



**Consolidated
Annual Report
of AB Linas Agro Group**

**for the financial year 2017/18
ended 30 June 2018**





Letter to the shareholders

Dear shareholders,



As all other agricultural businesses, this year, we faced major crop failure. The wet autumn of 2017 has significantly reduced grain crop yields in all of the Baltic States, where we buy our grain and sell agricultural inputs, while the spring drought will also have an impact on the 2018 harvest. The volume of our Group's sales in tons decreased by 6.7%, while consolidated revenue of the current financial year has dropped to a lesser extent: only by 1.6% as compared to the previous year. The biggest drop is observed in grain sales, because due to crop failure, the competition among grain purchasers in the Baltic States was huge. The worsened situation of farmers has made them to economize and buy less crop seeds, and halted the planned investments for farming equipment. The difficult agricultural situation in the Baltic States is also reflected in our financial statements: gross profit decreased by 0.9%. At the same time net profit went up 12.5%. We have a wide range of activities; thus, usually there are no seasons or years that would be unfavorable to absolutely all of our activities. For instance, there is an increase in the revenue from poultry farming and agricultural production. The unfavorable conditions of the previous harvest time have grown the interest of farmers in grain drying, cleaning and storage complexes. We were building 50 such complexes simultaneously!

We are constantly seeking for solutions to improve our activities. Therefore, during this financial year, we have taken a number of steps that will allow us to reduce operating costs in the future. We have made a decision to close the trading company in Denmark and employ its employees directly in Lithuania.

In July 2017, a regional management structure of sales to farmers began to operate with the aim to improve the quality of customer service. During almost the entire previous financial year, we have been modelling our future operations in Lithuania and Latvia. In 2018, in order to achieve a more consistent customer service, we started merging sales and other functions of AB Linas Agro AB and UAB Dotnuva Baltic. This was done to ensure the tight collaboration between the companies and offer a wider range of products to our customers. This process is yet ongoing, and will continue during the next financial year as well. It is planned that in the future companies will act as one organization, since their customers are the same – Lithuanian farmers. Both companies have received 'Verslo Žinios' awards: AB Linas Agro has become the 'Most Desirable Employer' in the categories of small enterprises and agribusinesses, while UAB Dotnuva Baltic has received the '2017 Wholesale Sector Leader' award. We believe that by combining their



best qualities, the merged companies will become the first choice for the clients in Lithuania. Our goal is to become the leaders throughout the Baltic States.

Starting from the financial year 2018/2019, it is planned that only AB Linas Agro will sell the seeds in Lithuania, i.e. the company will take over all the seed sales from UAB Dotnuva Baltic. The latter holds one third of the Lithuanian certified seed market and it has produced over 24 thousand tons of seeds during the reporting period. It will further focus on the preparation of seeds and will continue developing this activity. This year, both companies introduced a new trademark 'Dotnuva Seeds' to the Baltic market. We believe that it will become a high-quality seed standard.

We are also successfully consolidating our position in the Latvian agricultural market. Although Latvia has faced the same crop failure as Lithuania, we succeeded in implementing Latvian grain sourcing plans at 105%. The sales of new farming equipment have grown as well. In its business segments, SIA Linas Agro and SIA Dotnuva Baltic are the fourth largest market players in Latvia. SIA Dotnuva Baltic has received a 'Recommended Company' certificate, which indicates that it is a great employer. We plan to become a stronger market player by combining the management and activities of both companies. Especially, since we are striving to strengthen the grain sourcing infrastructure in Latvia: we are building grain elevators in Grobiņa and Rēzekne that will be open for harvest storage in 2018. The total capacity of our storage facilities in Latvia will increase by 40,000 tons. In the next financial year, we will continue to optimize our activities, and Latvian company SIA Paleo SIA will be merged to SIA Linas Agro Graudu Centrs; the latter will manage all the grain storages and fertilizer warehouses in Latvia.

Despite the extremely harsh weather conditions, our agricultural companies have grown 15% more crops than in the previous financial year. This proves that our annual investments into farm modernization bring their profits, and that our people are highly qualified professionals in the field. In 2017, the subsidiary of the Group, agricultural company Šakiai District Lukšių ŽŪB was recognized as the most efficient dairy farm in Lithuania among the agricultural companies, while agricultural company Sidabravo ŽŪB took the fourth place in the rating. We strive to render our dairy farming the most advanced in Lithuania. That is why we invest in the modernization of dairy farms. During this financial year, we have modernized one of the farms of agricultural company Šakiai District Lukšių ŽŪB, and next year we plan to modernize another farm. We believe that the modernization and expansion of dairy farming is the only right solution, because in the future only the most modern farms with the largest cow milk yield will remain. The average yield in our dairy farms is 9,395 kg of cow milk, while the average number in Lithuania is only 5,601 kg, and the average of agricultural companies – 8,257 kg.

The financial year was very successful for our poultry companies in Latvia. In all the three Baltic States, we have marketed products with a label 'Grown without antibiotics'. We started placing products on the Swedish retail market under the trademark 'Grann fågel', we exported chilled chicken to Denmark, and we consider the possibility of expanding our exports to other Western European countries. We started to produce a chilled-chicken product line called 'Good Life' for the RIMI retail chain in all the Baltic States.

We are a vertically integrated Group with many related activities and a large number of companies. We can and we want to strengthen the links between our companies, to optimize structures and costs, to improve customer service and to be a better partner.

Sincerely

Managing Director Darius Zubas

The background of the slide is an aerial photograph of a vast green agricultural field. A light-colored dirt road or path runs diagonally from the middle ground towards the horizon. To the right of the road, there is a patch of brown, tilled earth and some bare trees. The sky is a clear, pale blue.

VISION

**Leadership
in the Baltic
agribusiness
sector**



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 organization maintaining a high level of internal culture.





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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 2017/18 financial year, and all the figures are stated as at 30 June 2018 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.

Expenses in the Group for non-audit services, provided according separate agreements, for period 1st July 2017 till 30th June 2018 was 23,825 EUR excluding VAT.

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.

3. Contact persons

Finance Director

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Investor Relations Specialist

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4. 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
LEI code	529900UB9QON717IL030
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 operates in three countries – Lithuania, Latvia and Estonia. The financial year of the Group begins on 1 July.

The Company does not have any branches and representative offices.



4.1. The main activities

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 processing plant. Also the Group is a major milk producer in Lithuania and poultry producer in Latvia.

The Group's activities are subdivided into four main 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.



Products and services for farming



Agricultural production



Grain and feedstuff handling and merchandising



Food products



4.2. Information about subsidiaries of the Company

The Company either directly or indirectly controlled 39 companies in Lithuania, Latvia and Estonia as at 30 June 2018.

4.2.1. Structural chart of the effective stock held by AB Linas Agro Group

Dormant companies and the companies undergoing liquidation are not included in the structural chart: UAB Gerera (dormant, 100% shares), UAB Dotnuvos Technika (dormant, 100% shares), Linas Agro A/S (under liquidation, 100% shares), and SIA Erfolg Group (under liquidation, 97.09% shares).





4.2.2. Shareholding structure of the companies

As at 30 June 2018, 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 the companies under liquidation -SIA Erfolg Group (100% shares owned by AS Putnu Fabrika Kekava) and Linas Agro A/S (100% shares owned by AB Linas Agro) - 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.

*** 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	AB Linas Agro	UAB Linas Agro Konsultacijos	UAB Linas Agro Grūdų centras	UAB Linas Agro Grūdų centras KŪB	
AB Linas Agro	Subsidiary	100%					100%
SIA Linas Agro	Subsidiary		100%				100%
UAB Linas Agro Grūdų Centras	Subsidiary		100%				100%
UAB Linas Agro Grūdų Centras KŪB **	Subsidiary	54.19%	45.80%		0.01%		100%
SIA Linas Agro Graudu Centrs	Subsidiary					100%	100%
SIA Paleo	Subsidiary					100%	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%
Šakių rajono Lukšių ŽŪB	Subsidiary			98.80%			98.80%
Biržai District Medeikių ŽŪB	Subsidiary			98.28%		Kėdainiai District Labūnavos ŽŪB owns 0.06% parts of the company	98.34%
Kėdainiai District Labūnavos ŽŪB	Subsidiary			98.60%			98.60%
Užupės ŽŪB	Subsidiary	0.05%		99.95%			100%
Panevėžys District Žibartonių ŽŪB	Subsidiary	0.05%		49.02%		Užupės ŽŪB owns 50.82% parts of the company	99.89%



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 Dotnuva Baltic	
UAB Paberžėlė	Subsidiary	Užupės ŽŪB owns 100% shares of the company			100%
UAB Lineliai	Subsidiary	100%			100%
ŽŪB Landvesta 1	Subsidiary	76.47%	23.53%		100%
ŽŪB Landvesta 2	Subsidiary	76.97%	23.03%		100%
ŽŪB Landvesta 3	Subsidiary	13.91%	86.09%		100%
ŽŪB Landvesta 4	Subsidiary	26.42%	73.58%		100%
ŽŪB Landvesta 5	Subsidiary	66.71%	33.29%		100%
ŽŪB Landvesta 6	Subsidiary	15.51%	84.49%		100%
ŽŪK KUPIŠKIO GRŪDAI	Subsidiary	Lukšių ŽŪB, Aukštadvario ŽŪB and Sidabravo ŽŪB holds 6.29%, Medeikių ŽŪB – 31.45%, AB Linas Agro – 49.69% parts of the company			98.96%
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%

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	60.81%		36.28%	97.09%
SIA PFK Trader	Subsidiary		100%		97.09%
SIA Lielzeltini	Subsidiary	100%			100%
SIA Cerova	Subsidiary	100%			100%
SIA Broileks	Subsidiary	100%			100%
UAB Kekava Foods LT	Subsidiary	SIA PFK Trader owns 100% shares of the company.			97.09%



4.2.3. 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 under liquidation, 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.*
4. *Linas Agro A/S private limited liability company under liquidation, founded 15/3/1994, code of legal entity CVR 17689037, address Vinkel Allé 1, DK-9000 Aalborg, Denmark, register of the company – Danish Commerce and Companies Agency.*

