11. The Company's administration

The scheme of administrative management



Management of the Company as at 30 June 2017:

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 *Board of the Company*.

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 to EUR 9 thousand (excluding bonus for the Board of Directors).

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

Activities of the Company Management in other companies

Information about Darius Zubas, Andrius Pranckevičius, and Tomas Tumėnas is provided in the chapter *Board of the Company.*

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

12. Information about trade in the Company's securities in regulated markets

During the reporting period from 1 July 2016 to 30 June 2017, all 158,940,398 ordinary registered shares of the Company were included in the Official List of AB Nasdaq Vilnius Stock Exchange (ISIN Code of the shares is LT0000128092). The ticker of the shares on AB Nasdaq Vilnius Stock Exchange is LNA1L. Trading in the Company's shares on AB Nasdaq Vilnius Stock Exchange started on 17 February 2010.

Trade in the company's shares

Information on the automated execution transactions, prices of shares sold on AB Nasdaq Vilnius Stock Exchange and turnovers during the period from 1 July 2016 to 30 June 2017:

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 2016	0.825	0.655	965,147.20	0.00	0.568	2,434.60	30/09/2016	2,175,877	1,440,245.95
Q4 2016	0.659	0.631	653,284.10	0.00	0.638	0.00	30/12/2016	1,773,624	1,199,719.97
Q1 2017	0.655	0.637	80,089.92	0.00	0.651	0.00	31/03/2017	522,451	338,274
Q2 2017	0.661	0.627	163,108.40	0.00	0.660	18,911.26	30/06/2017	999,321	648,560.74

Capitalisation of the Company's shares

Date	Capitalization, EUR	Share Price, EUR
30/09/2016	104,582,781.88	0.658
30/12/2016	101,403,973.92	0,638
31/3/2017	103,470,199.10	0.651
20/6/2017	104,900,662.68	0.660

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 2016	0.66	0.65	0.65	1,533,504	4,718
Q4 2016	0.66	0.32	0.64	3,238,049	2,570
Q1 2017	0.65	0.64	0.65	283,458	3,200
Q2 2017	0.65	0.32	0.61	1,247,474	2,000

Agreements concluded with intermediaries of the public securities market

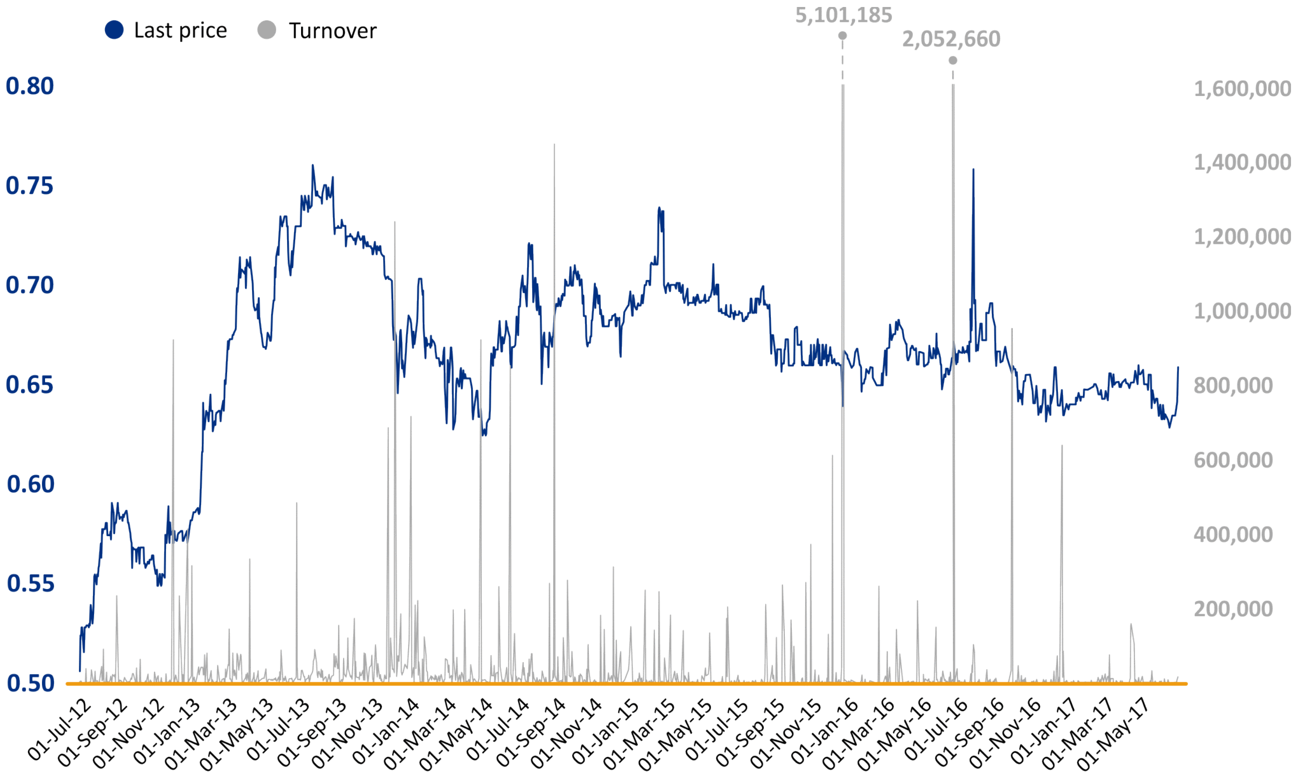
On 11 November 2009, the Company signed the Issuer's Securities Accounting Management Agreement with Swedbank, AB represented by the Securities Transactions Department (Code 112029651; address: Konstitucijos ave. 20A, LT-03502 Vilnius).

