AUGA GROUP AB

Independent Auditor's Report,
Consolidated Annual Report and
Consolidated and Separate
Financial Statements for the Year Ended
31 December 2018

2018

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Independent auditor's report

To the shareholders of AUGA Group AB

Report on the audit of the separate and consolidated financial statements

Our opinion

In our opinion, the separate and consolidated financial statements give a true and fair view of the separate and consolidated financial position of AUGA Group AB ("the Company") and its subsidiaries ("the Group") as at 31 December 2018, and of their separate and consolidated financial performance and their separate and consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union.

Our opinion is consistent with our additional report to the Audit Committee.

What we have audited
The Company's and the Group's separate and consolidated financial statements comprise:

- the separate and consolidated balance sheet as at 31 December 2018;
- the separate and consolidated income statement and statement of other comprehensive income for the year then ended;
- the separate and consolidated statement of changes in equity for the year then ended;
- the separate and consolidated cash flow statement for the year then ended; and
- the notes to the separate and consolidated financial statements, which include significant accounting policies and other explanatory information.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the financial statements* section of our report.

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

Independence
We are independent of the Company and the Group in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) and the Law of the Republic of Lithuania on the Audit of Financial Statements that are relevant to our audit of the separate and consolidated financial statements in the Republic of Lithuania. We have fulfilled our other ethical responsibilities in accordance with the IESBA Code and the Law of the Republic of Lithuania on the Audit of Financial Statements.

To the best of our knowledge and belief, we declare that non-audit services that we have provided to the Company and the Group are in accordance with the applicable law and regulations in the Republic of Lithuania and that we have not provided non-audit services that are prohibited under Article 5(1) of Regulation (EU) No 537/2014 considering the exemptions of Regulation (EU) No 537/2014 endorsed in the Law of the Republic of Lithuania on the Audit of Financial Statements.

The non-audit services that we have provided to the Company and the Group, in the period from 1 January 2018 to 31 December 2018, are disclosed in the Financial statements Note 23.

Our audit approach

Overview

- Overall Company materiality is EUR 470 thousand (2017: EUR 399 thousand),
- Overall Group materiality is EUR 548 thousand (2017: EUR 400 thousand)

- We conducted our audit work at 3 reporting units, all located in Lithuania.
- Our full-scope audit addressed substantially all of the Group's revenues and assets.

- Valuation of land
- Valuation of biological assets

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the separate and consolidated financial statements (together "the financial statements"). In particular, we considered where management made subjective judgements; for example, in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits, we also addressed the risk of management override of internal controls, including, among other matters, consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.

Materiality

The scope of our audit was influenced by our application of materiality. An audit is designed to obtain reasonable assurance whether the financial statements are free from material misstatement. Misstatements may arise due to fraud or error. They are considered material if individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

Based on our professional judgement, we determined certain quantitative thresholds for materiality, including the overall Company and Group materiality for the separate and consolidated financial statements as a whole as set out in the table below. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements, if any, both individually and in aggregate on the financial statements as a whole.

Overall Company materiality	EUR 470 thousand (2017: EUR 399 thousand)
Overall Group materiality	EUR 548 thousand (2017: EUR 400 thousand)

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How we determined it	Overall Company materiality was determined as 0.55% of the Company's net assets. Overall Group materiality was determined as 1% of the Group's total revenue.
Rationale for the materiality benchmark applied	We chose net assets as the benchmark for overall Company materiality because, in our view, it is the most appropriate measure for the Company as a holding company with no external income. We chose total revenue as the benchmark for overall Group materiality because total revenue is one of the Group's key performance indicators analysed by the management and communicated to the shareholders. Total revenue is also a more stable measure compared to profitability ratio, as it does not depend directly on such external factors as the EU's farming subsidy policy. We chose to apply 0.55% of net assets to overall Company materiality and 1% of total revenue to overall Group materiality, which are within the range of acceptable quantitative materiality thresholds for these benchmarks.

We agreed with the Audit Committee that we would report to them misstatements identified during our audit above EUR 23 thousand and EUR 27 thousand for the Company and the Group respectively, as well as misstatements below that amount that, in our view, warranted reporting for qualitative reasons.

Key audit matters

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

Key audit matter	*How our audit addressed the key audit matter*
Valuation of land (Refer to Note 2 *Summary of significant accounting policies*; Note 4 *Critical accounting estimates and assumptions*; Note 5 *Property, plant and equipment*). The carrying value of land as at 31 December 2018 was EUR 21.6 million (31 December 2017 – EUR 18.8 million) and gain from fair value adjustments recognised in 2018 amounted to EUR 1.4 million (2017: EUR 1.7 million). As last year, we focused on this area because the process of determining fair value is complex due to the large number of land plots owned by the Group, the large number of	We obtained and read the valuation reports of land plots performed by independent valuers, and compared the values of the selected land plots to the data of the recent market transactions in the same geographical location with properties of similar size and quality. We determined a range of values that were considered reasonable to evaluate the independent property valuations used by management and discussed the differences from the ranges of values identified with the Group's responsible employees. We tested, on a sample basis, whether the management had used the appropriate data from valuations performed by independent valuers, for

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market transactions, and therefore, the complexity of choosing the appropriate market data for each property based on its location, size and quality. For properties comprising 18% of the land value, the management used the work performed by independent valuers; for the remaining properties, the management performed the valuation itself, using also the results of the independent valuation.	measurement of the fair value of the remaining properties, based on their location, size and quality. In addition to the above, our procedures in relation to management expert's valuation of land plots included evaluation of the independent external valuers' competence, capabilities and objectivity and the assessment of the appropriateness of the methodology used in valuation. As a result of our work, we noted no significant exceptions that would require material adjustment.
Valuation of biological assets and agricultural produce (Refer to Note 2 *Summary of significant accounting policies*, Note 4 *Critical accounting estimates and assumptions*, and Note 9 *Biological assets*) The carrying value of biological assets as at 31 December 2018 was EUR 23.5 million (31 December 2017 - EUR 18.1 million) and loss from change in fair value recognised in 2018 amounted to EUR 5.3 million (in 2017 gain - EUR 4.1 million). As last year, we focused on this area because it involves management's estimates in determining the fair value of biological assets and agricultural produce, and due to significant loss from revaluation of harvested crops and livestock in 2018, the judgments and estimates made had even more significant impact to the financial statements. Biological assets consist of livestock (including milk cows, heifers and bulls), crops and mycelium cultivation seedbed growing in the Group's farms in Lithuania. Livestock is measured at fair value less estimated point-of-sale costs. The fair value of milk cows is determined using the future cash flow forecast model, including expected cash flows from milk sales and subsequent sale of cows. The fair value of heifers and bulls is determined using the average expected sales price per kg of meat of heifers or bulls, and based on the market research performed by the management.	We obtained the valuation of livestock of the Group. We traced the input data to independent market information and tested the key assumptions used for calculating the fair value of livestock. We have also involved a valuation specialist to assist us with the assessment of the discount rates used by the management in the discounted cash flows model. We tested the internal control procedures over purchase process of the Group and allocation of costs to the crops and mycelium cultivation seedbeds. We performed a detailed testing of the cost of crops and mycelium cultivation seedbed at the balance sheet date. We also performed a detailed testing over the calculation of the fair value of grain at the point of harvest by comparing available market information about crop prices at the time of harvest and the sales prices agreed with customers, where available, to the prices used by the management. As a result of our work, we noted no significant exceptions to the assumptions applied in the valuation of biological assets that would require material adjustment.

For crops and mycelium cultivation seedbed, cost approximates their fair value at 31 December 2018 as there has been a little biological transformation. The cost is estimated by allocating all direct and directly attributable indirect costs to the newly seeded crops and newly cultivated mycelium seedbed.

How we tailored our Group audit scope

We tailored the scope of our audit in order to perform sufficient work to enable us to provide an opinion on the consolidated the financial statements as a whole, taking into account the structure of the Group, the accounting processes and controls, and the industry in which the Group operates.

The Group comprises a number of subsidiaries operating in Lithuania (refer to Note 1 *General information*). A full-scope audit was performed by PwC Lithuania for the separate financial statements of the following Group entities:

- AUGA Group AB
- Baltic Champs UAB
- Auga Gruduva UAB

For other entities of the Group, we carried out audit work on the selected balances and transactions, which were assessed by us as material from the Group audit perspective.

Reporting on other information including the consolidated annual report

Management is responsible for the other information. The other information comprises the consolidated annual report, including the corporate governance report and the social responsibility report (but does not include the financial statements and our auditor's report thereon), which we obtained prior to the date of this auditor's report.

Our opinion on the financial statements does not cover the other information, including the consolidated annual report.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

With respect to the consolidated annual report, we considered whether the consolidated annual report includes the disclosures required by the Law of the Republic of Lithuania on Consolidated Financial Reporting by Groups of Undertakings, the Law of the Republic of Lithuania on Financial Reporting by Undertakings implementing Article 19 of Directive 2013/34/EU.

Based on the work undertaken in the course of our audit, in our opinion:

- the information given in the consolidated annual report for the financial year ended 31 December 2018, for which the financial statements are prepared, is consistent with the financial statements; and
- the consolidated annual report has been prepared in accordance with the Law of the Republic of Lithuania on Consolidated Financial Reporting by Groups of Undertakings and the Law of the Republic of Lithuania on Financial Reporting by Undertakings.

The Company and the Group presented the social responsibility report as a part of the consolidated annual report.

In addition, in light of the knowledge and understanding of the Company and the Group and their environment obtained in the course of the audit, we are required to report if we have identified material misstatements in the consolidated annual report which we obtained prior to the date of this auditor's report. We have nothing to report in this respect.

Responsibilities of management and those charged with governance for the financial statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards as adopted by the European Union, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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

Auditor's responsibilities for the audit of the financial statements

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's and the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events

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

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

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

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

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

Report on other legal and regulatory requirements

Appointment

We were first appointed as auditors of the Company and the Group on 19 May 2016. Our appointment has been renewed annually by shareholders resolution representing a total period of uninterrupted engagement appointment of 3 years.

The certified auditor on the audit resulting in this independent auditor's report is Rimvydas Jogėla.

On behalf of PricewaterhouseCoopers UAB

Rimvydas Jogėla
Partner
Auditor's Certificate No.000457

Vilnius, Republic of Lithuania
11 April 2019

(All amounts are in EUR thousand, unless otherwise stated)

II. CONSOLIDATED ANNUAL REPORT

1. General information

1.1. Accounting period covered by the Report

Consolidated annual report was prepared for the year ended 31 December 2018.

1.2. Key data on the issuer

Name of the company:	AUGA group, AB (hereinafter – AUGA group, AB or the Company)
Share capital:	EUR 65,950,713.08
Address of headquarters:	Konstitucijos av. 21C, Quadrum North, LT-08130, Vilnius, Lithuania
Telephone:	+370 5 233 53 40
Fax:	+370 5 233 53 45
E-mail address:	info@auga.lt
Website:	www.auga.lt
Legal entity form:	Legal entity, joint stock company
Place and date of registration:	25 June 2003, Vilnius
Register code:	126264360
Registrant of the Register of Legal entities:	VĮ Registrų centras

1.3. Main lines of business of the Group

Operations area:	Organic agriculture
Main products manufactured:	Grain growing and sale, mushroom growing and sale, milk production and sale, end-consumer packaged goods production and sale.