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



Company name	Principal activities	Registration date, code of legal entity, legal form, company register	Contact data
ŽŪB Landvesta 3	Rent and management of agricultural purposes land	21/10/2005, Code of legal entity 300501092, agricultural company, Register of Enterprises of Republic of Lithuania, VĮ Registrų centras	Smėlynės St. 2C, LT-35143 Panevėžys, Lithuania Ph. +370 45 507 406 Fax +370 45 507 404 E-mail info@landvesta.lt
ŽŪB Landvesta 4	Rent and management of agricultural purposes land	23/04/2007, Code of legal entity 300709428, agricultural company, Register of Enterprises of Republic of Lithuania, VĮ Registrų centras	Smėlynės St. 2C, LT-35143, Panevėžys, Lithuania Ph. +370 45 507 406 Fax +370 45 507 404 E-mail info@landvesta.lt
ŽŪB Landvesta 5	Rent and management of agricultural purposes land	16/8/2007, Code of legal entity 301019661, agricultural company, Register of Enterprises of Republic of Lithuania, VĮ Registrų centras	Smėlynės St. 2C, LT-35143 Panevėžys, Lithuania Ph. +370 45 507 406 Fax +370 45 507 404 E-mail info@landvesta.lt
ŽŪB Landvesta 6	Rent and management of agricultural purposes land	14/1/2008, Code of legal entity 301520074, agricultural company, Register of Enterprises of Republic of Lithuania, VĮ Registrų centras	Smėlynės St. 2C, LT-35143 Panevėžys, Lithuania Ph. +370 45 507 406 Fax +370 45 507 404 E-mail info@landvesta.lt
UAB Dotnuva Baltic	Sale of seeds, agricultural machinery	5/3/1996, Code of legal entity 261415970, private limited liability company, Register of Enterprises of Republic of Lithuania, VĮ Registrų centras	Parko St. 6, Akademija, 58351 Kėdainiai district, Lithuania Ph. +370 347 370 30 Fax +370 347 370 40 E-mail info@dotnuvabaltic.lt www.dotnuvabaltic.lt
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



Company name	Principal activities	Registration date, code of legal entity, legal form, company register	Contact data
Kėdainiai District Labūnavos ŽŪB	Mixed agricultural activities	25/2/1992, Code of legal entity 161228959, agricultural company, Register of Enterprises of Republic of Lithuania, VĮ Registrų centras	Barupės St. 9, Labūnavos vill. LT-58173 Kėdainiai district, Lithuania Ph. + 370 347 34 4166 Fax + 370 347 34 180 E-mail labunava@linasagro.lt
Biržai District Medeikių ŽŪB	Growing and sale of crop	5/10/1992, Code of legal entity 154771488, agricultural company, Register of Enterprises of Republic of Lithuania, VĮ Registrų centras	Biržų St.32, Medeikių vill., LT-41462 Biržai district, Lithuania Ph. +370 450 584 22 Fax +370 450 584 12 E-mail medeikiai@linasagro.lt
ŽŪK KUPIŠKIO GRŪDAI	Grain processing and storage	8/4/1999, Code of legal entity 160189745, co-operative society, Register of Enterprises of Republic of Lithuania, VĮ Registrų centras	Technikos St. 6D, LT-40122 Kupiškis, Lithuania Ph./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
UAB Kekava Foods LT	Retail in specialized stores	8/3/2018, Code of legal entity 304784428, private limited liability company, Register of Enterprises of Republic of Lithuania, VĮ Registrų centras	Subačiaus St. 5, 01302 Vilnius, Lithuania Ph. +370 612 03 958 E-mail kekava.foods@linasagro.lt



Subsidiaries operating in foreign countries

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 lielteltini@lielteltini.lv www.lielteltini.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

5. Activity and Financial Results of the Group

- Consolidated revenue of AB Linas Agro Group in 2017/18 financial year totaled EUR 634 million and was 1.6% less as compared to previous year (EUR 645 million).
- The Group's sales volume in tons reached 2.2 million of various grains and agricultural inputs and was 6.7% less as compared to previous year (2.4 million tons).
- The gross profit reached EUR 45.8 million and was 0.9% lower than a year before (EUR 46.3 million).
- Consolidated EBITDA was 10% lower and amounted to EUR 20.4 million as compared to the previous year (EUR 22.7 million).
- The Group's operating profit was EUR 9.6 million or 20% less as compared to the respective period of the previous year (EUR 12.1 million).
- Profit before taxes amounted to EUR 7.5 million (compared to EUR 10 million in previous year).
- Net profit attributable to the equity holders of the Parent of the Group stood at EUR 9 million (EUR 8.3 million in FY 2016/17).





5.1. Financial Ratios

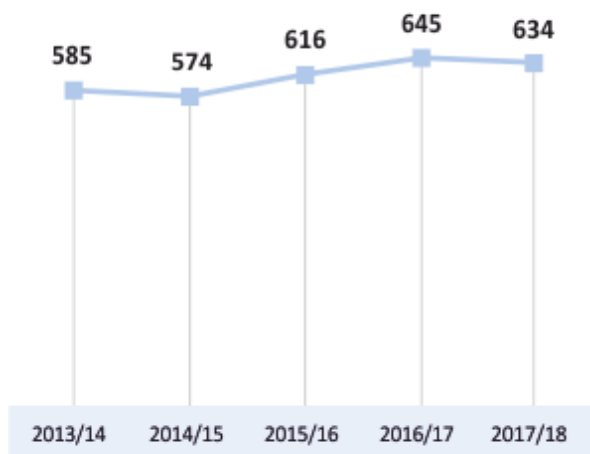
	2014/15	2015/16	2016/17	2017/18	Change 2017/18 compared to 2016/17 (thousand EUR)	Change 2017/18 compared to 2016/17 (%)
Sales in tons	1,968,469	2,187,388	2,364,713	2,206,745	(157,968)	(6.7)
Sales revenue (thousand EUR)	573,766	615,961	644,952	634,423	(10,529)	(1.6)
Gross profit (thousand EUR)	41,480	39,881	46,276	45,848	(428)	(0.9)
EBITDA (thousand EUR)	21,781	17,135	22,716	20,410	(2,306)	(10.2)
Operating profit (thousand EUR)	12,337	7,232	12,054	9,597	(2,457)	(20.4)
Earnings before taxes EBT (thousand EUR)	10,360	5,316	10,045	7,523	(2,522)	(25.1)
Net profit (thousand EUR)	9,194	3,944	8,408	9,463	1,055	12.5
Margins, %						
Gross profit margin	7.23	6.47	7.18	7.23	0.05	0.7
EBITDA margin	3.80	2.78	3.52	3.22	(0.31)	(8.7)
Operating profit margin	2.15	1.17	1.87	1.51	(0.36)	(19.2)
Net profit margin	1.60	0.64	1.30	1.49	0.19	14.4
Solvency ratios						
Current ratio	1.59	1.42	1.43	1.38	(0.05)	(3.5)
Debt / Equity ratio	0.63	0.59	1.09	1.26	0.17	15.6
Net financial debt / EBITDA	4.30	5.13	4.40	6.94	2.53	57.5
Adjusted net financial debt / EBITDA *	2.29	2.01	2.06	3.31	1.25	60.7
Return on equity (ROE), %	5.79	2.43	4.98	5.34	0.38	7.6
Return on capital employed (ROCE), %	3.99	2.82	4.33	2.92	(1.41)	(32.6)
Return on assets(ROA), %	2.91	1.19	2.38	2.36	(0.02)	(10.0)
Basic and diluted earnings per share (EPS)	0.06	0.03	0.05	0.06	0.01	14.3
Price earnings ratio (P/E)* *	11.42	22.17	12.88	12.34	(0.54)	(4.2)
Dividends for the financial year paid per share, in euros	0.0076	0.0076	0.0076			

*Adjusted net financial debt / EBITDA ratio's calculation is presented in chapter Cash Flow and Liquidity. This is managerial financial KPI.

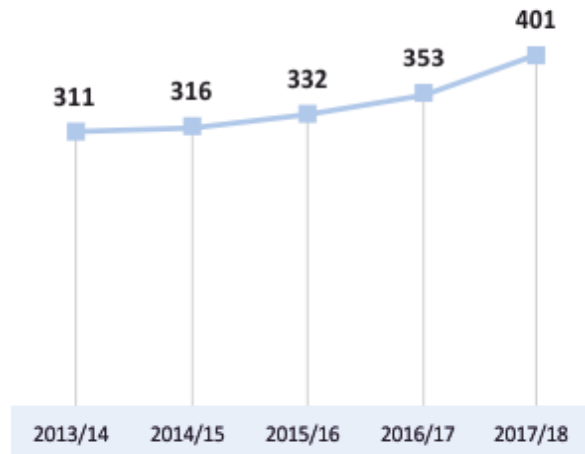
** The closing price of the last day of AB Linas Agro Group accounting period



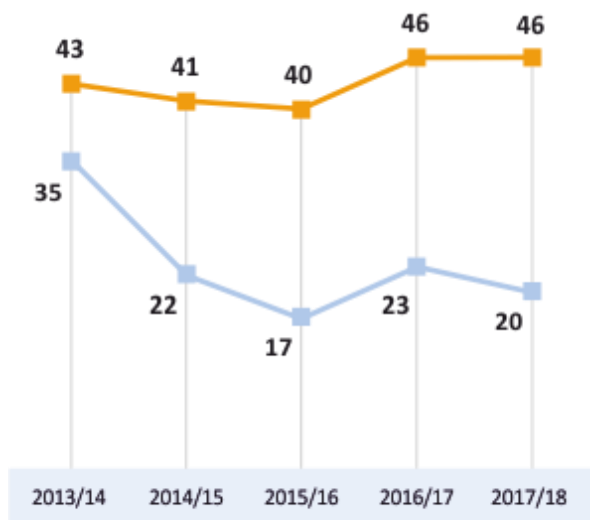
Sales revenue, EUR million



Assets, EUR million

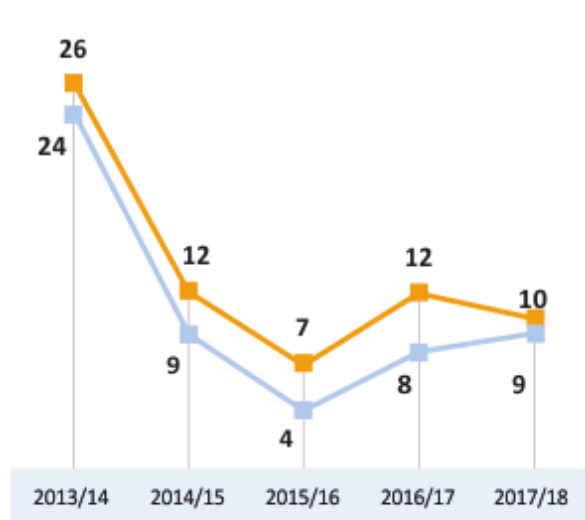


Gross profit and EBITDA, EUR million



■ Gross profit ■ EBITDA

Operating and Net profit, EUR million



■ Operating profit ■ Net profit



5.2. Overview

According to the data of Statistics Lithuania cereals harvest in Lithuania remained almost unchanged and amounted to 5.78 million tons (5.76 million tons in 2016). Before the start of the harvest, expectations were higher and amounted to 6.3 million tons. Heavy rains during harvesting period (especially in the second half of it) negatively affected overall conditions and therefore total harvested area dropped from 1.55 million ha to 1.43 million ha. Despite of heavy rains, the majority of grains, especially wheat, was medium quality as compared to feed wheat in previous year. In 2017, the harvest of cereals in Latvia was the same like a year before and accounted to 2.7 million tons, but the grain quality was lower.