On July 24, 2017, the Company signed the agreement of the Issuer's securities accounting management contract with AB Šiaulių bankas, represented by the Securities Transactions Division (code 112025254, address: Šeimyniškių St 1A, LT-09312 Vilnius).

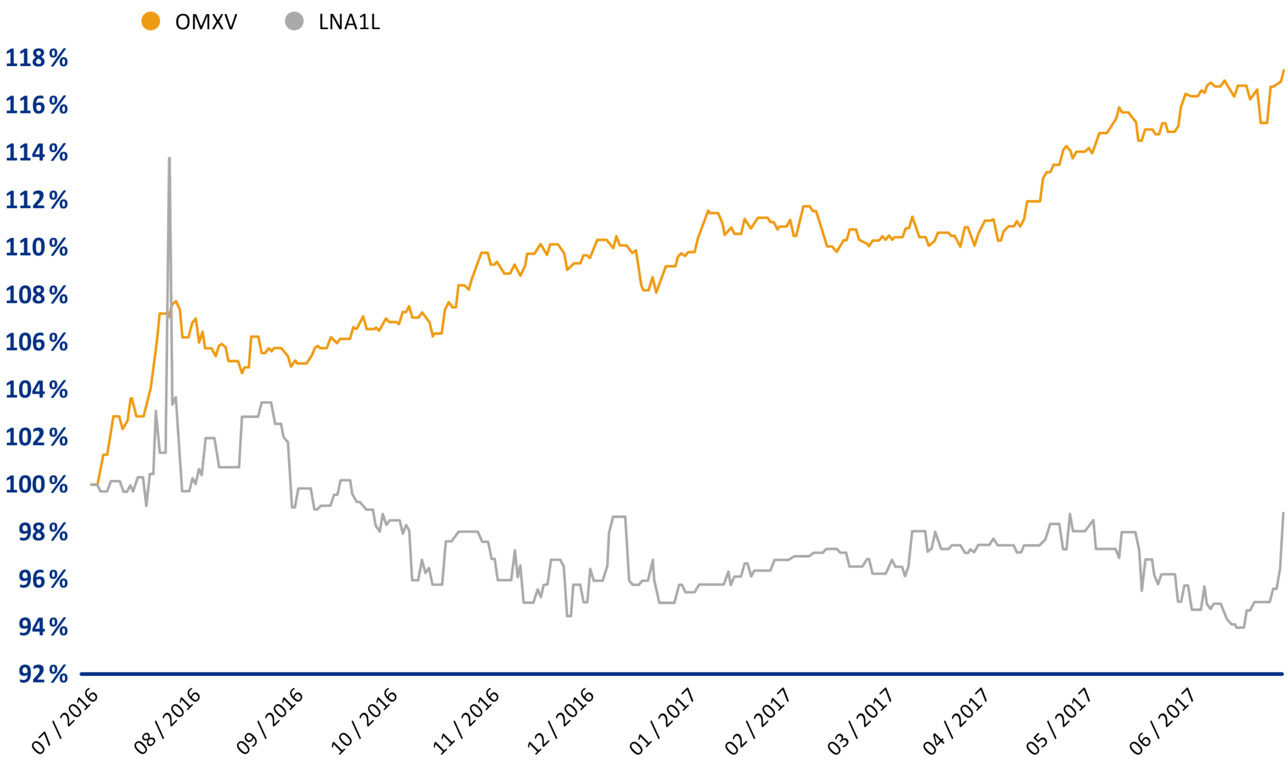
The securities of the subsidiaries of the Company are not traded on regulated markets.