1.4. The Structure of the Group

As of 31 December 2018, the consolidated Group (hereinafter the Group) consists of the Company and one hundred thirty-five subsidiaries (31 December 2017: one hundred thirty-six subsidiaries).

No.	Name of subsidiary	Legal form	Legal entity code	Address, place and date of registration	Profile	Group ownership interest, %	
						31 12 2018	31 12 2017
1.	Baltic Champs UAB	*4	302942064	Šiaulių region, Poviliškių v., 15, Registered: Šiaulių reg., Registration date: 27-12-2012	**A	100,00%	100,00%
2.	AVG Investment UAB	*4	300087691	Vilniaus mun., Vilnius, Konstitucijos av. 21C, Registered: Vilnius mun., Registration date: 10-02-2005	**G	100,00%	100,00%
3.	AWG Investment 1 UAB	*4	301745765	Vilniaus mun., Vilnius, Konstitucijos av. 21C, Registered: Vilnius mun., Registration date: 18-06-2008	**G	100,00%	100,00%
4.	AWG Investment 2 UAB	*4	301807590	Vilniaus mun., Vilnius, Konstitucijos av. 21C, Registered: Vilnius mun., Registration date: 24-07-2008	**G	100,00%	100,00%
5.	Agross UAB	*4	301807601	Vilniaus mun., Vilnius, Konstitucijos av. 21C, Registered: Vilnius mun., Registration date: 24-07-2008	**H	100,00%	100,00%
6.	Grain Lt UAB	*4	302489354	Vilniaus mun., Vilnius, Konstitucijos av. 21C, Registered: Vilnius mun., Registration date: 17-03-2010	**H	98,97%	97,41%
7.	Ars Ingenii UAB	*4	302602713	Vilniaus mun., Vilnius, Konstitucijos av. 21C, Registered: Vilnius mun., Registration date: 15-03-2011	**H	100,00%	100,00%
8.	AgroGis UAB	*4	302583978	Vilniaus mun., Vilnius, Konstitucijos av. 21C, Registered: Vilnius mun., Registration date: 18-01-2011	**D	95,00%	95,00%
9.	Agro Management Team UAB	*4	302599498	Jonavos region, Bukonių v., Lankesos st. 2, Registered: Jonavos reg., Registration date: 02-03-2011	**E	100,00%	100,00%
10.	Agrotechnikos centras UAB	*4	302589187	Vilniaus mun., Vilnius, Konstitucijos av. 21C, Registered: Jonavos reg., Registration date: 03-02-2011	**F	100,00%	100,00%
11.	AUGA trade UAB	*4	302753875	Jonavos region, Bukonių v., Lankesos st. 2, Registered: Jonavos reg., Registration date: 29-02-2012	**H	100,00%	100,00%

(All amounts are in EUR thousand, unless otherwise stated)

12.	Agricultural entity Žemės fondas	*1	300558595	Vilniaus mun., Vilnius, Konstitucijos av. 21C, Registered: Vilnius mun., Registration date: 07-04-2006	**E	100,00%	100,00%
13.	Žemės vystymo fondas 6 UAB	*4	300589719	Vilniaus mun., Vilnius, Smolensko st. 10, Registered: Vilnius mun., Registration date: 10-08-2006	**E	100,00%	100,00%
14.	Žemės vystymo fondas 9 UAB	*4	300547638	Vilniaus mun., Vilnius, Konstitucijos av. 21C, Registered: Jonavos reg., Registration date: 09-03-2006	**E	100,00%	100,00%
15.	Žemės vystymo fondas 10 UAB	*4	301522723	Vilniaus mun., Vilnius, Konstitucijos av. 21C, Registered: Jonavos reg., Registration date: 10-01-2008	**E	100,00%	100,00%
16.	Žemės vystymo fondas 20 UAB	*4	300887726	Vilniaus mun., Vilnius, Konstitucijos av. 21C, Registered: Jonavos reg., Registration date: 22-06-2007	**B	100,00%	100,00%
17.	AUGA Grūduva UAB	*4	174401546	Šakių region, Gotlybiškių v., Registered: Šakių mun., Registration date: 24-02-1997	**A	98,97%	97,41%
18.	Agricultural entity AUGA Spindulys	*1	171330414	Radviliškio region, Vaitiekūnų v., Spindulio st. 13, Registered: Radviliškio reg., Registration date: 09-04-1993	**A	99,99%	99,96%
19.	Agricultural entity AUGA Smilgiai	*1	168548972	Panevėžio region, Smilgių mstl. Panevėžio st. 23-1, Registered: Panevėžio reg., Registration date: 16-09-1992	**A	100,00%	100,00%
20.	Agricultural entity AUGA Skėmiai	*1	171306071	Radviliškio region, Skėmių v., Kėdainių st. 36, Registered: Radviliškio reg., Registration date: 01-10-1992	**A	99,97%	99,87%
21.	Agricultural entity AUGA Nausodė	*1	154179675	Anykščių mun., Nausodės v., Nausodės st. 55, Registered: Anykščių reg., Registration date: 11-08-1992	**A	99,93%	99,80%
22.	Agricultural entity AUGA Dumšiškės	*1	172276179	Raseinių mun., Gėluvos v., Dvaro st. 30, Registered: Raseinių reg., Registration date: 29-09-1992	**A	99,88%	99,38%
23.	Agricultural entity AUGA Žadžiūnai	*1	175706853	Šiaulių region, Žadžiūnų v., Gudelių st. 30-2, Registered: Šiaulių reg., Registration date: 30-06-1992	**A	99,81%	99,02%
24.	Agricultural entity AUGA Mantviliškis	*1	161274230	Kėdainių mun., Mantviliškio v., Liepos 6-osios st. 60, Registered: Kėdainių reg., Registration date: 06-11-1992	**A	99,94%	98,79%
25.	Agricultural entity AUGA Alanta	*1	167527719	Molėtų region, Kazlų v., Skiemonių st. 2A, Registered: Molėtų reg., Registration date: 29-06-1992	**A	99,99%	98,55%
26.	Agricultural entity AUGA Eimučiai	*1	175705032	Šiaulių region, Žadžiūnų v., Gudelių st. 30-2, Registered: Šiaulių reg., Registration date: 29-06-1992	**A	99,24%	98,41%
27.	Agricultural entity AUGA Vėriškės	*1	171305165	Radviliškio reg., Skėmiai, Kėdainių st. 13, Registered: Radviliškio reg., Registration date: 29-09-1992	**A	99,93%	99,86%
28.	Agricultural entity AUGA Želsvelė	*1	165666499	Marijampolės mun., Želsvos v., Želsvelės st. 1, Registered: Marijampolės mun., Registration date: 03-07-1992	**A	99,86%	97,17%
29.	Agricultural entity AUGA Lankesa	*1	156913032	Jonavos region, Bukonių v., Registered: Jonavos reg., Registration date: 06-04-1999	**A	99,59%	96,24%
30.	Agricultural entity AUGA Kairėnai	*1	171327432	Radviliškio region, Kairėnų v., Registered: Radviliškio reg., Registration date: 02-03-1993	**A	98,47%	94,82%
31.	Agricultural entity AUGA Jurbarkai	*1	158174818	Jurbarko region, Klišių v., Vytauto Didžiojo st. 99, Registered: Jurbarko reg., Registration date: 31-07-1992	**A	98,46%	87,78%
32.	Agricultural entity AUGA Gustoniai	*1	168565021	Panevėžio region, Gustonių v., M. Kriaučiūno st. 15, Registered: Panevėžio reg., Registration date: 09-12-1992	**A	100,00%	99,72%
33.	Cooperative entity Siesarčio ūkis	*3	302501098	Vilniaus mun., Vilnius, Konstitucijos av. 21C, Registered: Šakių reg., Registration date: 21-04-2010	**A	99,92%	99,44%
34.	Cooperative entity Kašėta	*3	302501251	Vilniaus mun., Vilnius, Konstitucijos av. 21C, Registered: Jonavos reg., Registration date: 21-04-2010	**A	99,92%	99,44%
35.	Agricultural entity Gustonys	*1	302520102	Vilniaus mun., Vilnius, Konstitucijos av. 21C, Registered: Panevėžio reg., Registration date: 08-06-2010	**E	100,00%	100,00%
36.	Agricultural entity Skėmių pienininkystės centras	*1	302737554	Radviliškio region, Skėmių v., Alyvų st. 1, Registered: Radviliškio reg., Registration date: 05-03-2012	**A	49,61%	48,67%
37.	Cooperative entity Agrobokštai	*3	302485217	Vilniaus mun., Vilnius, Konstitucijos av. 21C, Registered: Vilnius mun., Registration date: 02-03-2010	**A	99,62%	97,94%
38.	Cooperative entity Dotnuvėlės valdos	*3	302618614	Šiaulių region, Žadžiūnų v., Gudelių st. 30-2, Registered: Šiaulių reg., Registration date: 21-04-2011	**A	99,91%	99,22%
39.	Cooperative entity Nevėžio lankos	*3	302618596	Kėdainių region, Mantviliškio v., Liepos 6-osios st. 60, Registered: Kėdainių reg., Registration date: 21-04-2011	**A	99,61%	96,51%
40.	Cooperative entity Radviliškio kraštas	*3	302618742	Radviliškio region, Skėmių v., Kėdainių st. 13, Registered: Radviliškio reg., Registration date: 20-04-2011	**A	99,66%	98,67%
41.	Cooperative entity Šventosios pievos	*3	302618201	Raseinių region, Kalnujų mstl. Žieveliškės st. 1, Registered: Raseinių reg., Registration date: 20-04-2011	**A	99,35%	96,36%
42.	Cooperative entity Kairių ūkis	*3	302615194	Panevėžio region, Gustonių v., M. Kriaučiūno st. 15, Registered: Panevėžio reg., Registration date: 13-04-2011	**A	99,70%	98,68%

(All amounts are in EUR thousand, unless otherwise stated)