Lower cereal harvest in Baltics as compared to expectations, appreciation of euro versus US Dollar and increased export volumes of grains from neighboring countries (Russia and Ukraine) put a pressure on export markets and had an impact on Group's performance.

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 (23%) and African (5%) countries.

Group's total sales volume in tons dropped 6.7% and amounted to 2.2 million tons (2.36 million tons in FY 2016/17). Due to above stated reasons sales volume in tons declined in *Grain and Feedstuff Handling and Merchandising* business Segment only and was 9.4% lower as compared to the respective period of previous year. In all other business Segments sales volume in tons increased.

The consolidated revenue of AB Linas Agro Group over the financial year amounted to EUR 634 million and dropped 1.6% as compared to previous year (EUR 645 million). The main reason that had a negative impact on the revenue was decrease in sales of various grains as those plunged from EUR 317 million to EUR 292 million. Due to diminished sales in fertilizers and chemicals revenue decline in *Products and Services for Farming* business Segment was 4.3%. Sales in poultry business accelerated by 13.2% and amounted to EUR 69 million as compared to EUR 61 million in previous year. Revenue from agricultural production increased by 15.6% to EUR 31 million due to the growing crop yield and more favorable milk purchase prices.

The cost of goods and services of the Group decreased from EUR 599 million to EUR 588 million (1.7%). The main reason for the drop in the COGS was a decline from 1% to 8% of worldwide prices for various cereals. Due to increased service fees from logistic companies and ports, logistics expenses, accounting for 7% of the total cost, grew by 1.5% from EUR 40.6 million to EUR 41.2 million. Gross profit of AB Linas Agro Group had a slight drop of 0.9% to EUR 45.8 million (EUR 46.3 million a year before).

During the reporting period the consolidated operating costs of the Group accounted for EUR 38.3 million, and were 12% higher compared to previous period (EUR 34 million). A major contributor to the growth of the costs was the increase in labor costs that grew by nearly 7% due to the overall increase in wages in the Baltics. The costs were also pushed up by the one-off expenses related to liquidation of Danish subsidiary Linas Agro A/S.

Operating costs grew also due to increased provision for bad debts as those accounted for EUR 1.3 million, expenditures of advertising and marketing accelerated from EUR 1.4 million to EUR 1.9 million as well. All that were the main reasons negatively affected operating costs of the Group.

The operating profit of AB Linas Agro Group plunged from EUR 12.1 million to EUR 9.6 million. One of the reasons that negatively 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 negative and accounted for EUR 0.9 million. As an opposite, change in the value of biological assets in the previous financial year was positive and amounted to EUR 2.5 million.

Group's EBITDA was EUR 20.4 million as compared to EUR 22.7 million in 2016/17 financial year. Should the change in the value of the biological assets be eliminated, the Group's EBITDA would account for nearly EUR 21.3 million.

Since there were no significant acquisitions or sales of other companies, the Group's other income amounted to EUR 3.5 million as compared to EUR 1.6 million in 2016/17 financial year (that item of income mainly increased due to positive value of financial derivatives that Group is using for its hedging activities). Other operating expenses accounted for EUR 1.5 million compared to EUR 1.8 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 2016/17 financial year (EUR 2.0 million). Financial costs during the accounting period reached EUR 2.6 million, and were down 12% from those in 2016/17 financial year (EUR 2.9 million). This is due to re-negotiated interest rate margins on banking loans, despite overall increase in loans portfolio.

The volume of the Group's financial debts (including leasing) increased from EUR 111 million to EUR 154 million. Amount of financial debts accelerated by EUR 43 million since the beginning of the year as Group's stocks grew by EUR 24 million and debtor's – by EUR 15 million. Also long-term loans due to undergoing investments into poultry business and Group controlled elevators were higher (EUR 5.3 million). The vast majority of stocks would be sold at the beginning of next financial year.

The net profit of the Group was EUR 9.5 million or 12% higher as compared to EUR 8.4 million in FY 2016/17). Net profit attributable to shareholders of the Company, was EUR 9 million (EUR 8.3 million in FY 2016/17).

In order to optimize the Group's trading activity and to reduce its operating costs, the Group's management has decided to close its trading company in Denmark that was a part of the Group since 2008. In 2011, the Group acquired 100% of the shares of the aforementioned company, and within a few years the Group's international sales department has not only gained extensive experience in trade and logistics in Western European countries, especially in the Scandinavian markets, but has also earned the reputation of a reliable supplier. Therefore, it was decided to cease the operation of the company in Denmark and to transfer some of its employees to AB Linas Agro, thereby reducing the cost of maintaining office space. The closure of the company is scheduled before the end of the current calendar year.

Other companies of the Group have also undergone certain organizational processes, aimed at improving the efficiency of the activities. AB Linas Agro is prepared to take over the seed sales operations from UAB Dotnuva Baltic from the beginning of the next financial. The Group's management seeks to merge the sales departments and administrations of the Lithuanian companies AB Linas Agro and UAB Dotnuva Baltic, as well as SIA Linas Agro and SIA Dotnuva Baltic in Latvia, so that the companies operate as one organization with a wider range of products. These processes have already been launched and will be continued during the next financial year. It is anticipated that in future the companies will operate under a single name and share the resources with each other, since their customers are the same – Lithuanian farmers.



5.3. Cash Flow 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 10.5 million in cash and cash equivalents (EUR 8.9 million in FY 2015/16), its current solvency ratio was 1.38. The debt and equity ratio (total liabilities / total equity) was 1.26 (1.09 last year).

The Group's ratio of the net debt and the consolidated earnings before interest, taxes, depreciation and amortization (EBITDA) increased from 4.40 to 6.94. If we would calculate re-adjusted net financial debt / EBITDA ratio it would grow from 2.1 to 3.3 only. Adjusted ratio is calculated by evaluating readily marketable inventories such as stocks like various grains and feedstuff (taking their book value at the end of financial year and applying 25% discount for its quick liquidation, what resulted into EUR 49.5 million) and agricultural machinery and equipment as well as spare parts (applying 35% discount for their quick liquidation, what resulted into EUR 24.4 million). Financial Group's debt is diminished by that amount i.e. EUR 73.9 million. The Group's management believes that this adjusted ratio is more accurate in order to evaluate the Group's net financial debt / EBITDA ratio.

The Group's financial loans portfolio (not taking into account leasing and financial leasing obligations) amounted to EUR 152 million as compared to EUR 109 million a year ago and increased by 39 %. The Group's short-term debt share accounted for 82%, 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 stocks increased by EUR 24 million and amount of debtor's accelerated by EUR 15 million as well. Amount of long-term loans grew due to undergoing investments into poultry business and Group controlled elevator's (EUR 6.8 million). The vast majority of stocks would be sold at the beginning of next financial year.

Group's cash flow from operating activities before the changes in working capital were positive and amounted to EUR 21.3 million as compared to EUR 20.6 million of the corresponding period of the previous year. Cash flow from operating activities after changes in working capital was negative and amounted to EUR 20 million (positive EUR 5.9 million over the respective period of 2016/17 financial year), the reason was increase in Group's stocks/inventories by EUR 22.2 million.

The Group's cash flow from investment activity was negative and amounted to EUR 17.8 million (compared to EUR 14.3 million in the financial year 2016/17). 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 39 million, to a large extent the figure was determined by the increase in the financial loans (change in the debt amounted to EUR 43 million).

The Group's cash equivalents at the end of the reporting period accounted for EUR 10.5 million compared to EUR 8.9 million in FY 2016/17.

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 Luminor bank. The overall credit line held in these banks exceeds EUR 183 million.



5.4. Investments

During the reporting period, the Group's subsidiaries have invested over EUR 19.7 million. Major investments of the Group by character:

Investment object	Investment amount, thousand EUR
Grain storage equipment, warehouses, buildings, various appliances and other machinery	8,630
Purchase and upgrade of agricultural machinery, vehicles, equipment, buildings and purchase of land	6,850
Modernization and renovation of poultry farms	4,245

5.5. Performance Results of the 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.

5.5.1. Operating Profit (loss) by Segments, thousand euro

	2017/18	2016/17	2015/16	2014/15	2013/14
Grain and Feedstuff Handling and Merchandising	3,984	7,989	9,583	7,484	10,978
Products and Services for Farming	5,657	3,806	2,816	965	1,796
Agricultural Production	3,146	3,329	758	3,532	4,848
Food products	3,904	1,545	(1,246)	3,193	9,888
Other	(92)	(196)	(176)	97	2,745



5.5.2. Grain and Feedstuff Handling and Merchandising

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

‘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).

The companies AB Linas Agro and Linas Agro AS are the holders of the European Good Trading Practice certificates. The companies AB Linas Agro and SIA Linas are ISCC (International Sustainability and Carbon certification) certified. In addition, AB Linas Agro holds a certificate in trade of organic plant production issued by the PE Ekoagros, and has GMP+ (European Good Manufacturing Practice) certification. The Group consistently expands the capacity of its own grain elevators, and at the end of the reporting period the Group’s own storage capacity for various grains and other agricultural commodities in Lithuania and Latvia was 290 thousand tons. The capacities of the storage facilities at ports operated by the Group reach 196 thousand tons.