AB Linas Agro Group share price and turnover

Information on changes in the prices of Company's shares and turnover from 01/07/2012 until the end of the reporting period, i. e. 30 June 2017, is presented in the following diagram:



AB Linas Agro Group share price vs OMX Vilnius index



13. 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.

14. 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.

15. Major transactions with related parties

Major transactions of the Company with related parties are provided in Note **#31** of the Explanatory Note to the Consolidated Annual Financial Statements for 2016/17 financial year.

16. Information about the compliance with the Corporate Governance Code

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

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

17. Social and environmental responsibility

Social responsibility in relations with employees

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

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

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

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

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

Responsibility to the society, social projects

The Group is actively cooperating with local communities, participated in their projects in the fields of culture, civic education and scientific education, as well as is continuing the long-term friendship with the farmers' organizations. A total of 153 support and co-operation projects have been implemented in the reporting period, the Group allocated almost 194 thousand euros for them.

The Group has several social partners and every year participates in selected social projects. For instance, in cooperation with the 5th gymnasium of Panevėžys, the Group has for the thirteenth time already organised a contest 'Citizen of the school' (Lith. – Mokyklos pilietis) dedicated to elect leaders among schoolchildren and excellently performing public activists. It has been for quite a number of years that the Group in Lithuania sponsors a social project "Christmas Game" for children of Lithuanian foster homes and Linelis, a kindergarten for children with impaired vision in Panevėžys, and the second year in a row it supported stray cats sterilisation project run in Panevėžys city by an animal care organization.

This year, the Group continued to implement projects that have an enduring value in the local communities:

AS Putnu fabrika Kekava has installed a great leisure place for the Riga residents – they opened the Kekava Grill Park on Lucavsala Island. Seven stationary grills are set up on the shore of the river Daugava for the residents of the city;

AB Linas Agro has dedicated funds for installation of the playground at the Panevėžys Primary School for the deaf;

With UAB Dotnuva Baltic funds, two Aleksandras Stulginskis University auditoriums for students of Agronomy and Agricultural Engineering have been renovated;

AB Linas Agro became a sponsor of Auksinės Minutės – the National Continuous Training Project of Student Resuscitation. The program that is called Auksinės Minutės (Golden minutes) is being implemented along with the Young Doctors Association and the Clinics' Department of Emergency Medical Services of the Lithuanian University of Health Sciences. Its purpose is to instruct 20,000 Lithuanian students of seventh and senior class with first aid training, help revive people in the event of an accident. The pilot project of the program was implemented in spring and will be continued in the autumn;

AS Putnu fabrika Kekava organized a seminar for Latvian residents about the risks of avian influenza and protective measures.

The Group plans to continue implementing long-term social projects.

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

81,000 euros were allocated to farmers' and other agricultural organizations;

40,410 euros were allocated to public health projects and sports events;

23,412 euros were allocated to local communities;

15,384 euros were allocated to the disabled, foster homes for children, children's medical institutions;

8,704 euros were allocated to educational and research institutions, as well as their events;

4,928 euros were allocated as scholarships;

4,914 euros were allocated to educational and public spirit promoting projects;

4,634 euros were allocated to cultural and recreational events;

2,900 euros were allocated to children and youth engagement projects;

1,000 euros were allocated to environmental projects.

Environmental responsibility

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

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

The Group has agreements with packaging waste management companies.