43.	Cooperative entity Šiaurinė valda	*3	302615187	Akmenės mun., Ramučių v., Klevų st. 11, Registered: Šiaulių reg., Registration date: 13-04-2011	**A	99,40%	96,15%
44.	Cooperative entity Šušvės žemė	*3	302618767	Kelmės region, Pašiaušės v., Vilties st. 2, Registered: Kelmės reg., Registration date: 21-04-2011	**A	99,64%	98,43%
45.	Cooperative entity Žalmargėlis	*3	303145954	Vilniaus mun., Vilnius, Konstitucijos av. 21C, Registered: Vilnius mun., Registration date: 23-09-2013	**A	99,53%	98,32%
46.	Cooperative entity Juodmargėlis	*3	303159014	Raseinių region, Kalnujų mstl. Žieveliškės st. 1, Registered: Raseinių reg., Registration date: 03-10-2013	**A	99,91%	99,35%
47.	Cooperative entity Agromilk	*3	302332698	Raseinių region, Kalnujų mstl. Žieveliškės st. 1, Registered: Raseinių reg., Registration date: 23-04-2009	**A	99,33%	96,28%
48.	Cooperative entity Purpurėja	*3	302542337	Širvintų mun., Širvintų v., Zosinos st. 8, Registered: Širvintų reg., Registration date: 02-09-2010	**A	99,93%	99,53%
49.	Bukonių ekologinis ūkis UAB	*4	302846621	Vilniaus mun., Vilnius, Konstitucijos av. 21C, Registered: Vilnius mun., Registration date: 23-08-2012	**A	100,00%	100,00%
50.	Agrosaulė 8 UAB	*4	302846105	Vilniaus mun., Vilnius, Smolensko st. 10-100, Registered: Vilnius mun., Registration date: 23-08-2012	**G	100,00%	100,00%
51.	Biržai distr., Rinkuškiai reclamation infrastructure users association	*2	302465556	Biržų region, Biržai, Vytauto st. 38, Registered: Biržų reg., Registration date: 11-12-2009	**A	49,61%	48,67%
52.	Pasvalys distr., Pušalotas reclamation infrastructure users association	*2	302465563	Pasvalio region, Diliauskų v., Diliauskų st. 23, Registered: Pasvalio reg., Registration date: 11-12-2009	**A	49,61%	48,67%
53.	Skėmiai reclamation infrastructure users association	*2	303170256	Šiaulių region, Žadžiūnų v., Gudelių st. 30-2, Registered: Šiaulių reg., Registration date: 22-10-2013	**A	49,61%	48,67%
54.	Vaitiekūnai reclamation infrastructure users association	*2	303170306	Šiaulių region, Žadžiūnų v., Gudelių st. 30-2, Registered: Šiaulių reg., Registration date: 22-10-2013	**A	49,61%	48,67%
55.	Association Grūduvos melioracija	*2	302567116	Šakių region, Gotlybiškių v., Mokyklos st. 2, Registered: Šakių reg., Registration date: 23-11-2010	**A	66,33%	65,81%
56.	Pauliai reclamation infrastructure users association	*2	303169909	Raseinių region, Gėluvos v., Dvaro st. 30, Registered: Raseinių reg., Registration date: 11-12-2009	**A	0,00%	100,00%
57.	Nausode reclamation infrastructure users association	*2	304219592	Vilniaus mun., Vilnius, Konstitucijos av. 21C, Registered: Vilnius mun., Registration date: 22-10-2013	**A	71,42%	70,74%
58.	Traktorių nuomos centras UAB	*4	302820808	Vilniaus mun., Vilnius, Konstitucijos av. 21C, Registered: Jonavos reg., Registration date: 16-07-2012	**A	100,00%	100,00%
59.	Traktorių nuomos paslaugos UAB	*4	302820797	Vilniaus mun., Vilnius, Konstitucijos av. 21C, Registered: Jonavos reg., Registration date: 16-07-2012	**A	100,00%	100,00%
60.	Arnega UAB	*4	302661957	Vilniaus mun., Vilnius, Konstitucijos av. 21C, Registered: Jonavos reg., Registration date: 13-08-2011	**A	100,00%	100,00%
61.	AgroSchool OU	*6	12491954	Harju maakond, Tallinn, Kesklinna linnaosa, Lai tn 32-8, 10133, Registered: Estonia, Registration date: 15-07-2013	**G	100,00%	100,00%
62.	Public institution AgroSchool	*5	303104797	Vilniaus mun., Vilnius, Smolensko st. 10-100, Registered: Vilnius mun., Registration date: 22-07-2013	**C	50,00%	50,00%
63.	AUGA Ramučiai UAB	*4	302854479	Akmenės region, Ramučių v., Klevų st. 11, Registered: Akmenės reg., Registration date: 05-09-2012	**A	100,00%	100,00%
64.	AUGA Luganta UAB	*4	300045023	Kelmės region, Pašiaušės v., Registered: Kelmės reg., Registration date: 05-09-2012	**A	100,00%	100,00%
65.	eTime invest UAB	*4	300578676	Vilniaus mun., Vilnius, Konstitucijos av. 21C, Registered: Vilnius mun., Registration date: 09-06-2014	**G	100,00%	100,00%
66.	Karakash Agro OOO	*6	37171461	Adalet st. 18, Chechova, Razdolnenskiy distr., Krym, Registered: Ukraine, Registration date: 09-09-2010	**A	0,00%	100,00%
67.	Karakash OOO	*6	37171461	Adalet st. 18, Chechova, Razdolnenskiy distr., Krym, Registered: Ukraine, Registration date: 09-09-2010	**A	0,00%	100,00%
68.	ŽVF Projektai UAB	*4	300137062	Vilniaus mun., Vilnius, Konstitucijos av. 21C, Registered: Jonavos reg., Registration date: 27-12-2012	**E	52,62%	52,62%
69.	Agricultural entity Alantos ekologinis ūkis	*1	303324747	Molėtų region, Kazlų v., Skiemonių st. 2A, Registered: Molėtų reg., Registration date: 09-06-2014	**A	100,00%	100,00%
70.	Agricultural entity Dumšiškių ekologinis ūkis	*1	303324722	Raseinių mun., Gėluvos v., Dvaro st. 30, Registered: Raseinių reg., Registration date: 09-06-2014	**A	100,00%	100,00%
71.	Agricultural entity Eimučių ekologinis ūkis	*1	303324715	Šiaulių region, Žadžiūnų v., Gudelių st. 30-2, Registered: Šiaulių reg., Registration date: 09-06-2014	**A	100,00%	100,00%

(All amounts are in EUR thousand, unless otherwise stated)

72.	Agricultural entity Grūduvos ekologinis ūkis	*1	303324804	Šakių region, Gotlybiškių v., Mokyklos st. 2, Registered: Šakių reg., Registration date: 09-06-2014	**A	100,00%	100,00%
73.	Agricultural entity Jurbarkų ekologinis ūkis	*1	303325361	Jurbarko region, Klišių v., Vytauto Didžiojo st. 99, Registered: Jurbarko reg., Registration date: 09-06-2014	**A	100,00%	100,00%
74.	Agricultural entity Kairėnų ekologinis ūkis	*1	303325774	Radviliškio region, Vaitiekūnų v., Spindulio st. 13-2, Registered: Radviliškio reg., Registration date: 09-06-2014	**A	100,00%	100,00%
75.	Agricultural entity Lankesos ekologinis ūkis	*1	303325710	Jonavos region, Bukonių v., Lankesos st. 2, Registered: Jonavos reg., Registration date: 09-06-2014	**A	100,00%	100,00%
76.	Agricultural entity Mantviliškio ekologinis ūkis	*1	303325703	Kėdainių region, Mantviliškio v., Liepos 6-osios st. 60, Registered: Kėdainių reg., Registration date: 09-06-2014	**A	100,00%	100,00%
77.	Agricultural entity Nausodės ekologinis ūkis	*1	303325781	Anykščių region, Nausodės v., Nausodės st. 55, Registered: Anykščių reg., Registration date: 09-06-2014	**A	100,00%	100,00%
78.	Agricultural entity Skėmių ekologinis ūkis	*1	303325692	Radviliškio region, Skėmių v., Kėdainių st. 13, Registered: Radviliškio reg., Registration date: 09-06-2014	**A	100,00%	100,00%
79.	Agricultural entity Smilgių ekologinis ūkis	*1	303325824	Panevėžio region, Smilgiai, Panevėžio st. 23-1, Registered: Panevėžio reg., Registration date: 09-06-2014	**A	100,00%	100,00%
80.	Agricultural entity Spindulio ekologinis ūkis	*1	303325817	Radviliškio region, Vaitiekūnų v., Spindulio st. 13-2, Registered: Radviliškio reg., Registration date: 09-06-2014	**A	100,00%	100,00%
81.	Agricultural entity Vėriškių ekologinis ūkis	*1	303325849	Radviliškio region, Skėmių v., Kėdainių st. 13, Registered: Radviliškio reg., Registration date: 09-06-2014	**A	100,00%	100,00%
82.	Agricultural entity Žadžiūnų ekologinis ūkis	*1	303325870	Šiaulių region, Žadžiūnų v., Gudelių st. 30-2, Registered: Šiaulių reg., Registration date: 09-06-2014	**A	100,00%	100,00%
83.	Agricultural entity Želsvelės ekologinis ūkis	*1	303325856	Marijampolės mun., Želsvos v., Želsvelės st. 1, Registered: Marijampolės mun., Registration date: 09-06-2014	**A	100,00%	100,00%
84.	Prestviigi OU	*6	12654600	Harju maakond, Tallinn, Kesklinna linnaosa, Lai tn 32-8, 10133, Registered: Estonia, Registration date: 02-05-2014	**G	100,00%	100,00%
85.	Turvaste partners OU	*6	12655410	Harju maakond, Tallinn, Kesklinna linnaosa, Lai tn 32-8, 10133, Registered: Estonia, Registration date: 02-05-2014	**G	100,00%	100,00%
86.	Nakamaa Agro OU	*6	12655522	Harju maakond, Tallinn, Kesklinna linnaosa, Lai tn 32-8, 10113, Registered: Estonia, Registration date: 02-05-2014	**G	100,00%	100,00%
87.	Hindaste Invest OU	*6	12655384	Harju maakond, Tallinn, Kesklinna linnaosa, Lai tn 32-8, 10133, Registered: Estonia, Registration date: 24-04-2014	**G	100,00%	100,00%
88.	Tuudi River OU	*6	12655640	Harju maakond, Tallinn, Kesklinna linnaosa, Lai tn 32-8, 10133, Registered: Estonia, Registration date: 02-05-2014	**G	100,00%	100,00%
89.	Palderma Partners OU	*6	12654959	Harju maakond, Tallinn, Kesklinna linnaosa, Lai tn 32-8, 10133, Registered: Estonia, Registration date: 02-05-2014	**G	100,00%	100,00%
90.	Ave-Martna Capital OU	*6	12655155	Harju maakond, Tallinn, Kesklinna linnaosa, Lai tn 32-8, 10133, Registered: Estonia, Registration date: 02-05-2014	**G	100,00%	100,00%
91.	Hobring Invest OU	*6	12655427	Harju maakond, Tallinn, Kesklinna linnaosa, Lai tn 32-8, 10133, Registered: Estonia, Registration date: 02-05-2014	**G	100,00%	100,00%
92.	Rukkirahhu Capital OU	*6	12655232	Harju maakond, Tallinn, Kesklinna linnaosa, Lai tn 32-8, 10133, Registered: Estonia, Registration date: 02-05-2014	**G	100,00%	100,00%
93.	Pahasoo OU	*6	12655367	Harju maakond, Tallinn, Kesklinna linnaosa, Lai tn 32-8, 10133, Registered: Estonia, Registration date: 02-05-2014	**G	100,00%	100,00%
94.	Cooperative entity Ganiklis	*3	303429417	Radviliškio region, Skėmių v., Alyvų st. 1-3, Registered: Radviliškio reg., Registration date: 20-10-2014	**A	99,46%	98,09%
95.	Cooperative entity Ganiavos gėrybės	*3	303429431	Marijampolės mun., Želsvos v., Želsvelės st. 1, Registered: Radviliškio reg., Registration date: 20-10-2014	**A	99,46%	98,09%
96.	Cooperative entity Žemėpačio pieno ūkis	*3	303432388	Raseinių region, Ariogalos sen. Gėluvos v., Dvaro st. 30, Registered: Raseinių reg., Registration date: 22-10-2014	**A	99,46%	98,09%
97.	Cooperative entity Žemynos pienelis	*3	303427989	Raseinių region, Ariogalos sen. Gėluvos v., Dvaro st. 30, Registered: Raseinių reg., Registration date: 17-10-2014	**A	99,46%	98,09%
98.	Cooperative entity Lygiadienio ūkis	*3	303428087	Panevėžio mun., Smilgiai, Panevėžio st. 23-1, Registered: Radviliškio reg., Registration date: 17-10-2014	**A	99,46%	98,09%
99.	Cooperative entity Laumės pieno ūkis	*3	303427996	Raseinių region, Ariogalos sen. Gėluvos v., Dvaro st. 30, Registered: Raseinių reg., Registration date: 17-10-2014	**A	99,46%	98,09%
100.	Cooperative entity Medeinos pienas	*3	303428112	Raseinių region, Ariogalos sen. Gėluvos v., Dvaro st. 30, Registered: Raseinių reg., Registration date: 17-10-2014	**A	99,46%	98,09%
101.	Cooperative entity Gardaitis	*3	303429381	Panevėžio mun., Gustonių v., M. Kriaučiūno st. 15, Registered: Radviliškio reg., Registration date: 20-10-2014	**A	99,46%	98,09%
102.	Cooperative entity Dimstipatis	*3	303429424	Mažeikių aplinkl. 9, Naikių v., Mažeikių apylinkės sen., Mažeikių region, Registered: Mažeikių reg., Registration date: 20-10-2014	**A	99,46%	98,09%