In 2017, the areas of almost all crops were slightly less in the Baltic States than a year before, besides that the rainy summer and the exceptionally wet autumn did not allow harvest all the crops. At the same time, the quality of the crops has been significantly impaired. This situation has created a significant competition between grain buyers in the local market, where the purchase prices have been high and not always aligned with the sales prices in the world market. Extreme competition was among rapeseed buyers, because area planted with rapeseed in 2017 was 32 thousand hectares less than in 2016. Due to adverse weather barley supplies from Estonia broke down. During the reporting period, imports of peas into the Indian market, which is the main consumer of peas in the world, were restricted, and there was an urgent need to find another market for peas, already bought from the farmers, and sell them at a loss.

The sales volumes of this business Segment in tons decreased by 9.4% and amounted to 1.8 million (2 million in FY 2016/17). The trading volume of traditional crops (wheat, rapeseed, barley) decreased by 11% from 1.7 million tons to 1.5 million tons. Due to lower world grain market prices and decrease in sales volumes, sales revenue for these products declined from EUR 317 million to EUR 292 million. This fact and also imposed restrictions on import of certain products (peas) in consuming markets decreased the gross profit, gained from grain trading, from EUR 8.8 million to EUR 3.4 million. Meanwhile, market prices for feedstuff increased, resulting in sales revenue rise from EUR 91 million to EUR 99 million, although sales volume in tons have slightly decreased from 300 thousand tons to 295 thousand tons. Due to increased demand for feedstuff, the profit margin of feedstuff sales went up, and gross profit grew from EUR 3.9 million to EUR 5.2 million.



Grain elevators owned by the Group collected and processed over 486 thousand tons of various agricultural commodities or 6% more as compared to the respective period of the 2016/17 financial year (458 thousand tons). The majority of harvested grains had comparatively big moisture content, therefore the income from drying services at elevators increased. The operating profit of Group's own elevators went up 34% from EUR 1.1 million to EUR 1.5 million. The grain elevator in Kėdainiai started production of a new product: pig fodder (the fodder for cattle has been produced previously).

	2013/14	2014/15	2015/16	2016/17	2017/18	Change 2017/18 compared to 2016/17 (%)
Sales in tons	1,621,885	1,596,754	1,815,937	2,023,794	1,833,359	(9.4)
Sales revenue, thousand EUR	421,622	388,313	386,906	415,333	397,425	(4.3)
Gross profit, thousand EUR	18,795	13,318	15,835	15,561	11,343	(27.1)
Gross profit margin	4.5%	3.4%	4.1%	3.7%	2.9 %	(23.8)

Segment's operating profit dropped 49% from EUR 8.0 million to EUR 4.0 million.

Over 2.3 million euros were invested during the reporting period to expand grain storage facilities in Kupiškis, Lukšiai (Šakiai district), Pasvalys, feedstuff warehouse in Joniškis, also to launch a new grain elevator in Kartena (Kretinga district). The QR code system, launched in grain elevators this year, will accelerate grain reception, reduce the probability of mistakes and speed up provision of information to customers.

In Latvia, the Group has opened a new grain reception station in Skrunda, and also was building grain elevators in Grobina and Rezekne that will start operating in the next financial year. The volume of sourced grain, oilseeds and legumes in Latvia grew 24% up to 332 thousand tons. Moreover, the Group started sourcing ecological grain in Latvia.

5.5.3. Products and Services for Farming

This business Segment includes trade in seeds, plant protection products, fertilizers, agricultural and machinery, installation of grain cleaning, drying and storage facilities as well as livestock 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 (Latvia), UAB Dotnuva Baltic (Lithuania) with its subsidiaries in Latvia and Estonia.

The Group represents worldwide known brands and is constantly increasing its own warehousing capacity. Currently the total storage capacity for warehousing seeds, fertilizers and plant protection products in Lithuania and Latvia is close to 131 thousand tons.

The subsidiary AB Linas Agro is one of the largest suppliers of fertilizers, plant protection products, certified seed to Lithuanian farmers, and SIA Linas Agro supplies agricultural inputs to Latvian farmers. AB Linas Agro has received the Lithuanian Export Award by Lithuanian Association of Commerce, Industry and Crafts for the successful year 2017 and became the 'Most Desirable Employer' in Lithuania in the categories of small enterprises and agribusinesses at the competition organized by Lithuanian business daily 'Verslo Žinios'.



The subsidiary UAB Dotnuva Baltic is a wholesaler and retailer of agricultural machinery and grain storage facilities, has an agricultural machinery service network in the Baltic States and a seed processing plant. Dotnuva Baltic holds one-third of Lithuanian certified seed market and has prepared over 24 thousand tons of seeds during the reporting period. The company has a certificate in processing and trade of organic seeds issued by the PE Ekoagros. In order to render the seeds prepared in Dotnuva even more recognizable not only in Lithuania, but also in other Baltic States, the new international name 'Dotnuva Seeds' has been registered and introduced into the market.

Dotnuva Baltic is the only representative of the 'Case IH', 'Kverneland', 'Agrifac', and 'Jeantil' brands in the Baltic States. It is the leading distributor of plows and self-propelled sprayers in Lithuania, whereas Kverneland plows hold over 40% plow market share, and Agrifac self-propelled sprayers' market share is at 30%. The Group ranked as the second largest seller of the new western tractors in Lithuania. During the reporting period, the Group became the sole representative of tillage and seeding equipment manufacturer Great Plains (USA) in Lithuania, and began marketing the Kinze (USA) grain carts.

In order to ensure high standards of customer service and to provide quality service to the market, in 2016 Dotnuva Baltic joined the 'Red Excellence' Case IH international quality campaign, which unites Case IH dealers in Europe. The main and the largest representative offices in Dotnuva (Lithuania), Pinki (Latvia) and Tartu (Estonia) are rated at the 'Professional Dealer' level, and the other ten branches of the company in the Baltic States are at the level of 'Certified Dealer'. During the reporting period, Dotnuva Baltic received the 'Best Partner 2018' rating from the spray producer Agrifac (The Netherlands), a medal in agricultural exhibition 'Ką pasėsi...2018' and 'The Leader of Wholesale Trade 2017' award by Lithuanian business daily media 'Verslo žinios'.

Due to rainy fall in all of the Baltic States in 2017, changes in crop structure took place - the area of winter crops decreased and fertilizer consumption went down. Due to the adverse weather conditions in autumn the farmers could not use herbicides and micronutrient fertilizers at all, and therefore did not buy them, and typically less fertilizers are being used for growing summer crops. Farmers evaluated their difficult situation and tended to save money by reducing total investments per hectare of crops. Due to reduced winter crop area in 2017 and adverse weather conditions in 2018, the market for plant protection products and trace element fertilizers shrank about 15%, this has activated the vendors' competition and greatly reduced the trade margins. The Group focused on profitable transactions, which made revenue, gained from sales of fertilizers and plant protection products, 10% less and close to EUR 62 million. However, even in this difficult situation, the Group has offered new products to the market: Clearfield summer oilseed rape cultivating technology, specialized fertilizers for seed treating Seednergy, fertilizers with high sulfur concentration Thiomax Oil, as well as granular limestone and organic fertilizer Organiq.

The demand for certified seeds in Lithuania is increasing every year, but in 2017 autumn, trade in winter crop seeds was negatively affected by unfavorable weather conditions that ruined sowing; also rainy weather damaged some seeding material. The decreased winter crop areas brought up the demand for spring seeds like rapeseed, wheat, beans and barley- even a lack of wheat seeds has been observed in spring and the Group had to import it. The sales of certified seed were boosted by EU support for planting crop areas with certified seeds, which was EUR 17.6 per hectare, and the shortage of certified seed in the Baltic States and Poland. Revenue from seed sales grew 20% up to EUR 29 million. The Group started trading hybrid winter wheat seeds and three types of new winter oilseed rape seeds. New on the market: hybrid winter barley seeds. Linas Agro is the only company that supplies seeds of these plants to Lithuanian farmers and has developed the technology of growing hybrid winter barley in Lithuania.

In the first half of the financial year, investment in new agricultural machinery have been deferred by the farmers due to adverse weather conditions and reduced EU funding, the market for agricultural



machinery had negative moods and shrank. In the second half of the year, farmers were willing to invest, although the market still did not recover. In Lithuania, the approval of the EU funding delayed until early spring, and the funding allocated to small and medium-sized livestock and horticulture farms. In Latvia, the implementation of one of the EU funding programs started in January-June of 2018, the funding being oriented for the purchase of grain harvesters, additionally the Latvian government offset the farmers' losses caused by adverse weather. In Estonia, EU funding was allocated to small and medium-sized farms, i.e. had no visible impact on the Group's sales of agricultural machinery.

Sales of the new agricultural machinery went down in Lithuania and Estonia and up in Latvia. The Group's revenue from the sale of new agricultural machinery dropped 9.4% to almost EUR 43 million. Sales of the used machinery went down in Estonia, and up in Lithuania and Latvia, total sales revenue in all countries grew 77% up to EUR 2.1 million. Sales revenue from spare parts went up 14% up to EUR 7 million.

Slowly recovering dairy farming raised revenue from sales of dairy farming equipment by 46% up to EUR 0.46 million. In addition, the Group installed a model state-of-the-art farm with a milking unit in its own farming company Šakiai District Lukšių ŽŪB.

The unfavorable harvesting conditions and losses led to farmers' interest and investments into grain storage facilities: grain drying, cleaning and storage complexes. The Group carried out 50 installation projects for the grain complexes, i.e. 25 % more than in previous year. Among them was the highest grain-drying complex in the Baltic States (40 meters high) - built in the village of Alavere, Northern Estonia. Part of the installation projects will be completed next financial year, while revenue from this business gained during the reporting period was almost EUR 21 million or almost doubled from that in previous year (EUR 11 million). In addition, the Group was building two own grain elevators in Latvia.

	2013/14	2014/15	2015/16	2016/17	2017/18	Change 2017/18 compared to 2016/17 (%)
Sales in tons	205,298	215,947	224,184	203,541	218,110	7.2
Sales revenue, thousand EUR	127,962	125,376	168,071	164,945	160,779	(2.5)
Gross profit, thousand EUR	13,243	12,426	16,286	17,256	18,918	9.6
Gross profit margin	10.3%	9.9%	9.7%	10.5%	11.8 %	12.5

The gross profit of the Segment grew 12.5% and amounted to almost EUR 19 million as compared to EUR 17 million in FY 2016/17, while operating profit soared even by 48% from EUR 3.8 million to EUR 5.7 million.