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

The group controls the use of fuel, electricity, water and paper, and it recycles and disposes of waste. In order to reduce postal and paper costs, most companies send invoices and matching acts in electronic form.

SIA Lielzeltini received a ‘Category B’ waste management license at the Krustpils plant.

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

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

The Group supported the “Darom” civic-led mass cleanup movement (a part of Let’s Do It! World) and plans to do so in the future.

Annex 1
to the Consolidated Annual Report
of **AB LINAS AGRO GROUP**
for financial year 2016/17

Information on compliance with the Corporate Governance Code

for the companies
listed on AB Nasdaq Vilnius

Content

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

I principle: Basic provisions

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

1.1. Recommendation:

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

Company's commentary:

The main trends of the Company's development are publicly announced in Company's annual reports and interim reports. Also, the trends of the Company's development are disclosed in notifications on material events and reports to investors about the activities of the Company, also in the statements of the Company's management in the media.

1.2. Recommendation

All management bodies of a company should act in furtherance of the declared strategic objectives in view of the need to optimize shareholder value.

Company's commentary:

The Board of the Company has formed the long-term and short-term strategic objectives of the development of the Company's activities. The Company's management and managers of respective fields make every effort for the implementation of those objectives. Managers of the Company and the Group's companies are responsible for the implementation of the objectives and the optimization of shareholder value.

1.3. Recommendation:

A company's supervisory and management bodies should act in close co-operation in order to attain maximum benefit for the company and its shareholders.

Company's commentary:

The Board is formed in the Company, which represents the interests of the Company's shareholders. The Board makes the strategic decisions, adopts the strategy of the Company's activities, annual budget, main material contracts, etc. The decisions adopted by the Board are implemented by the Company's Managing Director, who is directly responsible to the Board, and responsible managers of respective fields, who are subordinate to him. The Company's Board also acts as a supervisor of the implementation of the mentioned strategic decisions. The Board representing the shareholders' interests holds sessions according to the need.

1.4. Recommendation:

A company's supervisory and management bodies should ensure that the rights and interests of persons other than the company's shareholders (e.g. employees, creditors, suppliers, clients, local community), participating in or connected with the company's operation, are duly respected.

Company's commentary:

The Company's managing bodies seek, in their activities, to ensure the interests of all people related to the Company's operations. The Company's management and managers of separate fields of the Group's companies give much time to communication with clients, suppliers, creditors in order to find the most optimum solutions. The Company follows the obligations undertaken and set in the legal acts, and it helps to maintain the long-term development of the Company's activities. The Company's employees are continuously informed by the management and managers of separate fields about news in the Company's activities, achievements, losses and other internal changes via the Company's channels of internal communication.

II principle: The corporate governance framework

The corporate governance framework should ensure the strategic guidance of the company, the effective oversight of the company's management bodies, an appropriate balance and distribution of functions between the company's bodies, protection of the shareholders' interests.

2.1. Recommendation:

Besides obligatory bodies provided for in the Law on Companies of the Republic of Lithuania – a general shareholders' meeting and the chief executive officer, it is recommended that a company should set up both a collegial supervisory body and a collegial management body. The setting up of collegial bodies for supervision and management facilitates clear separation of management and supervisory functions in the company, accountability and control on the part of the chief executive officer, which, in its turn, facilitate a more efficient and transparent management process.

Company's commentary:

There is one collegiate managing body in the Company – the Board, which consists of 7 (seven) members.

The collegiate supervisory body, or the Supervisory Board, is not formed.

The Board of the Company performs certain functions of the Supervisory Board as far as it concerns the supervision of the activities of the Company and complies with the provisions of the Law on Companies.

The Company's Managing Director is responsible to the Board and periodically reports to the Board on the Company's activities and implementation of the strategic decisions.

2.2. Recommendation:

A collegial management body is responsible for the strategic management of the company and performs other key functions of corporate governance. A collegial supervisory body is responsible for the effective supervision of the company's management bodies.

Company's commentary:

The Board performs these functions in the Company, as specified in Clause 2.1.

2.3. Recommendation:

Where a company chooses to form only one collegial body, it is recommended that it should be a supervisory body, i.e. the supervisory board. In such a case, the supervisory board is responsible for the effective monitoring of the functions performed by the company's chief executive officer.