(All amounts are in EUR thousand, unless otherwise stated)

103.	Cooperative entity Aušlavis	*3	303429456	Anykščių mun. Nausodės v. Nausodės st. 55, Registered: Radviliškio reg., Registration date: 20-10-2014	**A	99,46%	98,09%
104.	Cooperative entity Austėjos pieno ūkis	*3	303428094	Mažeikių aplinkl. 9, Naikių v., Mažeikių apylinkės sen., Mažeikių region, Registered: Mažeikių reg., Registration date: 17-10-2014	**A	99,46%	98,09%
105.	Cooperative entity Aitvaro ūkis	*3	303429374	Radviliškio region, Skėmių v., Alyvų st. 1-3, Registered: Radviliškio reg., Registration date: 20-10-2014	**A	99,46%	98,09%
106.	Cooperative entity Giraičio pieno ūkis	*3	303429399	Mažeikių aplinkl. 9, Naikių v., Mažeikių apylinkės sen., Mažeikių region, Registered: Mažeikių reg., Registration date: 20-10-2014	**A	99,46%	98,09%
107	Fentus 10 GmbH	*6	HRB106477	StraBe des 17 Juni 10b 10623 Berlin, Germany, Registered: Germany, Registration date: 02-05-2014	**G	100,00%	100,00%
108.	Norus 26 AG	*6	HRB109356 B	StraBe des 17 Juni 10b 10623 Berlin, Germany, Registered: Germany, Registration date: 02-05-2014	**G	100,00%	100,00%
109.	LT Holding AG	*6	HRB109265 B	StraBe des 17 Juni 10b 10623 Berlin, Germany, Registered: Germany, Registration date: 02-05-2014	**G	100,00%	100,00%
110.	KTG Agrar UAB	*4	300127919	Raseinių region, Gėluvos v., Dvaro st. 30, Registered: Vilnius mun., Registration date: 20-10-2014	**A	100,00%	100,00%
111.	Agrar Raseiniai UAB	*4	300610316	Raseinių region, Gėluvos v., Dvaro st. 30, Registered: Raseinių reg., Registration date: 20-10-2014	**A	100,00%	100,00%
112.	Agrar Mažeikiai UAB	*4	300610348	Mažeikių av. 9, Naikių v., Mažeikių region, Registered: Mažeikių reg., Registration date: 20-10-2014	**A	100,00%	100,00%
113.	PAE Agrar UAB	*4	300867691	Raseinių region, Gėluvos v., Dvaro st. 30, Registered: Raseinių reg., Registration date: 20-10-2014	**A	100,00%	100,00%
114.	Delta Agrar UAB	*4	300868875	Raseinių region, Gėluvos v., Dvaro st. 30, Registered: Raseinių reg., Registration date: 20-10-2014	**A	100,00%	100,00%
115.	KTG Grūdai UAB	*4	302637486	Raseinių region, Gėluvos v., Dvaro st. 30, Registered: Raseinių reg., Registration date: 20-10-2014	**A	100,00%	100,00%
116.	KTG Eko Agrar UAB	*4	300510650	Raseinių region, Gėluvos v., Dvaro st. 30, Registered: Raseinių reg., Registration date: 20-10-2014	**A	100,00%	100,00%
117.	Agronita UAB	*4	300132574	Raseinių region, Gėluvos v., Dvaro st. 30, Registered: Raseinių reg., Registration date: 20-10-2014	**A	100,00%	100,00%
118.	Agronuoma UAB	*4	303204954	Raseinių region, Gėluvos v., Dvaro st. 30, Registered: Raseinių reg., Registration date: 20-10-2014	**A	100,00%	100,00%
119.	VL Investment Vilnius 12 UAB	*4	303205611	Raseinių region, Gėluvos v., Dvaro st. 30, Registered: Raseinių reg., Registration date: 20-10-2014	**A	100,00%	100,00%
120.	Agrar Ašva UAB	*4	301608542	Raseinių region, Gėluvos v., Dvaro st. 30, Registered: Raseinių reg., Registration date: 20-10-2014	**A	100,00%	100,00%
121.	Agrar Varduva UAB	*4	301608791	Raseinių region, Gėluvos v., Dvaro st. 30, Registered: Raseinių reg., Registration date: 20-10-2014	**A	100,00%	100,00%
122.	Agrar Seda UAB	*4	301608777	Raseinių region, Gėluvos v., Dvaro st. 30, Registered: Raseinių reg., Registration date: 20-10-2014	**A	100,00%	100,00%
123.	Agrar Kvistė UAB	*4	302308067	Raseinių region, Gėluvos v., Dvaro st. 30, Registered: Raseinių reg., Registration date: 20-10-2014	**A	100,00%	100,00%
124.	Agrar Luoba UAB	*4	302308035	Raseinių region, Gėluvos v., Dvaro st. 30, Registered: Raseinių reg., Registration date: 20-10-2014	**A	100,00%	100,00%
125.	Agrar Gaja UAB	*4	302594412	Raseinių region, Gėluvos v., Dvaro st. 30, Registered: Raseinių reg., Registration date: 20-10-2014	**A	100,00%	100,00%
126.	Agrar Ariogala UAB	*4	301626540	Raseinių region, Gėluvos v., Dvaro st. 30, Registered: Raseinių reg., Registration date: 20-10-2014	**A	100,00%	100,00%
127.	Agrar Girdžiai UAB	*4	301621568	Raseinių region, Gėluvos v., Dvaro st. 30, Registered: Raseinių reg., Registration date: 20-10-2014	**A	100,00%	100,00%
128.	Agrar Vidauja UAB	*4	301622531	Raseinių region, Gėluvos v., Dvaro st. 30, Registered: Raseinių reg., Registration date: 20-10-2014	**A	100,00%	100,00%
129.	Agrar Raudonė UAB	*4	302309532	Raseinių region, Gėluvos v., Dvaro st. 30, Registered: Raseinių reg., Registration date: 20-10-2014	**A	100,00%	100,00%
130.	Agrar Venta UAB	*4	302307855	Raseinių region, Gėluvos v., Dvaro st. 30, Registered: Raseinių reg., Registration date: 20-10-2014	**A	100,00%	100,00%
131.	Agrar Nerys UAB	*4	302594063	Raseinių region, Gėluvos v., Dvaro st. 30, Registered: Raseinių reg., Registration date: 20-10-2014	**A	100,00%	100,00%
132.	Agrar Gėluva UAB	*4	302312133	Raseinių region, Gėluvos v., Dvaro st. 30, Registered: Raseinių reg., Registration date: 20-10-2014	**A	100,00%	100,00%
133.	Agrar Betygala UAB	*4	302312222	Raseinių region, Gėluvos v., Dvaro st. 30, Registered: Raseinių reg., Registration date: 20-10-2014	**A	100,00%	100,00%

(All amounts are in EUR thousand, unless otherwise stated)

134.	Agrar Dubysa UAB	*4	302312215	Raseinių region, Gėluvos v., Dvaro st. 30, Registered: Raseinių reg., Registration date: 20-10-2014	**A	100,00%	100,00%
135.	Agrar Pauliai UAB	*4	302312165	Raseinių region, Gėluvos v., Dvaro st. 30, Registered: Raseinių reg., Registration date: 20-10-2014	**A	100,00%	100,00%
136.	Agrar Mituva UAB	*4	302312172	Raseinių region, Gėluvos v., Dvaro st. 30, Registered: Raseinių reg., Registration date: 20-10-2014	**A	100,00%	100,00%
137.	AUGA Raseiniai UAB	*4	304704364	Raseinių region, Kalnujai, Žieveliškės st. 1, Registered: Raseinių reg., Registration date: 06-11-2017	**A	100,00%	0,00%

All Group companies may be contacted through communication channels used by the Company and the Group:

Telephone: +370 5 233 53 40
Fax: +370 5 233 53 45
E-mail address: info@auga.lt
Website: www.auga.lt

COMMENTS:

*
*1 Agricultural entity
*2 Association
*3 Cooperative entity
*4 Private limited Company
*5 Public institution
*6 Foreign legal entity

**
**A Agricultural operations
**B Cash pool of the Group
**C Human resource management
**D IT system development
**E Land management
**F Lease of machinery
**G Management of subsidiaries
**H Trade and logistics

1.5. Agreements with the mediators of securities public circulation

The Company and FMĮ Orion Securities UAB (A. Tumėno st. 4, B building, LT-01109 Vilnius) signed an agreement regarding handling of Shareholders accounts.

1.6. Data about securities traded on regulated markets

The securities of the Company are included in Main List of NASDAQ Vilnius stock exchange (symbol: AUG1L).

Type of shares	Number of shares	Share nominal value (in EUR)	Total share capital (in EUR)	Issue Code ISIN
Ordinary registered shares	227,416,252	0.29	65,950,713.08	LT0000127466

Information about the Company's shares trading on the NASDAQ Vilnius.

Reporting period	Price, EUR			Date of last session	Total turnover	
	max	min	Last session		Units	EUR, million
2018 I quarter	0.645	0.490	0.520	2018.03.29	**1,183,206**	**0.677**
2018 II quarter	0.535	0.462	0.510	2018.06.29	**946,347**	**0.467**
2018 III quarter	0.540	0.476	0.496	2018.09.28	**1,619,810**	**0.806**
2018 IV quarter	0.494	0.370	0.400	2018.12.28	**2,514,247**	**1.033**

1.6. Data about securities traded on regulated markets (continued)

AUGA group, AB share price variance (Eur) and Volume for the period of 1 January 2015 to 31 December 2018.

Source: NASDAQ Vilnius stock exchange

The Company's shares are also traded on the Warsaw Stock Exchange.

1.7. Information on non-financial reporting

Sustainability report of the Company for the year 2018 is provided as Annex No. 2 to the Company's consolidated annual report for the year ended 31 December 2018.

1.8. Significant post balance sheet events

Post balance sheet events are disclosed in the consolidated and separate financial statements of the Company for the year ended 31 December 2018. See note 31 for more details.