Over 0.31 million euros have been invested during the reporting period to develop the infrastructure for fertilizers marketing, seed production, agricultural machinery trading and service, and improve management of operational processes.



5.5.4. 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 17,266 ha of land. At the end of the reporting period the Group had 7,393 ha of the own land. Although the weather conditions in autumn 2017 were extremely unfavorable to the harvest time, with very great effort, the harvest was successfully collected. The farming companies produced 105 thousand tons of agricultural produce or 15% more than previous financial year, sold 91 thousand tons of crop production or 18% more than a year before. About 60% of the products have been sold to the other companies of the Group and 40% marketed outside the Group.

Rainy autumn of 2017 allowed planting only 40% of the projected winter crop area. Major part of the winter rapeseed and a part of the winter wheat did not survive. As much as 332 ha of winter rapeseed were completely damaged, and the rest of the crop was in poor condition: the plants were sparse, some areas bald, the soil was crusted. It was necessary to seed more spring wheat, barley, and beans.

Around 6,967 hectares or 28% more than a year before were seeded with spring crops: 2,727 ha with barley, 1,772 ha with beans, 1,481 ha with spring wheat, 524 ha with peas and 463 ha with other crops. Spring sowing and plant growth encountered the lack of moisture, the agricultural drought started. The Group expects total harvest to be about 25% lower than in previous year.

The Group controlled farms owned 3,227 dairy cows, the decrease in number was insignificant. The farming company Šakiai District Lukšių ŽŪB was the most efficient dairy farm in Lithuania in 2017, with an average milk yield of 12,151 kg per cow. Sidabravo ŽŪB was ranked the fourth among the most efficient farming companies with an average milk yield of 11,036 kg per cow. Although the milk yield per cow started to decrease due to the prolonged heat wave in the Q4, the average annual milk yield was still slightly higher as compared to that of previous year. Over 30 thousand tons of raw milk have been sold over the referenced period, or 3.8% more than a year before. The average milk price over the reporting period was 12.6% higher than a year before, therefore sales revenue went up from EUR 9.2 million to EUR 11.1 million. Meat sales volume was 1,455 tons (1,385 tons a year before).

	2013/14	2014/15	2015/16	2016/17	2017/18	Change 2017/18 compared to 2016/17 (%)
Sales in tons	100,319	113,531	117,219	107,875	122,699	13.7
Sales revenue, thousand EUR	27,603	25,153	27,153	26,815	31,011	15.6
Gross profit, thousand EUR	4,344	6,049	3,525	6,450	6,194	(4.0)
Gross profit margin	15.7%	24.0%	13.0%	24.1%	20.0 %	(17.0)

The revenue of this business Segment grew almost 16% from EUR 26.8 million to EUR 31 million and operating profit decreased slightly amounting to EUR 3.1 million compared to EUR 3.3 million a year ago. The reason of decrease was change in fair value of biological assets that was negative and totaled EUR 0.9 million (in FY 2016/17 it was positive and totaled EUR 1.9 million). The negative change in fair value of



biological assets occurred due to negative change in fair value of the future harvest of agricultural companies of the Group, which expected to be lower in FY 2018/19 as compared to the reporting period.

During the reporting period, the Group invested almost EUR 6.3 million to renew agricultural machinery and vehicles fleet, and renovate buildings.

5.5.5. Food Products

This business Segment includes a whole cycle poultry business, including incubation of hatching eggs, broiler breeding, production of poultry and its products, feed manufacturing for self-supply and retail sale of chicken meat and its products. Business is conducted by Latvian poultry companies AS Putnu Fabrika Kekava (incl. subsidiary SIA PFK Trader), SIA Lielzeltini, SIA Broileks, and SIA Cerova. The companies together have about 60% market share in Latvian poultry market.

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 the trademark ‘Kekava’. In the export markets, the company’s products are marketed under the trademarks ‘Top choice poultry’, ‘Grann fāgel’, ‘Kekava’ and some private labels. The affiliated company SIA PFK Trader has 21 retail stores throughout Latvia, has established a subsidiary in Lithuania UAB Kekava Foods LT and opened its first brand shop in Lithuania during the reporting period. AS Putnu Fabrika Kekava has received the BRC (British Retail Consortium) certification ISO 50001:2012 and ISO 22000:200 certification, also is Halal certified. AS Putnu Fabrika Kekava is the only poultry farm in the Baltic States that received the right to mark their poultry meat as ‘Raised without Antibiotics’. In 2017, the company received an award from the genetic company Aviagen for outstanding growth and animal welfare results, as well as the Kekava municipality award ‘Gada uzņēmējs’ (‘Business of the Year’).

SIA Lielzeltini – No2 poultry producer in Latvia: has an incomplete production cycle consisting of broiler breeding, production of fresh poultry and processed products sold under the brand name “Bauska”, as well as production of compound feed. The company has received ISO 22000:2006 and ISO 50001:2012 certifications, also is Halal certified.

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

In the EU and other markets, due to non-conformity of quality parameters, at the end of 2017 and at the beginning of 2018, imports from 20 Brazilian poultry farms were ceased. As a result, the EU faces a shortage of fresh meat, while its demand has grown. An average poultry price over the reporting period was EUR 1.84 /kg or 2% higher as compared to previous year.

The poultry companies produced 40.7 thousand tons of live weight over the reporting period or 1% more as compared to previous year. Companies sold over 32 thousand tons of poultry and poultry products or 14.6% more than a year before.

The poultry companies that introduced to the market poultry grown without antibiotics were oriented towards higher yielding countries: increased exports of fresh meat to Sweden, Estonia and Lithuania, started exporting chilled chicken to Denmark, and mechanically separated poultry meat to Ukraine and the Czech Republic. The export has increased the average price of goods sold by 7.6%. The prices of raw materials for the three quarters of the financial year were stable, thus allowing increase the profitability of activities.



	2013/14	2014/15	2015/16	2016/17	2017/18	Change 2017/18 compared to
Sales in tons	17,023	40,881	30,048	29,503	32,577	10.4
Sales revenue, thousand EUR	33,600	62,180	60,334	61,032	69,078	13.2
Gross profit, thousand EUR	5,657	9,642	4,496	6,987	9,375	34.2
Gross profit margin	16.8%	15.5%	7.5%	11.4%	13.6 %	18.5

Revenue from this business Segment increased by 13% from EUR 61 million to EUR 69 million while operating profit accelerated 2.6 times from EUR 1.5 million to EUR 3.9 million. Previous investments in modernization of production influenced the profitability of the Segment, allowing the operating profit margin to increase from 2.5% to 5.7%.

The Group invested almost EUR 4.9 million during the referenced period to upgrade poultry production equipment and increase biosafety level. The main investments aimed at improving the living conditions of birds, and the Group received EU structural funds' support for these investments.

5.5.6. 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, etc.

	2013/14	2014/15	2015/16	2016/17	2017/18	Change 2017/18 compared to
Sales in tons	394,610	1,356	0	0	0	0
Sales revenue, thousand EUR	1,678	21	(246)	73	114	56.2
Gross profit, thousand EUR	1,159	21	(261)	22	18	(18.2)
Gross profit margin	69.08%	100.0%	(6.1%)	30.1%	16%	(47.6)

The operating loss of this business Segment amounted to EUR 92 thousand as compared to a EUR 200 thousand euros loss in previous year.



6. The Publicly Disclosed Information and Other Events of the Reporting Period

6.1. The Publicly Disclosed Information

During the reporting period ended 30 June, 2018, the Company publicly disclosed and distributed via Nasdaq Vilnius GlobeNewswire system and in Company's website the following information:

1/6/2018 17:30 EEST	Elected Chairman of the Board of AB Linas Agro Group	Notification on material event	EN, LT
1/6/2018 17:20 EEST	Decisions of the Extraordinary General Meeting of the Shareholders of AB Linas Agro Group, Held on 1 June 2018	Notification on material event	EN, LT
31/5/2018 17:30 EEST	AB Linas Agro Group notification about interim 9 months financial results of the financial year 2017/2018	Interim information	EN, LT
17/5/2018 09:49 EEST	AB Linas Agro Group to enhance positions on the certified seeds market	Other information	EN, LT
11/5/2018 10:05 EEST	Notice on Extraordinary General Meeting of Shareholders of AB Linas Agro Group	Notification on material event	EN, LT
29/3/2018 16:00 EEST	On the decision of the Supervision Service of the Bank of Lithuania	Notification on material event	EN, LT
27/3/2018 16:55 EEST	Regarding resignation from the Board of Linas Agro Group AB	Notification on material event	EN, LT
27/3/2018 11:56 EEST	Notification on Linas Agro Group AB manager's related party transactions	Notification on material event	EN, LT
27/3/2018 11:34 EEST	Linas Agro Group AB notifications on the transactions concluded by managers in issuer's securities	Notification on material event	EN, LT
28/2/2018 16:50 EET	AB Linas Agro Group notification about interim 6 months financial results of the financial year 2017/2018	Half-Yearly information	EN, LT
30/1/2018 8:34 EET	AB Linas Agro Group investor's calendar for the 2018	Other information	EN, LT
30/11/2017 10:00 EET	AB Linas Agro Group notification about interim 3 months financial results of the year 2017/2018	Interim information	EN, LT
26/10/2017 18:15 EEST	Decisions of the Annual General Meeting of AB Linas Agro Group Shareholders, held on 26 October 2017	Notification on material event	EN, LT
26/10/2017 18:15 EEST	Procedure for the payout of dividends for the financial year ended 30 June 2017	Notification on material event	EN, LT



26/10/2017 18:05 EEST	AB Linas Agro Group notification about the Annual information of the financial year 2016/2017	Annual information	EN, LT
04/10/2017 14:00 EEST	Notice on Annual General Meeting of Shareholders of AB Linas Agro Group	Notification on material event	EN, LT
31/8/2017 10:10 EEST	AB Linas Agro Group notification about interim 12 months financial results of the financial year 2016/2017	Interim information	EN, LT

6.2. Other Events of the Reporting Period

7/2017 – 6/2018	The Company additionally acquired 15,436 shares of AS Putnu Fabrika Kekava with nominal value of 614,352.80 euros.
7/2017 – 6/2018	The authorized capital of Noreikiškių ŽŪB was increased by 70,000 euros.
4/2018 – 6/2018	The capital of UAB Linas Agro Grūdų Centras KŪB was increased by 2,000,000 euros.
29/5/2018	A liquidation process of SIA Erfolg Group was instigated.
7/5/2018	A liquidation process of Linas Agro A/S was instigated.
8/3/2018	A retail company UAB Kekava Foods LT was registered.
9/2/2018	The authorized capital of SIA Linas Agro Graudu Centrs was increased by 2,700,000 euros.
31/10/2017	Equity capital of Užupės ŽŪB reduced by paying out EUR 750,660.80 to shareholders.
27/9/2017	The authorized capital of UAB Lineliai was increased by 80,000 euros.
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).