Company's commentary:

Whereas the Company operates in various activities, the Board as collegial body is necessary. The Board of the Company successfully makes business decisions and is able to properly perform the supervision of implementation of adopted strategic decisions and is able to control of the management of the Company.

If needed, the Supervisory Board may be formed in the future.

2.4. Recommendation:

The collegial supervisory body to be elected by the general shareholders' meeting should be set up and should act in the manner defined in Principles III and IV. Where a company should decide not to set up a collegial supervisory body but rather a collegial management body, i.e. the board, Principles III and IV should apply to the board as long as that does not contradict the essence and purpose of this body.[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.

III principle: 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.

IV principle: The duties and liabilities of a collegial body elected by the General Shareholders‘ Meeting

The corporate governance framework should ensure proper and effective functioning of the collegial body elected by the general shareholders' meeting, and the powers granted to the collegial body should ensure effective monitoring [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 2016/17 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.

V principle: 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.

VI principle: The equitable treatment of shareholders and sharehoder 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 GlobeNewswire information system as well as on the Company's website in the Lithuanian and English languages, and in the source indicated in the Articles of Association of the Company.

The place for the general shareholders meeting will be selected according to the shareholders' interests so that everyone willing to participate will be able to do that.

The meetings will be held on the working day at 10 a.m. so that all shareholders could easily arrive and participate in the session.

6.5. Recommendation:

If it is possible, in order to ensure shareholders living abroad the right to access to the information, it is recommended that documents on the course of the general shareholders' meeting should be placed on the publicly accessible website of the company not only in Lithuanian language, but in English and /or other foreign languages in advance. It is recommended that the minutes of the general shareholders' meeting after signing them and/or adopted resolutions should be also placed on the publicly accessible website of the company. Seeking to ensure the right of foreigners to familiarize with the information, whenever feasible, documents referred to in this recommendation should be published in Lithuanian, English and/or other foreign languages. Documents referred to in this recommendation may be published on the publicly accessible website of the company to the extent that publishing of these documents is not detrimental to the company or the company's commercial secrets are not revealed.

Company's commentary:

The Company announces to the general meeting of shareholders the prepared draft decisions through the Nasdaq GlobeNewswire information system and on the Company‘s website in the Lithuanian and English languages. The decisions adopted by the general shareholders meeting are announced through Nasdaq GlobeNewswire information system no later than within one day since their adoption in the Lithuanian and English languages. The decisions adopted by the general meeting of shareholders are also provided on the Company‘s website.

6.6. Recommendation:

Shareholders should be furnished with the opportunity to vote in the general shareholders' meeting in person and in absentia. Shareholders should not be prevented from voting in writing in advance by completing the general voting ballot.

Company's commentary:

The shareholders of the Company may exercise their right to take part in the general shareholders' meeting both in person and through a representative, if the latter has a due authority or the contract on transfer of the voting right which was concluded according to the order stipulated by the legal acts.

The Company provides the shareholders with the possibility to vote by completing a voting ballot as is indicated in the Law on Companies.

6.7. Recommendation:

With a view to increasing the shareholders' opportunities to participate effectively at shareholders' meetings, the companies are recommended to expand use of modern technologies by allowing the shareholders to participate and vote in general meetings via electronic means of communication. In such cases security of transmitted information and a possibility to identify the identity of the participating and voting person should be guaranteed. Moreover, companies could furnish its shareholders, especially shareholders living abroad, with the opportunity to watch shareholder meetings by means of modern technologies.

Company's commentary:

In the future the Company will discuss such possibilities by taking into account necessary financial resources, current legal regulations and objective distribution of the Company's shareholders as well as their wishes. There were no such requests received from the shareholders of the Company.

VII principle: The avoidence of conflicts of interest and their disclosure

The corporate governance framework should encourage members of the corporate bodies to avoid conflicts of interest and assure transparent and effective mechanism of disclosure of conflicts of interest regarding members of the corporate bodies.

7.1. Recommendation:

Any member of the company's supervisory and management body should avoid a situation, in which his/her personal interests are in conflict or may be in conflict with the company's interests. In case such a situation did occur, a member of the company's supervisory and management body should, within reasonable time, inform other members of the same collegial body or the company's body that has elected him/her, or to the company's shareholders about a situation of a conflict of interest, indicate the nature of the conflict and value, where possible.