2. Business and financial results overview

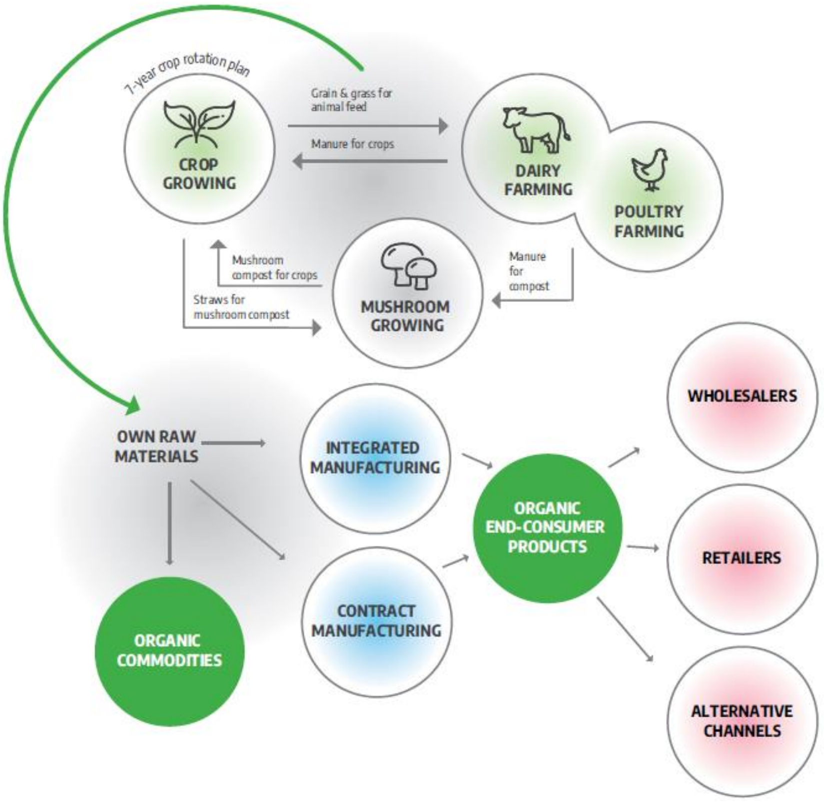
Currently, the Group is one of the largest primary agricultural production producers in Lithuania. With 38 thousand ha cultivated land and around 6.5 thousand milking cows and heifers herd, the Group claims that it is the largest vertically integrated organic food company in Europe, controlling the entire process from field to final product. One of the Group's main strengths is the ability to supply a wide range and large quantities of organic products and ensure the control and traceability of the production chain.

Since 2015 the Group has shifted towards an integrated sustainable farming model. This means that there is synergy among different branches of agriculture with focus on sustainability, resulting in each part of its business being interrelated:

- The crops follow a 5-7 years rotation system which allows to harvest grains and vegetables for commercial sales and end-user product production, and also to prepare in-house all feed needed for dairy and poultry farming;
- The straw generated in agriculture is used for mushroom compost;
- The manure from the animals is used for crops fertilisation and compost for the mushrooms;
- Mushroom compost from the mushroom growing activities is used as organic fertiliser for the crops.

2. Business and financial results overview (continued)

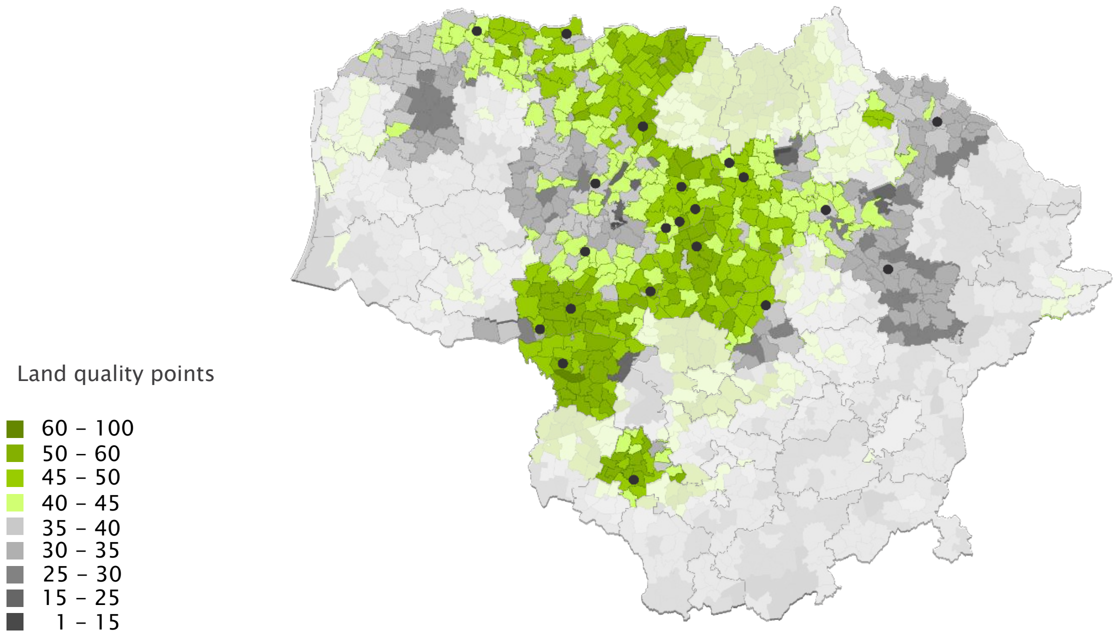
Group's business model



Source: the Company

The Group cultivates 38 thousand hectares of high quality and fertile agricultural land. Land plots are consolidated around the individual agricultural companies, which allow to use the modern and efficient agricultural technologies, achieve economies of scale and have efficient logistics and storage solutions. The dots in the map indicate the location of main farms of the Group. The land cultivated by these farms are in highlighted regions. Colours of the map indicate land quality in Lithuania. The greener the area the more fertile land is in this area.

Location of Main farms of the Group and land quality in Lithuania



Source: the Company

2. Business and financial results overview (continued)

Due to internal integration with dairy farming and mushroom growing, the possibility to obtain sufficient quantities of organic farming compliant fertilisers (manure), the application of innovative land cultivation technologies and tooling, the Group achieves superior crop yields, which are comparable or even higher than in organic farms in the most fertile areas of Germany or France. Due to various limiting factors this parity of yield with the best EU farms would not be possible to achieve in conventional farming. In combination with still lower labour costs and the economies of scale, this allows to gain significant cost advantage within the EU and global organic markets.

The Group gains efficiency of returns through leasing of land rather than low returns as an owner. 8.5% of land is owned and the rest is managed based on long term lease agreements. The Group rents the land from 2.7 thousand individuals and companies which allows to significantly reduce the risks of losing the land rent. All land rent contracts are registered in the State Registrar, so the lessor cannot terminate them before the original term expires. The Group can cancel the contracts with 1-year prior notice. The Civil Code of the Republic of Lithuania provides that upon expiry of the land lease term the former lessee has a pre-emptive right to conclude a new land lease contract on the same conditions as other parties (potential lessees), provided that the tenant duly performed the duties under the land lease contract. The first hand right to buy the leased land belongs to the Group; however, if the Group does not wish to acquire the land, the rent contract stays valid until the original term expires.

The Group benefits from a strongly growing global organic market that is supported by healthy and sustainable food trends, by offering a wide range of organic commodities and end-consumer products that are certified with the EU Organic, USDA, BRC, Kosher and Global GAP labels. The main areas of activity of the Group are mushroom growing, crop growing and production of raw milk. The Group also expands its activity in end-consumer packaged goods segment in recent years.

The size of the Group and the ambitious vision of its shareholders allow to hire and retain experienced and skilled management and talent. The possibility to hire very professional organic agriculture specialists internationally allowed the Group to speed up the learning and knowledge accumulation process in its core agriculture activities and to have smooth transition from conventional to organic farming. It also allowed the Group to create from scratch its marketing, end consumer product development and sales department. The Group also starts various projects in other areas such as poultry, biogas extraction, combined feed production etc. where it has not had experience in the past, but which are strategically important for creation of the new business model.

The Group’s ability to accumulate large volume of organic commodities, which often is a scarce resource in the fast-growing organic food markets, allows to utilise contract manufacturing model for various end consumer products with professional processors and to control the longer value chain from field to shelf.

Wide range of products grown and produced allows the Company to offer a variety of final consumer products, such as ready to eat soups and other preserved products, eggs, poultry, vegetables, mushrooms, dairy products, flour , etc. The Group also has flexibility to grow different varieties of grain/vegetables on a large scale according to the market trends and needs. All these factors make the Group an attractive supplier for various large international private label producers (major Retail chains) seeking reliable supply of a wide range of organic food products.

The focus on organic farming only and strict internal control procedures almost eliminate the risks of organic product contamination. Full traceability of everything, from seed to pack, is controlled by one company which ensures the high quality of products and helps to gain trust from private label producers, retailers, as well as final consumers of branded AUGA products.

The Group is export orientated with c.a. almost 80% of 2018 sales being generated from exports. In 2018, the main export markets of the Group were the following: Scandinavian and Baltic countries, Poland, Germany and France. The Group produces its own raw materials that it distributes three ways: (i) as organic commodities, (ii) for contract manufacturing and (iii) for own processing. The latter two are used to produce end-consumer products that are sold to supermarkets and retailers, wholesalers, and alternative channels.

Over the last few years, through R&D, experienced and skilled management, and a unique company know-how and operational set-up, the Group managed to achieve efficiency by utilizing scale of operations, synergies among different agricultural sectors and, by applying latest scientific knowledge, improved major production processes. As a result, unique sustainable farming platform was created which form the basis for long term competitiveness of Group’s business model. For more information about Group’s business model see the Company´s Sustainability Report for 2018 (see Annex No. 2).

2.1. Main performance indicators

In the table below the main financial figures of the Group for the three-year period from 2016 to 2018. Main financial figures provided also includes certain financial measures that are not defined or recognised under the IFRS and which are considered to be "alternative performance measures" as defined in the "ESMA Guidelines on Alternative Performance Measures" issued by the European Securities and Markets Authority on 5 October 2015 (the "Alternative Performance Measures (APMs)"). The Group’s management believes that the presentation of the APMs is helpful to investors because these and other similar measures and related ratios are widely used by certain investors, securities analysts and other interested parties as supplemental measures of performance and liquidity to evaluate the efficiency of a company's operations and its ability to employ its earnings toward repayment of debt, capital expenditures and working capital requirements. The Group’s management also believes that the presentation of the APMs facilitates operating performance comparisons on a period-to-period basis to exclude the impact of items, which the Group’s management does not consider to be indicative of the Group's core operating performance.

(All amounts are in EUR thousand, unless otherwise stated)

2.1. Main performance indicators (continued)

Main performance indicators	**GROUP**		
	2018	**2017**	**2016**
Revenues	54,749	48,784	39,630
Direct subsidies	9,780	8,971	8,680
Gross profit (loss)	3,663	14,931	10,777
Operating profit (loss)	(3,938)	6,697	3,890
Finance costs	(2,295)	(1,904)	(2,098)
Net profit (loss)	(5,980)	5,015	2,145
EBITDA	3,546	14,193	11,213
Net cash flow from operating activities	(11,486)	4,365	806
Net cash flow from operating activities before changes in working capital	6,346	8,232	10,184
Total non-current assets	111,938	99,131	86,693
Total current assets	59,952	49,417	35,397
Total equity	91,715	79,015	72,238
Total non-current liabilities	26,034	26,835	24,084
Total current liabilities	54,141	42,698	25,768
Long-term and short-term financial debt (incl. liabilities under financial lease)	55,862	43,590	31,991
Adjusted working capital	37,674	26,101	19,604
Ratios			
EBITDA margin, %	6.48	29.09	28.29
ROE, %	(7.01)	6.54	3.09
Debt/EBITDA	15.75	3.07	2.85
Equity ratio	0.53	0.53	0.59
Liquidity ratio	1.11	1.16	1.37

Ratio calculation explanation:

EBITDA net cash flow from operating activities before changes in working capital and net interest paid, as it is disclosed in cash flow statement, including gain (loss) on changes in fair value of biological assets. Calculating EBITDA for the year 2018, one-time transaction, in particularly, the one-off costs related to the termination of the acquisition of shares of UAB Arginta Engineering, was eliminated.