6.3. Subsequent Events

26/9/2018	The Company concluded Securities donation agreements and will transfer 9,000 own shares to the Group employees under AB Linas Agro Group Rules for Shares Issues approved in AB Linas Agro Group Extraordinary General Meeting of Shareholders on 01/06/2018.
19/9/2018	The authorized capital of UAB Lineliai was increased by 50,000 euros.
21/8/2018	The decision of the sole shareholder was accepted to reorganize the companies by way of incorporating SIA Paleo to SIA Linas Agro Graudu Centrs.
30/7/2018	AB Linas Agro founded a subsidiary in Ukraine LLC LINAS AGRO UKRAINA.
23/7/2018	Shareholder of UAB Lineliai made a decision to increase the authorized capital of the company by 50,000 euros.



7. Scope of risk and management thereof

7.1. Market risk

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

In FY 2017/18 this risk did not manifest itself as regards the Company and the Group.

7.2. Risk related to activities of subsidiaries

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

This risk did not manifest itself as regards the Company and the Group in FY 2017/18.

7.3. Political risk

Agriculture is a strictly regulated and supervised sector of economy in the European Union. Although this regulation and control are mostly aimed at ensuring sufficient income for entities engaged in agricultural activities, political changes may affect the situation in the market where the Group operates. For example, reduction of subsidies to agriculture may affect the activities of agricultural companies controlled by the Group. 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 2017/18.

7.4. Social risk

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



on the business outlook and financial position of the Group. Non-competition agreements are signed with some executives.

This risk did not manifest itself as regards the Company and the Group in FY 2017/18.

7.5. 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 to 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 2017/18.

8. Employees

As at 30 June 2018 the number of employees of the Group was 2,199 or 18 employees less than as at 30 June 2017 (2,217).

The number of employees of the Company was 9 (8 as at 30 June 2017).

8.1. Distribution of employees of the group by positions and average monthly salary before taxes:

	The number of employees at the end of financial year		Average monthly salary in EUR	
	30 June 2018	30 June 2017	30 June 2018	30 June 2017
Managers	133	133	2,777	2 517
Specialists	543	579	1,232	1 194
Workers	1,523	1,505	1,101	985
Total	2,199	2,217		



8.2. Distribution of employees of the group by education degree held:

	30 June 2018	30 June 2017
Graduate academic	457	447
Higher education	350	388
Secondary education	1,026	1,048
Primary	366	334
Total	2,199	2,217

8.3. Distribution of employees of the group by geographical locations:

	30 June 2018	30 June 2017
Lithuania	983	1,000
Latvia	1,178	1,179
Estonia	35	33
Denmark	3	5
Total	2,199	2,217

AB Linas Agro Group has no collective agreement.

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

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

9. The authorized capital and shares of the Company

On 30 June, 2018 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.

9.1. 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.

10. Shareholders

According to the list of shareholders provided by AB Linas Agro Group securities account operator AB Šiaulių Bankas (data for the end of 30 June 2018), the number of Company's shareholders at the end of the reporting period totaled 661.

Distribution of the company's shareholders by country of residence and legal form:

Investors	Number of shares	Portion in the authorized capital and voting rights
Non-resident investors		
Companies	119,777,655	75.36%
Individuals	3,811,793	2.40%
Resident investors		
Companies	6,733,766	4.24%
Individuals	28,617,184	18.00%
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, 2018:

	Number of shares held	Portion in the authorized capital and voting rights
Akola ApS (public company, company Code 2517487; registration address: Thistedvej 68, st., 9400 Norresundby, Denmark)	109,909,167	69.15%
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.

11. The Company's bodies and their competence

The Company's bodies shall be as follows:

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

The Supervisory Board shall not be formed in the Company.

Two general meetings of shareholders have held during the reporting period – on 26th of October, 2017 and on 1st of June, 2018.

The Company's Board consists of 7 (seven) members to be elected for a period of 4 (four) years. During the reporting period that ended June 30, 2018, the Board of the Company has been revoked *in corpore* after the withdrawal of two members of it, and a new Board was elected on the extraordinary General meeting of shareholders on June 1, 2018 for the period until May 31, 2022.

The Head of the Company did not change during the reporting period, ended June 30, 2018. The Head of the Company is also the Chairman of the Board of the Company.

There were no changes in the committees established in the Company during the reporting period.

The members of the bodies of AB Linas Agro Group have never been convicted for the property, management procedures and financial offences.

11.1. General meeting of shareholders

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

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

In 2017/18 financial year, the Company held two General Meeting of Shareholders: ordinary General Meeting of Shareholders held on 26 October 2017 and attended by the shareholders of the Company holding 82.98% of all voting shares of the Company; extraordinary General Meeting of Shareholders on 1 June 2018, attended by the shareholders of the Company holding 70.32% of all voting shares of the Company.

11.2. Board of the Company

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



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

- 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.
- 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.
- 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 been 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.

A new Board was elected on the extraordinary General meeting of shareholders on June 1, 2018. As at 30 June 2018, the number of the Company's board members was 7. The Company does not have independent members of the Board.

In 2017/18 financial year the Company convened and held 7 (seven) meetings of the Board, that were 100% 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, 2018):



**Darius
Zubas**

**Andrius
Pranckevičius**

**Dainius
Pilkauskas**

**Tomas
Tumėnas**

**Arūnas
Zubas**

**Darius
Jaloveckas**

**Jonas
Bakšys**



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	1/6/2018	31/5/2022
Andrius Pranckevičius	Does not have shares of the Company	Deputy Chairman	1/6/2018	31/5/2022
Dainius Pilkauskas	480,281 or 0.3% of shares	Member	1/6/2018	31/5/2022
Tomas Tumėnas	2,200 or 0.001% of shares	Member	1/6/2018	31/5/2022
Arūnas Zubas	480,281 or 0.3% of shares	Member	1/6/2018	31/5/2022
Darius Jaloveckas	Does not have shares of the Company	Member	1/6/2018	31/5/2022
Jonas Bakšys	3,400,000 or 2.14% of shares	Member	1/6/2018	31/5/2022

Darius Zubas (b. 1965) - the main founder of the Group. Graduated from Veterinary Academy of Lithuanian University of Health Sciences in 1988.

Andrius Pranckevičius (b. 1976) - A Bachelor's degree in Business Administration in 1998, Master's degree in Marketing Management in 2000 at Kaunas University of Technology. Joined the Group in 1999.

Dainius Pilkauskas (b. 1966) - Master's degree in Animal Science at Veterinary Academy of Lithuanian University of Health Sciences in 1991. Has been employed within the Group since 1991.

Tomas Tumėnas (b. 1972) - Master's degree in Economics at Vilnius University and a certificate in International Business Economics from Aalborg University in 1995. Master's degree in Business Administration at Manchester Business School, The University of Manchester in 2011. Joined the Group in 2001.

Arūnas Zubas (b. 1962) - Master's degree in Chemical Technology at Kaunas University of Technology in 1985. He was employed within the Group from 1995 to 2005.

Darius Jaloveckas (b. 1971 m.) - Master's Degree in Economics at Aleksandras Stulginskis University (former Lithuanian Academy of Agriculture) in 1994. Joined the Group in 2015.

Jonas Bakšys (b. 1975 m.) - Bachelor's degree in International Economics at Concordia University (USA) in 1997, Master's degree in Business Administration at University of Surrey (UK) in 2003. Joined the Group in 2004.

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

Name	Participation in other Companies authorized capital
Darius Zubas	Akola ApS 94.67% votes; UAB MESTILLA 14.3% votes
Jonas Bakšys (joint community property with spouse together)	UAB Vividum 100 %



Andrius Prancėvičius, Arūnas Zubas, Dainius Pilkauskas, Tomas Tumėnas and Darius Jaloveckas 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 7,119 thousand (including EUR 1,208 thousand bonuses) for the year ended 30 June 2018. Average remuneration to the member of the management board was EUR 791 thousand.

Activities of the Board members in other companies

Person / Companies	Position	Since
Darius Zubas		
<i>Companies of the Group:</i>		
AB Linas Agro	Managing Director	1991
	Chairman of the Board	2006
AS Putnu Fabrika Kekava	Chairman of the Council	2014
UAB Dotnuva Baltic	Chairman of the Board	2015
SIA Linas Agro	Chairman of the Council	2015
SIA Lielzeltini	Chairman of the Council	2015
AS Dotnuva Baltic	Chairman of the Council	2015
SIA Paleo	Chairman of the Board	2016
<i>Other companies:</i>		
Agricultural Science Council under the Ministry of Agriculture of Lithuania	Member	2018
The Lithuanian Grain Processors' Association	Vicepresident	2018
UAB MESTILLA	Chairman of the Board	2006
Andrius Prancėvičius		
<i>Companies of the Group:</i>		
AB Linas Agro	Deputy Managing Director	2005
	Deputy Chairman of the Board	2018
	Member of the Board	2006
AS Putnu Fabrika Kekava	Chairman of the Board	2015
SIA Lielzeltini	Chairman of the Board	2015
SIA Cerova	Chairman of the Board	2015
SIA Broileks	Chairman of the Board	2015
<i>Other companies:</i>		
AB Lietuvos Energija	Member of the Supervisory Board	2017
Lithuanian Agricultural Companies Association	Member of the presidium	2008
Dainius Pilkauskas		
<i>Companies of the Group:</i>		
AB Linas Agro	Trade Director for Baltic States	2006
	Member of the Board	2006



Person / Companies	Position	Since
SIA Linas Agro	Chairman of the Council	2015
Tomas Tumėnas		
<i>Companies of the Group:</i>		
AB Linas Agro	Member of the Board	2009
	Finance Director	2005
UAB Dotnuva Baltic	Member of the Board	2015
AS Dotnuva Baltic	Chairman of the Supervisory Board	2018
UAB Gerera	Managing Director	2018
<i>Other companies:</i>		
Akola ApS	Director	2018
UAB Baltic Fund	Director	2003
Arūnas Zubas		
<i>Companies of the Group:</i>		
AB Linas Agro	Member of the Board	2006
AS Putnu fabrika Kekava	Deputy Chairman of the Council	2018
	Member of the Council	2015
SIA Lielzeltini	Deputy Chairman of the Council	2018
	Member of the Council	2015
<i>Other companies:</i>		
UAB MESTILLA	Deputy Chairman of the Board	2018
	Managing Director	2005
Darius Jaloveckas		
<i>Companies of the Group:</i>		
AB Linas Agro	Executive Director	2017
UAB Dotnuva Baltic	Managing Director	2015
	Deputy Chairman of the Board	2018
	Member of the Board	2018
SIA Linas Agro	Deputy Chairman of the Council	2018
SIA Paleo	Member of the Board	2018
AS Dotnuva Baltic	Member of the Council	2015
Jonas Bakšys		
<i>Companies of the Group:</i>		
AB Linas Agro	Business Development Director	2018
SIA Lielzeltini	Member of the Council	2018
AS Putnu Fabrika Kekava	Member of the Council	2018
<i>Other companies:</i>		
UAB MESTILLA	Finance Director	2012
	Member of the Board	2018
Lobiu Sala AS	Member of the Board	2017



11.3. 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.