Company's commentary:

The members of the Board avoid situations where their personal interests may conflict with the interests of the Company. The members of the Board abstain from voting or refuse to vote when the matter is related to his person.

7.2. Recommendation:

Any member of the company's supervisory and management body may not mix the company's assets, the use of which has not been mutually agreed upon, with his/her personal assets or use them or the information which he/she learns by virtue of his/her position as a member of a corporate body for his/her personal benefit or for the benefit of any third person without a prior agreement of the general shareholders' meeting or any other corporate body authorized by the meeting.

Company's commentary:

The members of the Board act in favor of the Company's interests, and their competence as well as their personal traits allow to claim that they conduct so that the conflicts of interest would not arise and they did not occur in the practice so far.

7.3. Recommendation:

Any member of the company's supervisory and management body may conclude a transaction with the company, a member of a corporate body of which he/she is. Such a transaction (except insignificant ones due to their low value or concluded when carrying out routine operations in the company under usual conditions) must be immediately reported in writing or orally, by recording this in the minutes of the meeting, to other members of the same corporate body or to the corporate body that has elected him/her or to the company's shareholders. Transactions specified in this recommendation are also subject to recommendation 4.5.

Company's commentary:

The members of the Company's Board, during reporting period, have not concluded the transactions of high value of those under nonstandard conditions with the Company.

7.4. Recommendation:

Any member of the company's supervisory and management body should abstain from voting when decisions concerning transactions or other issues of personal or business interest are voted on.

Company's commentary:

The Law on Companies stipulates that the member of the Board has no right to vote when the session of the Board deals with the question related to his activities or that of his liability. The members of the Board are aware of this provision and apply it broader than required by the Law, i.e. they abstain from voting of refuse to vote when it is related to his person and the Company or when it may cause the conflict of interest.

VIII principle: Company's remuneration plicy

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.

IX principle: The role of stakeholders in corporate governance

The corporate governance framework should recognize the rights of stakeholders as established by law and encourage active co-operation between companies and stakeholders in creating the company value, jobs and financial sustainability. For the purposes of this Principle, the concept "stakeholders" includes investors, employees, creditors, suppliers, clients, local community and other persons having certain interest in the company concerned.

9.1. Recommendation:

The corporate governance framework should assure that the rights of stakeholders that are protected by law are respected.

Company's commentary:

The Company performs its activities and is managed following the legal and other normative acts of the Republic of Lithuania, according to the reasonable and lawful interests of the community and the third parties, which do not contradict and do not cause the threat to violate the reasonable and lawful interests of the Company.

9.2. Recommendation:

The corporate governance framework should create conditions for the stakeholders to participate in corporate governance in the manner prescribed by law. Examples of mechanisms of stakeholder participation in corporate governance include: employee participation in adoption of certain key decisions for the company; consulting the employees on corporate governance and other important issues; employee participation in the company's share capital; creditor involvement in governance in the context of the company's insolvency, etc.

Company's commentary:

All persons concerned and the third parties may access the publicly disclosed information about the activities of the Company on the websites of AB Nasdaq Vilnius Stock Exchange and the Company.

All persons concerned can address the Company's Investor Relations Specialist orally or in written form.

9.3. Recommendation:

Where stakeholders participate in the corporate governance process, they should have access to relevant information.

Company's commentary:

All necessary information can be accessed on the websites of AB Nasdaq Vilnius Stock Exchange and the Company.

X principle: Information disclosure and transparency

The corporate governance framework should ensure that timely and accurate disclosure is made on all material information regarding the company, including the financial situation, performance and governance of the company.

10.1. Recommendation:

The company should disclose information on:

1)The financial and operating results of the company;

2)Company objectives;

3)Persons holding by the right of ownership or in control of a block of shares in the company;

4)Members of the company's supervisory and management bodies, chief executive officer of the company and their remuneration;

5)Material foreseeable risk factors;

6)Transactions between the company and connected persons, as well as transactions concluded outside the course of the company's regular operations;

7)Material issues regarding employees and other stakeholders;

8)Governance structures and strategy.

This list should be deemed as a minimum recommendation, while the companies are encouraged not to limit themselves to disclosure of the information specified in this list.