EBITDA margin = EBITDA / Revenues.

ROE = Net profit attributable to equity holders of the Company / ((Equity attributable to equity holders of the parent year end + equity attributable to equity holders of the parent year beginning) / 2).

Debt/EBITDA = (Non-current borrowings + non-current obligations under finance lease + current portion of non-current borrowings + current portion of non-current obligations under finance lease + current borrowings) / EBITDA.

Equity ratio = Total equity / Total assets.

Liquidity ratio = Total current assets / Total current liabilities.

Adjusted working capital = Current biological assets + Trade receivables, advance payments and other receivables + Inventory – Trade payables – Other payables and current liabilities. The adjusted working capital formula eliminates cash and financing elements allowing the reader to see how well the short-term assets and liabilities directly related to operations of the Group are being utilized. Total current assets and total current liabilities are used to describe liquidity ratio which is also included as a key ratio of the Group.

2.1. Main performance indicators (continued)

During the twelve months of 2018, the Group **sales revenue** amounted to EUR 54.75 million, a 12% increase compared to the same period of 2017, when it was EUR 48.78 million.

The **total amount of subsidies** was EUR 9.78 million in the year 2018 compared to EUR 8.97 million prior year. The increase in the total amount of subsidies received is due to expansion of Group's cultivated land area approx. 38 thousand in the year 2018, compared to approx. 33 thousand the year earlier.

The Group's **gross profit** for the year 2018 amounted to EUR 3.66 million and was lower compared to the same period of 2017 (gross profit for the year 2017 - EUR 14.93 million). Similarly the Group's **operating profit** decreased from EUR 6.70 million in 2017 to operating loss EUR 3.94 million in 2018.

Finance costs increase from EUR 1.90 million in 2017 to EUR 2.30 million in 2018 due to the increase in the total amount of long-term and short-term financial liabilities throughout the respective year.

During the year of 2018, the Group incurred EUR 5.98 million **net loss** (EUR 5.02 million net profit was earned in the same period last year).

The Group's **EBITDA** for the twelve months of 2018, eliminating one-time transaction, in particularly, the one-off costs related to the termination of the acquisition of shares of UAB Arginta Engineering, amounted to EUR 3.55 million. Compared to the same period of 2017, EBITDA indicator was EUR 14.19 million.

The Group's **net cash flow from operating activities** was negative in the year of 2018 and amounted to EUR (11.49) million, compared to positive net cash flow from operating activities in the amount of EUR 4.37 million in the year of 2017. The decrease in net cash flow from operating activities mainly relates to changes in the Group's working capital. On the one hand, due to the expansion of the Group's cultivated land area working capital requirement for Group's operations increased, since there was significant increase in biological assets and inventories. On the other hand, due to unfavourable weather conditions in the autumn of 2017 and summer of 2018[1], the Group inquired EUR 5.26 million loss on changes in fair values of biological assets and on recognition at fair value of agricultural produce at point of harvest in the year 2018 that had direct negative effect on biological assets value changes in balance sheet. Finally, the Group received almost all subsidies for the year of 2017 the same year only EUR 0.56 million not received, while EUR 4.30 million of subsidies for the year of 2018 were still outstanding as at 31 December 2018. As it can be seen from the table above, net cash flow from operating activities before changes in working capital was positive in the year of 2018 and amounted to EUR 6.35 million, compared to EUR 8.23 million previous year.

The Group's **adjusted working capital** in the year of 2018 increased by almost EUR 11.57 million compared to the year of 2017 and amounted to 37.67 million. The reasons for adjusted working capital increase were already discussed section earlier.

The significant increase in adjusted working capital led to increase in the Group's **financial liabilities** since part of working capital increase was financed with credit-lines. Long-term and short-term financial debt (incl. liabilities under financial lease) amounted to EUR 55.86 million as at 31 December 2018 compared to EUR 43.59 million a year earlier, current borrowings (credit-lines) increasing from EUR 13.61 million in 2017 to EUR 21.27 million in 2018. Obligations under financial lease, incl. current portion, increased by EUR 2.57 million to EUR 11.51 million in the year of 2018. The increase in financial lease obligations mainly relates to capital expenditures since part of the investments in property, plant and equipment was acquired using financial leasing. The Group's financial liabilities also increased due to acquisition of UAB Raseinių agra (now – UAB AUGA Raseiniai) which had EUR 3.43 million of outstanding financial liabilities and other borrowings as at the acquisition date 26 February 2018.

2.2. Business segments results

The Group divides its operations into the following segments:

- Crop growing. Crop growing includes growing of cash crops such as organic wheat, legumes, rapeseed, sugar beets, oat, barley as well as forage crops, including grasses and corn for feed. Winter and summer wheat, legumes, rapeseeds and sugar beets are main revenue generators in this segment. Grain for cattle feed is grown from barley and triticale, while green feed is grown from corns and a variety of perennial grasses.

- Mushroom growing. Mushroom growing segment covers fresh mushroom, grown in controlled environment or in other words indoors, growing and sale. Both organic and non-organic mushrooms are grown.

- Dairy. Dairy segment includes organic milk production and cattle raising. Dairy segment is vital for the Group activity as it consumes forage crops produced by crop growing segment due to crop rotation and organic farming requirements and by-products of dairy segment, such as manure, are used as fertilizers, etc. In addition, it gives the Group opportunity to offer wider range of organic products and milk is important item in organic products portfolio.

[1] The unfavourable weather conditions in the autumn of 2017 and summer of 2018 and their effect on the Group's results are discussed in business segments results overview.

2.2. Business segments results (continued)

- End-consumer packaged goods. This segment covers ready-to-eat soups, preserved mushrooms, packaged vegetables, bottled milk and milk-shakes and other products. Segment is of strategic importance for the Group due to diversification of current business lines as well as higher value added to existing products.

2.3. Crop growing segment overview

Crop growing segment sales revenue in 2018 amounted to EUR 17.48 million compared to EUR 14.20 million in 2017 (23% increase). Crop growing segment cost of sales in 2018 was EUR 17.42 million versus EUR 13.77 million in 2017. Total agricultural produce inventory write-offs and impairment during the twelve months of 2018 amounted to EUR 1.40 million compared to EUR 0.30 million during the twelve months of 2017. During the year of 2017 part of agricultural produce inventory write-offs and impairment were accounted in gain (loss) on revaluation of agricultural produce at point of harvest. For better disclosure purposes all agricultural produce inventory write-offs and impairment were accounted separately during the year of 2018. The total result of sales of agricultural produce was EUR 1.34 million loss for the twelve months of 2018 (EUR 0.13 million profit for the same period in 2017).

Sales of agricultural produce	**2018**	**2017**
Total revenue of sold agricultural produce, EUR'000	17,475	14,203
Total cost of sold agricultural produce[2], EUR'000	17,416	13,768
Total inventory write-offs, EUR'000	1,402	302
Result of sales of agricultural produce, EUR'000	**(1,343)**	**133**

Cash crop harvest results in the season of 2017/2018

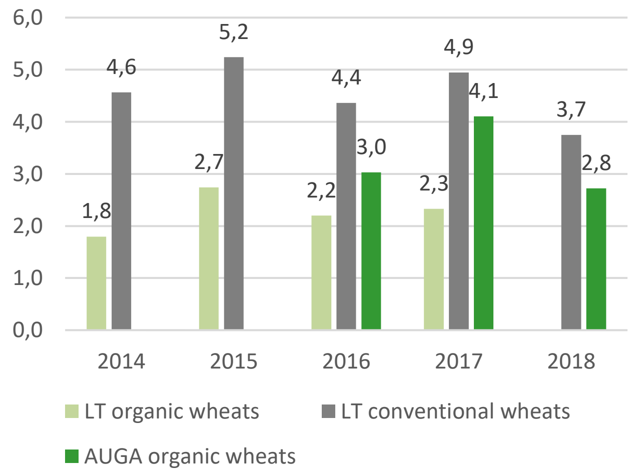
The 2017/2018 season was challenging. Due to the rainy autumn in 2017 relatively small area of winter crops was planted. As a result, the area of summer crops increased significantly from about 10 thousand ha in the season of 2016/2017 to 21.5 thousand ha in the season of 2017/2018. Based on the results of the season of 2016/2017, when legume crops were highly successful in terms of profitability as well as crop rotation requirements, half of all summer cash crops (about 10.7 thousand ha) in 2017/2018 consisted of leguminous crops - peas and beans.

[2] The cost of sold agricultural produce represents the value of crops evaluated at fair values at point of harvest and related sales costs.

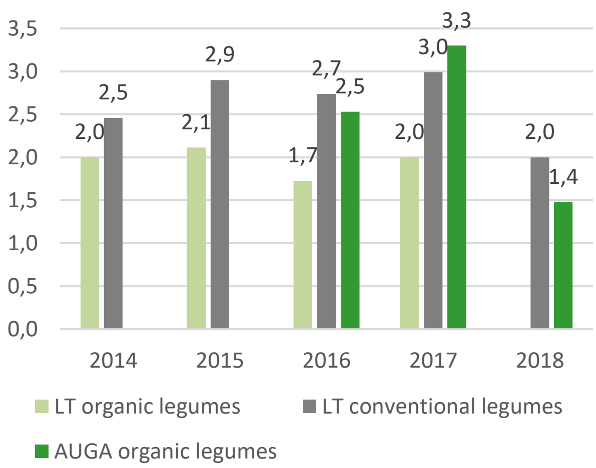
2.3. Crop growing segment overview (continued)

Harvest of agricultural produce		**2018**	**2017**
Total cultivated land, ha		**38,474**	**33,099**
	Wheat	8,854	6,548
	Legumes	10,684	4,117
	Other cash crops	8,950	8,130
	Forage Crops	9,009	8,223
	Fallow	977	6,081
Average harvest yield, t/ha			
	Wheat	2,83	4,10
	Legumes	1,41	3,30
	Other cash crops	5,10	4,97
	Forage Crops	4,93	6,05
Total fair value of harvest, EUR'000		**27,883**	**26,209**
	Wheat	6,415	6,830
	Legumes	5,576	5,085
	Other cash crops	10,099	9,552
	Forage Crops	5,793	4,742
Total production cost of harvest, EUR'000		**31,332**	**21,140**
	Wheat	7,803	4,988
	Legumes	8,444	3,124
	Other cash crops	9,292	8,286
	Forage Crops	5,793	4,742
Gain (loss) on revaluation of agricultural produce at point of harvest, EUR'000		**(3,449)**	**5,069**
	Depreciation included in the harvest of agricultural produce, EUR'000	4,052	3,195

The summer of 2018 was arid and in most regions of Lithuania there was a shortage of rain. In several dozen regions it was recorded as a dangerous meteorological phenomenon. The shortage of rain had a significant negative impact on the crop yields in most of the Group's cultivated lands. After harvesting, it can be stated that the mostly adverse effect of the drought was on summer legume crops - peas and beans, which yields in the 2017/2018 season were more than twice lower than in season 2016/2017. The large area dedicated to these crops had a significantly negative effect on the results of the harvest of 2017/2018. Below is a comparison of the two main crops grown by the Group - wheat and legumes.