11.4. Committees formed by the Company

As from 28 October 2010 the Company has an Audit Committee which is re-elected each 4 years. Audit Committee is responsible for implementing risk management system related to composition of consolidated financial statements. Term of office of the members of the Audit Committee began on 30 October 2014 and ends on 30 October 2018. The Audit Committee consists of 3 members, including an independent member.

11.4.1. The members of Audit Committee (as at 30 June 2018):

Andrius Drazdys – independent Member of the Audit Committee. 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. Treasury Manager of the Company and also employed as a Treasury Manager at AB Linas Agro. Was the Member of the Board of the Company during the period October 24, 2013 – March 30, 2018. 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. Employed at AB Linas Agro as Accountant General. Does not own shares of the Company.

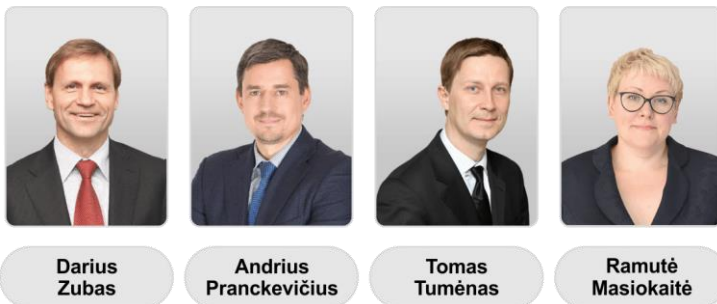
12. The Company's Administration

12.1. The scheme of Administrative Management





12.2. Management of the Company as at 30 June 2018:



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, Jonas Bakšys 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.

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.

12.3. Activities of the Company Management in other companies

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

Person / Companies	Position	Since
Ramutė Masiokaitė		
<i>Companies of the Group</i>		
AB Linas Agro	Finance controller	2001



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

During the reporting period from 1 July 2017 to 30 June 2018, 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.

13.1. 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 2017 to 30 June 2018:

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 2017	0.743	0.654	110205.30	0.00	0.696	8451.92	29/09/2017	1620435	1132973.20
Q4 2017	0.699	0.632	48088.47	0.00	0.640	0.00	29/12/2017	454404	299312.44
Q1 2018	0.725	0.640	4203291	0.00	0.720	4320	29/03/2018	7417173	5454460.64
Q2 2018	0.725	0.700	756000	0.00	0.705	8063.09	29/06/2018	1988760	1427531.14

13.2. Capitalization of the Company's shares

Date	Capitalization, EUR	Share Price, EUR
30/09/2017	110622517.00	0.696
30/12/2017	102834437.50	0.647
31/3/2018	115231788.55	0.725
20/6/2018	112052980.59	0.705

13.3. Agreements concluded with intermediaries of the public securities market

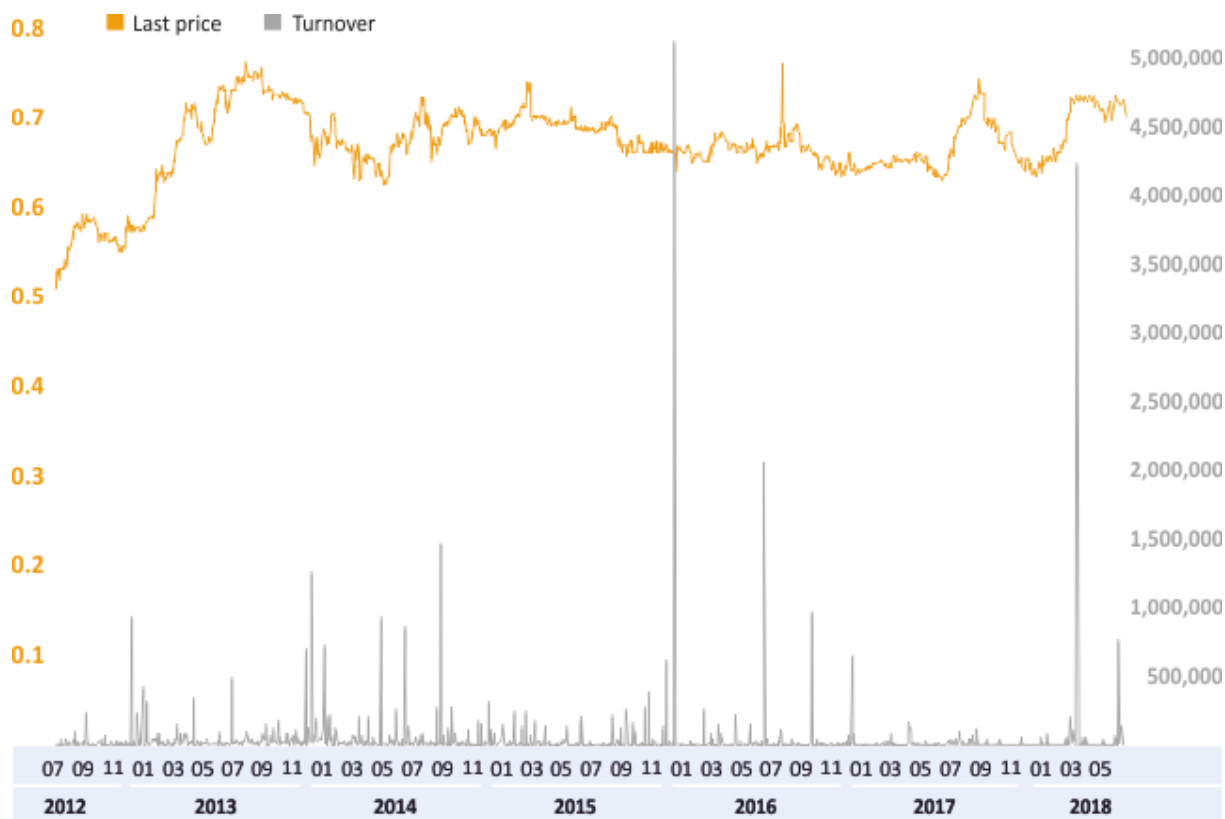
On July 24, 2017, the Company signed the agreement of the Issuer's securities accounting management contract with AB Šiaulių bankas, represented by the Securities Transactions Division (code 112025254, address: Šeimyniškių St. 1A, LT-09312 Vilnius).

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



13.4. 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 2018, is presented in the following diagram:



14. Procedure for amending the Company's Articles of Association

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

15. Essential agreement to which the Company is a party and which may be important in case of change in the control of the Company

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

16. Major transactions with related parties

Major transactions of the Company with related parties are provided in Note #31 of the Explanatory Note to the Consolidated Annual Financial Statements for 2017/18 financial year.



17. Information about the compliance with the Corporate Governance Code

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

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

18. Social and environmental responsibility

18.1. Social responsibility in relations with employees

Social guarantees are provided to employees of the Group companies: an allowance is paid after the death of a family member; a gift to an employee after a child is born; a gift on occasion of the anniversary birthday of an employee. Employees of the Group 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.

The Group contributes to the future stability of its employees, e.i. 56 employees of subsidiary AB Linas Agro participate in the pension accumulation program: they have concluded individual contracts for pension accumulation. The employer allocates the same amount for pension accumulation.

Employees of the companies of the Group have been granted the possibility to get the necessary medical care as they have been insured by the voluntary health insurance. In some companies, free health checks and flu vaccines are supplied free-of-charge to workers, and field workers are vaccinated against tick-borne encephalitis.

Manufacturing companies conduct employee surveys on the assessment of working conditions. Taking into account the wishes of the employees, 6 to 11 amendments were made in Latvia's poultry farms during the financial year to improve working conditions, from improved working conditions for people with disabilities to ergonomic furniture for office workers and recreation rooms in production units.

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

18.2. 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.



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 fourteenth time already organized 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 third year in a row it supported stray cats' sterilization project in Panevėžys city run by an animal care organization.

The Group seeks to promote the agricultural sector and to implement related social projects. One of the most interesting projects was "A Tractor's Trip around Lithuania". On the 100th anniversary of the restoration of the state of Lithuania, in a period of 10 days, a 1,200-kilometer-long distance was made driving the tractor Case IH Optum 300 CVX, visiting remoted farmers and rural communities. The goal was to draw attention to the rural population living on the outskirts of Lithuania. Another project popular among the readers – "Bendrumas įkvėpia" ("Affinity Inspires") – was implemented in collaboration with the online portal 15min.lt to show the lives of rural communities. After publishing 12 village community stories on the portal 15min.lt, readers were invited to vote and select the most active community. There was another project carried out together with 15min.lt – a series of articles about farmers "Alive with More Than Bread" – to draw attention to the rural people, their achievements and dreams, and inviting readers to vote for the most interesting heroes. One of the most interesting projects was implemented together with the Chamber of Agriculture, and with active involvement of many Lithuanian pre-school education institutions. Children were growing vegetables, participated in a photography competition, and the most active and educated kindergarten groups have received greenhouses donated by sponsors. The aim of the project was to familiarize young people with agricultural activities and to provide them with practical skills.