Company's commentary:

The information about the Company specified in this clause is announced through Nasdaq GlobeNewswire information system, the reports (periodical information) of the Company prepared according to the order stipulated by the legal acts of the Republic of Lithuania, also, on the website of the Company. By presenting the information specified in this clause the Company announces the consolidated information of both the Company and the Group of companies.

10.2. Recommendation:

It is recommended to the company, which is the parent of other companies, that consolidated results of the whole group to which the company belongs should be disclosed when information specified in item 1 of Recommendation 10.1 is under disclosure.

Company's commentary:

By presenting the information specified in this clause the Company announces the consolidated information of both the Company and the Group of companies.

10.3. Recommendation:

It is recommended that information on the professional background, qualifications of the members of supervisory and management bodies, chief executive officer of the company should be disclosed as well as potential conflicts of interest that may have an effect on their decisions when information specified in item 4 of Recommendation 10.1 about the members of the company's supervisory and management bodies is under disclosure. It is also recommended that information about the amount of remuneration received from the company and other income should be disclosed with regard to members of the company's supervisory and management bodies and chief executive officer as per Principle VIII.

Company's commentary:

The company supplies the information specified in this clause in its annual reports.

10.4. Recommendation:

It is recommended that information about the links between the company and its stakeholders, including employees, creditors, suppliers, local community, as well as the company's policy with regard to human resources, employee participation schemes in the company's share capital, etc. should be disclosed when information specified in item 7 of Recommendation 10.1 is under disclosure.

Company's commentary:

The company supplies the information specified in this clause in its financial and annual reports.

10.5. Recommendation:

Information should be disclosed in such a way that neither shareholders nor investors are discriminated with regard to the manner or scope of access to information. Information should be disclosed to all simultaneously. It is recommended that notices about material events should be announced before or after a trading session on the AB Nasdaq Vilnius Stock Exchange, so that all the company's shareholders and investors should have equal access to the information and make informed investing decisions.

Company's commentary:

The information specified in this clause is announced through Nasdaq GlobeNewswire information system and on the Company's website in Lithuanian and English languages. The Company makes efforts to present all material events and information to investors not during the trade session, but before the session starts or after it ends.

The entire confidential information which may affect the price of securities issued by the Company shall be considered strictly confidential until the information is made public through Nasdaq GlobeNewswire information system.

10.6. Recommendation:

Channels for disseminating information should provide for fair, timely and cost-efficient or in cases provided by the legal acts free of charge access to relevant information by users. It is recommended that information technologies should be employed for wider dissemination of information, for instance, by placing the information on the company's website. It is recommended that information should be published and placed on the company's website not only in Lithuanian, but also in English, and, whenever possible and necessary, in other languages as well.

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 GlobeNewswire information system in Lithuanian and English languages.

10.7. Recommendation:

It is recommended that the company's annual reports and other periodical accounts prepared by the company should be placed on the company's website. It is recommended that the company should 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.

XI principle: The selection of the company's auditor

The mechanism of the selection of the company's auditor should ensure independence of the firm of auditor's conclusion and opinion.

11.1. Recommendation:

An annual audit of the company's financial reports and interim reports should be conducted by an independent firm of auditors in order to provide an external and objective opinion on the company's financial statements.

Company's commentary:

This recommendation is implemented partly.

The independent firm of auditors assesses the annual report and the annual statements. Since the legal acts of the Republic of Lithuania do not stipulate the assessment of interim financial reports and since it would cause additional costs and time expenses, the Company does not audit interim reports.

Despite that, the Company's interim reports are prepared according to IFRS requirements as adopted by the EU.

11.2. Recommendation:

It is recommended that the company's supervisory board and, where it is not set up, the company's board should propose a candidate firm of auditors to the general shareholders' meeting.

Company's commentary:

This recommendation is fully implemented.

11.3. Recommendation:

It is recommended that the company should disclose to its shareholders the level of fees paid to the firm of auditors for non-audit services rendered to the company. This information should be also known to the company's supervisory board and, where it is not formed, the company's board upon their consideration which firm of auditors to propose for the general shareholders' meeting.

Company's commentary:

The auditors have not provided the Company with any consultations apart from audit n the financial year 2016/17.