Wheat yield in Lithuania, t/ha



Legumes yield in Lithuania, t/ha

NOTE: The data of LT organic farms in 2018 has not yet been published.

Source: Lithuanian Statistics Department, data of the survey of the activities of Lithuanian agricultural producers included in the Farm Accountancy Data Network (FADN), the Group's data.

(All amounts are in EUR thousand, unless otherwise stated)

2.3. Crop growing segment overview (continued)

Changes in yields of other cash crops in the season of 2017/2018 compared to the season of 2016/2017 were mixed. For instance, the yields of sugar beets, soya, corn were higher, while rapeseed, oats, rye and other were lower. Significant increase in sugar beets yields compensated losses in yields of other cash crops resulting in overall average harvest yield of other cash crops to around 5.10 t/ha in the season of 2017/2018 versus 4.97 t/ha in the season 2016/2017.

Despite the significant decrease in cash crop yields in the season of 2017/2018, the fair value of cash crops totalled to EUR 22.09 million and was slightly above EUR 21.47 million reached in season 2016/2017 mainly due to increased cash crops area - 28.5 thousand ha versus 18.8 thousand ha.

In accordance with International Accounting Standards (Standard 41 Agriculture) agricultural produce is measured at fair value at its point of harvest which reflects the expected market price of the produce, eliminating related sales costs. The difference between the fair value of the harvest and the total costs incurred when growing the harvest is represented in profit (loss) statement line Gain (loss) on changes in fair values of biological assets and on recognition at fair value of agricultural produce at point of harvest.

Due to such accounting treatment market price estimation is very important criterion for assessing the fair value of the harvest. It should be noted that at the time of the publication of the financial statements for the twelve months of 2018, most of the 2017/2018 season harvest has already been sold or contracted at fixed prices for the sale of the crops, so the fair value of the crops can be measured reliably. Below is a comparison of the cash crops prices at which the harvest was evaluated (at fair value) in the seasons of 2016/2017 and 2017/2018.

Average price of 1 tonne of crop, eliminating sales costs, EUR	2017/2018	2016/2017	Comparison 2017/2018 with 2016/2017, %
Wheat	256	254	1%
Legumes	371	374	(1%)
Other cash crops	221	236	(6%)

As can be seen from the data above, the price of 1 tonne of wheat in the season of 2017/2018 was 1.0% higher compared to the season of 2016/2017, while legumes (1.0%) lower, other cash crops (6.0%) lower. This indicates that the prices of the respective organic grains are very stable and that the Group can sell the harvested production in the international markets for organic raw materials at the prices which reflect the price premium of organic produce. It should be noted, that other cash crops average price is very dependent on the actual mix of cultivated crops, as it includes such high yield, but lower price per 1 tonne of crop as sugar beets, so it varies more between seasons. In addition, due to the fact that recently acquired AUGA Raseiniai, UAB was still in organic farming transitional period around 23% of 2017/2018 season harvest was priced at transitional period production prices which are lower 10-30% than fully organic production prices.

The total production cost of cash crops was EUR 25.54 million in the season of 2017/2018 compared to EUR 16.40 million in the season of 2016/2017. The main reason for increase in total production cost of cash crops was increased cultivated cash crop area. In addition, when evaluating the results of the harvest in 2017/2018 season based on production cost, it is necessary to consider the fact that this year's harvest was negatively impacted by the one-off costs incurred due to cultivating abandoned lands in 2017, which were taken over from the bankrupt companies of KTG group in Lithuania. In 2016/2017 most of the overtaken lands were managed to restore their quality and fertility, therefore most of them were not sown, but left to fallow (about 6 thousand ha). For this reason in the season of 2016/2017 the costs associated with the management of these lands were accumulated and left for the season of 2017/2018, when the crops were harvested for the first time by the Group from these fields. Such costs amounted to about EUR 3.0 million and are reflected in the results of the harvest of 2017/2018. Eliminating these one-off costs which are related to processes and works that are not typical of the ordinary crop rotation cycle of organic farming, allows to ensure better comparability of the production cost of the harvest between 2017/2018 and 2016/2017 seasons.

The comparison of the production cost per hectare of land for the seasons of 2016/2017 and 2017/2018 is presented in the table below.

Cost per 1 ha cultivated land, EUR	2017/2018*	2017/2018**	2016/2017	Comparison 2017/2018** with 2016/2017, %
Wheat	881	811	762	6%
Legumes	790	671	759	(12%)
Other cash crops	1,038	938	1,019	(8%)

* Costs per 1 ha of cultivated land without eliminating one-off costs related to the proper preparation of abandoned land overtaken in the season of 2016/2017;

** Costs per 1 ha of cultivated land eliminating one-off costs related to the proper preparation of abandoned land overtaken in the season of 2016/2017.

(All amounts are in EUR thousand, unless otherwise stated)

2.3. Crop growing segment overview (continued)

As can be seen from the data presented the costs per 1 ha of cultivated land after eliminating one-off costs remained at very similar level comparing to last year. The increase in wheat costs was mainly due to higher seed prices, related to the lack of seeds in the market in the spring of 2018, as well as rising fuel costs due to higher fuel prices. Despite the significant increase in cultivated land, very complicated autumn in 2017 due to rainy weather and challenging spring 2018 sowing due to double sown areas, the Group has managed to control direct costs associated with the cash crops. It should be noted, that other cash crops cost per 1 ha of cultivated land are very dependent on the mix of cultivated crops, as it includes such high cost crops like sugar beets, so it might vary more between seasons.

The challenges and adverse factors discussed above have led to a negative 2017/2018 season crop growing segment outcome in the year 2018. In total EUR (3.45) million loss on revaluation of agricultural produce at the point of harvest was recognised in the year 2018. In comparison, there was EUR 5.07 million gain on revaluation of agricultural produce at the point of harvest in the year 2017. Comparison of the gain (loss) on revaluation of agricultural produce at point of harvest between different cash crops and seasons is provided in the table below.

Gain (loss) on revaluation of agricultural produce at point of harvest, EUR/ha	2017/2018*	2017/2018**	2016/2017
Wheat	(157)	(86)	281
Legumes	(268)	(150)	476
Other cash crops	90	191	156

* Gain (loss) on revaluation of agricultural produce at point of harvest per 1 ha of cultivated land without eliminating one-off costs related to the proper preparation of abandoned land overtaken in the season of 2016/2017;

** Gain (loss) on revaluation of agricultural produce at point of harvest per 1 ha of cultivated land eliminating one-off costs related to the proper preparation of abandoned land overtaken in the season of 2016/2017.

As it can be seen from the table above the highest loss on revaluation of agricultural produce at point of harvest per 1 ha of cultivated land in the season of 2017/2018 was on legumes. Loss was also recorded on wheat, while other cash crops were profitable. It could be noted that in 2016/2017 season legumes were the most profitable cash crop.

Forage crop harvest results in the season of 2017/2018

Evaluating harvest results of forage crops it should be noted that the fair value of forage crop at its point of harvest is measured at production cost incurred on forage crop. In other words, forage crop production cost is used as a measure of the fair value of that forage crop since there is no active market for forage crops and there is no reliable data to calculate market price of the forage crops. Due to this the net result on revaluation of forage crops at the point of harvest is equal to zero.

The total production cost of forage crops was EUR 5.79 million in the season of 2017/2018 compared to EUR 4.74 million in the season of 2016/2017. The increase in production cost directly relates to increased area of forage crops form 8.2 thousand ha to 9.0 thousand ha. After elimination of one-off costs related to the proper preparation of abandoned land (discussed above), average cost per 1 ha of cultivated land of forage crop was 621 EUR/ha in the season of 2017/2018 or 8% higher than in the season of 2016/2017 when it was 577 EUR/ha.

Cost per 1 ha cultivated land, EUR	2017/2018*	2017/2018**	2016/2017	Comparison 2017/2018** with 2016/2017, %
Forage crops	643	621	577	8%

* Costs per 1 ha of cultivated land without eliminating one-off costs related to the proper preparation of abandoned land overtaken in the season of 2016/2017;

** Costs per 1 ha of cultivated land eliminating one-off costs related to the proper preparation of abandoned land overtaken in the season of 2016/2017.

Draught in 2018 summer negatively impacted forage crops yields. Average forage crops yield was 4.9 tonne/ha in 2017/2018 season while 6.1 tonne/ha were harvested the season earlier.

2.3. Crop growing segment overview (continued)

Agricultural subsidies and gross profit of the crop growing segment

The total amount of agricultural subsidies was EUR 9.08 million in the year 2018 compared to EUR 8.16 million prior year. The amount of direct subsidies increased from EUR 4.54 million in the year 2017 to EUR 5.68 million in the year 2018 due to expansion of Group's cultivated land area. However, the expansion of Group's cultivated land area had no effect on the amount of organic subsidies since this expansion is related to the acquisition of former Raseinių agra, UAB (now AUGA Raseiniai, UAB) in the year 2018. Despite transferring to organic farming AUGA Raseiniai, UAB did not receive organic farming subsidies in the year 2018 as all resources of Lithuanian agricultural policy for 2014-2020 branch "Organic agriculture" were already allocated earlier. On the other hand, organic farming programs in which part of former KTG group cultivated lands participated and received organic farming subsidies in previous years were ended in 2018 according to schedule of these programs. This resulted in a decrease in the total amount of organic subsidies received by the Group in year 2018 compared to year 2017. Total amount of organic farming subsidies was EUR 3.41 million in year 2018 compared to EUR 3.62 million year earlier. Crop rotation and mix of crops that were grown by the Group had minor effect on fluctuations in the total amount of organic subsidies received.

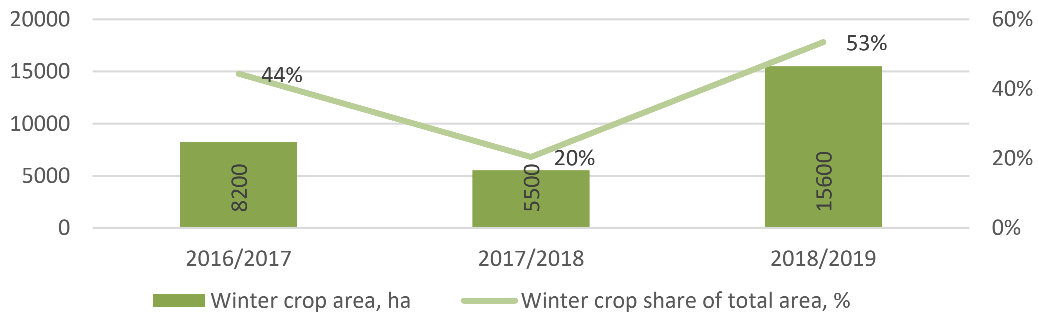
Agricultural subsidies	**2018**	**2017**
Direct subsidies, EUR'000	5,677	4,541
Organic farming subsidies, EUR'000	3,405	3,620
Total subsidies, EUR'000	**9,082**	**8,161**

Gross profit of crop growing segment including result of sales of agricultural produce, gain (loss) on revaluation of agricultural produce at point of harvest and agricultural subsidies, amounted to EUR 4.32 million in the year 2018 compared to EUR 13.36 million the year earlier.