The second year in a row the Group was a sponsor of Auksinės Minutės – the continuous National Student Training Project of 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.

A total of 147 support and co-operation projects have been implemented in the reporting period, the Group allocated over 112 thousand euros for them, but as much as 18 thousand euros allocated previous year were returned back as unused under dedicated purpose. In designating the support, the companies of AB Linas Agro Group prioritized the following projects and partners:

- 15,500 euros were allocated to farmers' and other agricultural organizations;
- 12,117 euros were allocated to the disabled, foster homes for children, children's medical institutions;
- 12,050 euros were allocated to cultural and recreational events;
- 10,170 euros were allocated to local communities;
- 10,080 euros were allocated to educational and research institutions, as well as their events;
- 7,160 euros were allocated to educational and public spirit promoting projects;
- 4,928 euros were allocated as scholarships;
- 3,270 euros were allocated to children and youth engagement projects;
- 1,500 euros were allocated to public health projects.

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



18.3. Environmental responsibility

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

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

The Group has agreements with packaging waste management companies.

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

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.

Poultry farms in Latvia possess A–C pollution licenses and two of them are certified according to the ISO 50001 standard.

The grain elevators of the Group take constant care of the environment protection: air filters and oil traps are cleaned periodically.

In seed processing plant and grain elevators the industrial waste is marketed as a raw material for biofuels, thus contributing to the production of green energy.

At the Group's initiative, an asphalt-paved road was constructed near the new Kartena grain elevator, thus reducing the amount of dust emissions to the neighboring population.

All companies are taking energy-saving measures. For example, in grain elevators, almost all non-economical outdoor lamps have been replaced with LED lamps.

Annex 1
to the Consolidated Annual Report
of AB LINAS AGRO GROUP
for financial year 2017/18

Information on compliance with the
Corporate Governance Code
for the companies
listed on AB Nasdaq Vilnius



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AB Linas Agro Group, following Article 22 paragraph 3 of the Law on Securities of the Republic of Lithuania and item 24.5 of the Listing Rules of AB Nasdaq Vilnius, below discloses its compliance with the Corporate Governance Code for the Companies Listed on AB Nasdaq Vilnius, and its specific provisions. In case of 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 depart 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) shall 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 monitoring⁷ 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 bodies¹⁰. 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 advise 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 committees¹¹. 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 shareholder rights

The corporate governance framework should ensure the equitable treatment of all shareholders, including minority and foreign shareholders. The corporate governance framework should protect the rights of the shareholders.

6.1. Recommendation:

It is recommended that the company's capital should consist only of the shares that grant the same rights to voting, ownership, dividend and other rights to all their holders.

Company's commentary:

The Company's capital consists only of ordinary nominal intangible shares which grant the same rights to the Company's shareholders.

6.2. Recommendation:

It is recommended that investors should have access to the information concerning the rights attached to the shares of the new issue or those issued earlier in advance, i.e. before they purchase shares.



Company's commentary:

The Articles of the Association of the Company which complies with the Law on Companies guarantee the rights to shareholders.

The Company's Articles of the Association are publicly accessed to all investors on the Company's website in Lithuanian and English languages.

6.3. Recommendation:

Transactions that are important to the company and its shareholders, such as transfer, investment, and pledge of the company's assets or any other type of encumbrance should be subject to approval of the general shareholders' meeting¹³. 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-term 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 avoidance of conflicts of interest and their disclosure

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

7.1. Recommendation:

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

Company's commentary:

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

7.2. Recommendation:

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

Company's commentary:

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

7.3. Recommendation:

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

Company's commentary:

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



7.4. Recommendation:

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

Company's commentary:

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

VIII principle: Company's remuneration policy

Remuneration policy and procedure for approval, revision and disclosure of directors' remuneration established in the company should prevent potential conflicts of interest and abuse in determining remuneration of directors, in addition it should ensure publicity and transparency both of company's remuneration policy and remuneration of directors.

8.1. Recommendation:

A company should make a public statement of the company's remuneration policy (hereinafter the remuneration statement) which should be clear and easily understandable. This remuneration statement should be published as a part of the company's annual statement as well as posted on the company's website.

Company's commentary:

The Company has not prepared the remuneration approval, revision and publication procedure; therefore, it does not prepare remuneration policy statement.

The information about the Company's payments to the members of the issuer's managing bodies and the senior management during the previous period is announced according to the order stipulated by the legal acts. In the opinion of the Company and the Board, such information is off-the-record (confidential) and is currently considered as a trade secret of the Company according to the competitive environment and economic conditions for activities in Lithuania and other markets where the Company operates.

The issue on the need for and preparation of the remuneration policy report is expected to be dealt with in the future alongside with the change of market conditions and competitive environment.

8.2. Recommendation:

Remuneration statement should mainly focus on directors' remuneration policy for the following year and, if appropriate, the subsequent years. The statement should contain a summary of the implementation of the remuneration policy in the previous financial year. Special attention should be given to any significant changes in company's remuneration policy as compared to the previous financial year.

Company's commentary:

Not applicable. The Company has no remuneration statement due to the reasons specified in Clause 8.1.



8.3. Recommendation:

Remuneration statement should leastwise include the following information:

- 1) Explanation of the relative importance of the variable and non-variable components of directors' remuneration;
- 2) Sufficient information on performance criteria that entitles directors to share options, shares or variable components of remuneration;
- 3) An explanation how the choice of performance criteria contributes to the long-term interests of the company;
- 4) An explanation of the methods, applied in order to determine whether performance criteria have been fulfilled;
- 5) Sufficient information on deferment periods with regard to variable components of remuneration;
- 6) Sufficient information on the linkage between the remuneration and performance;
- 7) The main parameters and rationale for any annual bonus scheme and any other non-cash benefits;
- 8) Sufficient information on the policy regarding termination payments;
- 9) Sufficient information with regard to vesting periods for share-based remuneration, as referred to in point 8.13 of this Code;
- 10) Sufficient information on the policy regarding retention of shares after vesting, as referred to in point 8.15 of this Code;
- 11) Sufficient information on the composition of peer groups of companies the remuneration policy of which has been examined in relation to the establishment of the remuneration policy of the company concerned;
- 12) A description of the main characteristics of supplementary pension or early retirement schemes for directors;
- 13) Remuneration statement should not include commercially sensitive information.

Company's commentary:

Not applicable. The Company has no remuneration statement due to the reasons specified in Clause 8.1.

8.4. Recommendation:

Remuneration statement should also summarize and explain company's policy regarding the terms of the contracts executed with executive directors and members of the management bodies. It should include, inter alia, information on the duration of contracts with executive directors and members of the management bodies, the applicable notice periods and details of provisions for termination payments linked to early termination under contracts for executive directors and members of the management bodies.

Company's commentary:

Not applicable. The Company has no remuneration statement due to the reasons specified in Clause 8.1.



8.5. Recommendation:

Remuneration statement should also contain detailed information on the entire amount of remuneration, inclusive of other benefits, that was paid to individual directors over the relevant financial year. This document should list at least the information set out in items 8.5.1 to 8.5.4 for each person who has served as a director of the company at any time during the relevant financial year.

8.5.1. The following remuneration and/or emoluments-related information should be disclosed:

1) The total amount of remuneration paid or due to the director for services performed during the relevant financial year, inclusive of, where relevant, attendance fees fixed by the annual general shareholders meeting;

2) The remuneration and advantages received from any undertaking belonging to the same group;

3) The remuneration paid in the form of profit sharing and/or bonus payments and the reasons why such bonus payments and/or profit sharing were granted;

4) If permissible by the law, any significant additional remuneration paid to directors for special services outside the scope of the usual functions of a director;

5) Compensation receivable or paid to each former executive director or member of the management body as a result of his resignation from the office during the previous financial year;

6) Total estimated value of non-cash benefits considered as remuneration, other than the items covered in the above points.

8.5.2. As regards shares and/or rights to acquire share options and/or all other share-incentive schemes, the following information should be disclosed:

1) The number of share options offered or shares granted by the company during the relevant financial year and their conditions of application;

2) The number of shares options exercised during the relevant financial year and, for each of them, the number of shares involved and the exercise price or the value of the interest in the share incentive scheme at the end of the financial year;

3) The number of share options unexercised at the end of the financial year; their exercise price, the exercise date and the main conditions for the exercise of the rights;

4) All changes in the terms and conditions of existing share options occurring during the financial year.

8.5.3. The following supplementary pension schemes-related information should be disclosed:

1) When the pension scheme is a defined-benefit scheme, changes in the directors' accrued benefits under that scheme during the relevant financial year;

2) When the pension scheme is defined-contribution scheme, detailed information on contributions paid or payable by the company in respect of that director during the relevant financial year.

8.5.4. The statement should also state amounts that the company or any subsidiary company or entity included in the consolidated annual financial report of the company has paid to each person who has served as a director in the company at any time during the relevant financial year in the form of loans, advance payments or guarantees, including the amount outstanding and the interest rate.

**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 recommendation, 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:

According to AB Linas Agro Group rules for shares issue approved on 1/6/2018 in the Extraordinary General Meeting of the Company's Shareholders an employee will acquire the right to use the option only at least 3 (three) years continuously work in the Group from the date conclusion of the agreement.

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 – there are no non-executive or supervisory directors in the Company..

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:

There were approved AB Linas Agro Group rules for shares issue on 1/6/2018 in the Extraordinary General Meeting of the Company's Shareholders. The Rules determines the procedure of granting the shares to the Group employees, and they are implemented by the Head of the Company. The Company's Head submits detailed information about the application of these Rules and their implementation during the last financial year to the ordinary General Meeting of Shareholders of the Company. The Rules may be amended or cancelled by a decision of the General Meeting of Shareholders adopted with not less than 2/3 of the votes cast by the majority of the shareholders participating in the meeting.

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:

AB Linas Agro Group rules for shares issue were approved in the Extraordinary General Meeting of the Company's Shareholders.

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:

AB Linas Agro Group rules for shares issue were approved in the Extraordinary General Meeting of the Company's Shareholders. The Manager of the Company is entrusted to implement the Rules.

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:

AB Linas Agro Group rules for shares issue were approved in the Extraordinary General Meeting of the Company's Shareholders. The Manager of the Company is entrusted to implement the Rules.

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 in the financial year 2017/18.