Preparation for the season of 2018/2019

It is important to note that the fall of 2018 was very favourable for autumn sowing and other preparatory land works for the season of 2018/2019. During the autumn of 2018 the Group had sowed 15,6 thousand ha of winter crops, which represent more than half (53%) of the total planted grain crops area in the season of 2018/2019. For comparison, in the season of 2017/2018, due to bad weather in the autumn of 2017, the Group harvested winter crops from only 5,5 thousand ha (winter crops amounted to only about 20% of the total cash crops area). In the season of 2016/2017, winter crops comprised about 44% of total area of cash crops. Winter crops generally have higher yield potential compared to summer crops. For instance, according to the Group's harvest data, in the season of 2017/2018 winter wheat yields were 27% higher compared to summer wheat.

Winter cash crops area share in total cash crops area



Source: the Company

In addition, favourable 2018 autumn weather also allowed for proper cultivation of the land and preparation for summer crop sowing in the spring 2019. In the case of organic farming, land works require more time and resources, and their proper preparation has a very significant effect on yield.

At the beginning of 2019 the Group signed 3 years agreement with Nordic Sugar Kėdainiai, AB for growing and selling organic sugar beets. As a result it is planned to double growing area of sugar beet from 800 ha last year to 1500 ha. Sugar beets were one of the most profitable crops in 2017/2018 season.

2.4. Mushroom segment overview

The revenue of the mushroom growing segment was EUR 26.46 million in the year 2018, around EUR 2 million or 8% higher compared to the year 2017 when revenue was EUR 24.43 million. Revenue from mushroom sales increased by EUR 2.33 million while revenue from mushroom seedbed sales decreased by EUR 0.31 million.

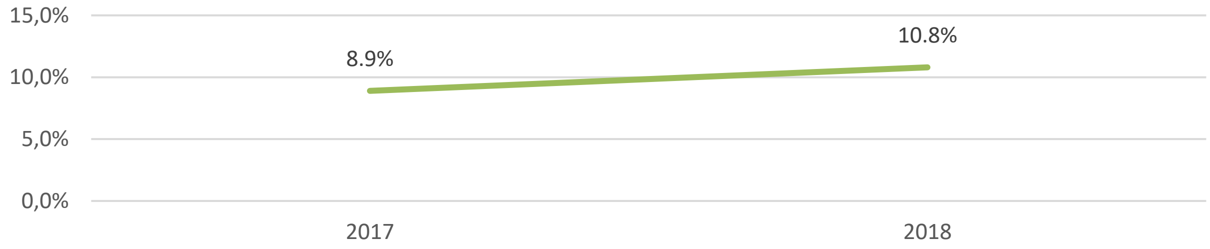
2.4. Mushroom segment overview (continued)

	2018	2017
Total tonnage sold, tons	**12,147**	**12,018**
Non-organic mushrooms, tons	11,271	11,367
Organic mushrooms, tons	876	651
Total revenues from mushroom sales, EUR'000	**23,875**	**21,539**
Non-organic mushrooms, EUR'000	21,296	19,630
Organic mushrooms, EUR'000	2,579	1,909
Total cost of mushrooms sold, EUR'000	**22,331**	**20,756**
Non-organic mushrooms, EUR'000	20,720	19,631
Organic mushrooms, EUR'000	1,611	1,125
Total revenues from sales of mushroom seedbed, EUR'000	**2,581**	**2,893**
Total cost from sales of mushroom seedbed, EUR'000	**2,400**	**2,748**
Gross profit of mushroom growing segment, EUR'000	**1,725**	**928**
Depreciation included in cost of mushroom sales, EUR'000	1,815	1,692

Mushroom sales revenue increase relates to both – increased sales volume and average sales price. 12.15 thousand tonnes of mushrooms were sold in the year 2018 compared to 12.02 thousand tonnes the year earlier. The average price of 1 tonne of mushrooms sold was 1.966 EUR/tonne in the year 2018 (1.792 EUR/tonne in the year 2017). Average prices increased both of organic and non-organic mushrooms.

In the twelve months of 2018, the share of organic mushrooms was about 7.2% of total volume of mushrooms sold comparing to 5.4% reached in 2017. Organic mushrooms revenue share in total mushrooms sales was even larger and reached 10.8% in the year 2018 (8.9% in the year 2017).

Share of organic mushrooms in total mushroom sales revenue



Source: the Company

The increasing share of organic produce in the mushroom segment not only reflects the strategic goals of the Group, but also improves the results of the overall profit of the mushroom growing segment, since the average price of organic produce was about 50% higher, but costs are very similar to that of conventional products, because the organic compost is prepared from raw material of the by-products of other segments such as cow manure, straw, etc.

The total cost of sales of the mushroom growing segment was EUR 24.73 million in 2018 and was EUR 1.23 million higher compared to 2017 when it was EUR 23.50 million. The average cost of 1 tonne of mushrooms sold increased from 1,727 EUR/tonne in 2017 to 1,838 EUR/tonne in 2018. While cost of mushroom seedbed decreased in the year 2018 compared to the year 2017.

Significant revenue increase resulted in higher gross profit of mushroom growing segment: EUR 1.73 million in 2018 versus EUR 0.93 million in 2017.

2.5. Dairy segment overview

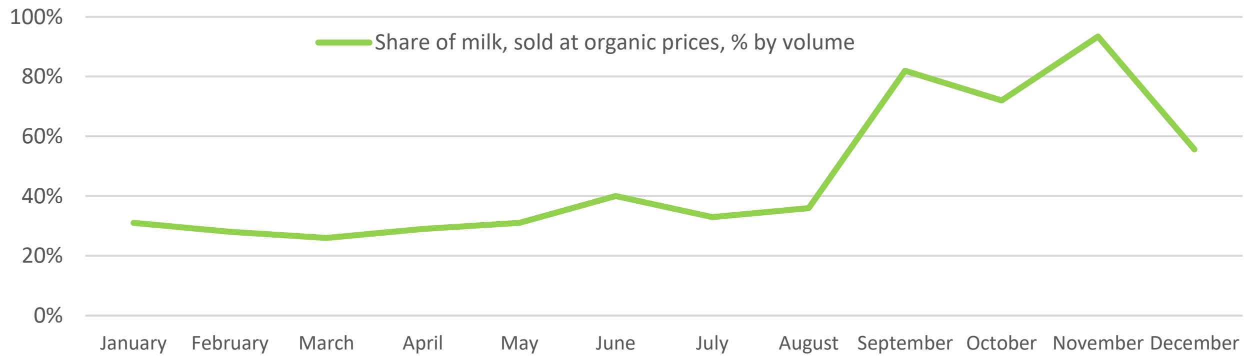
Dairy segment sales revenue for the year 2018 amounted to EUR 8.95 million and was around the same level as in the year 2017 when it was EUR 9.01 million. Total amount of milk sold slightly decreased from 23.1 thousand tons in 2017 to 22.6 thousand tons in 2018. Average price of milk sold was around 359 euros per tonne during the twelve months of 2018 that was 1% higher comparing to the same period last year.

2.5. Dairy segment overview (continued)

	2018	2017
Total tonnage sold, tons	**23,397**	**23,875**
Non-organic milk, tons	12,245	19,849
Organic milk, tons	10,389	3,231
Cattle, tons	763	795
Total revenues of dairy segment, EUR'000	**8,954**	**9,010**
Non-organic milk, EUR'000	3,882	6,868
Organic milk, EUR'000	4,246	1,338
Cattle, EUR'000	827	804
Total cost of dairy segment, EUR'000	**10,261**	**8,411**
Milk, EUR'000	9,434	7,607
Cattle, EUR'000	827	804
Revaluation of biological assets, EUR'000	**(1,813)**	**(910)**
Total subsidies, EUR'000	**698**	**810**
Gross profit of dairy segment, EUR'000	**(2,422)**	**499**
Depreciation included in cost of dairy segment sales, EUR'000	531	414

Share of organic milk sales volume increased to 46% comparing to 14% in the same period of 2017, however, lower market prices for non-organic milk led to an average sale price of milk sold at almost similar level as in 2017. The share of organic milk sales by volume fluctuated between 30-40% in the first three quarters of 2018, picking up in September and during the fourth quarter averaging around 74%. As it can be seen from the graph provided below fluctuations in the share of milk sold at organic prices remain significant since the sales are still dependent on several important clients and their business needs in particular month. Share of milk sold at organic prices has important effect on average milk price sold as organic price premium is around 30%.

Share of milk sold at organic prices in total milk sales volume in the year 2018



Source: the Company

Dairy segment cost of sales increased significantly and totalled to EUR 10.26 million in the year 2018 compared to EUR 8.41 million previous year. The deterioration of the dairy segment cost of sales was mainly driven by an increase in cost of feed.

2.5. Dairy segment overview (continued)

The cost of feed increased due to the following main reasons: (a) due to unfavourable weather conditions preparation of grass feed was complicated and yields were low both in the season of 2016/2017 and 2017/2018. The quality of the collected grass feeds was also relatively poor. All this has led to an increase in the cost of grass feed. (b) organic grains used for cattle feed during 2018 were harvested in 2017 and evaluated at the higher organic prices, reflecting their market value. The rise in cost of feed resulted in both higher milk production costs and cattle growing costs. Higher cattle growing costs had direct impact on increased loss from revaluation of biological assets (animal herd) due to increased loss from sales of cattle meat. The Group does not grow beef cattle, but because of the natural change in the cattle herd, aged and unproductive dairy cattle are sold for meat. The market price of such cattle meat is relatively low and does not compensate the value of the cattle, used for accounting purposes.

Gross loss of dairy segment was EUR 2.42 million in 2018 (gross profit of EUR 0.59 million was reported in 2017).

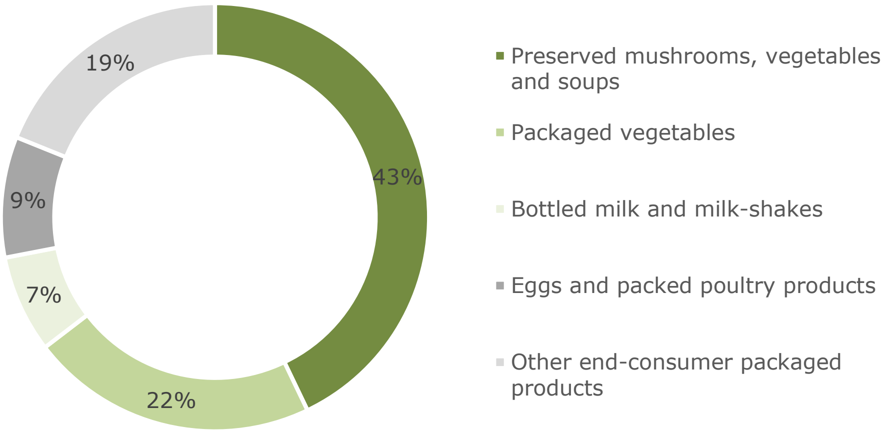
2.6. End-consumer packaged goods segment

Total revenues of end-consumer packaged goods segment amounted to EUR 1.86 million in the year 2018 and was 1.8 times higher than in the year 2017 when it was EUR 1.05 million.

	2018	2017
Total revenue from end-consumer packaged goods sales, EUR'000	1,864	1,050
Total cost of sales of end-consumer packaged goods, EUR'000	1,793	997
Gross profit of sales of end-consumer packaged goods , EUR'000	**70**	**53**
Depreciation included in cost of sales of end-consumer packaged goods, EUR'000	-	-

Steady increase in end-consumer packaged goods indicates good potential for this segment development. Segment is of strategic importance for the Group due to diversification of current business lines as well as higher value added to existing products. This segment covers ready-to-eat soups, packaged vegetables, bottled milk and milk-shakes and other products.

End-consumer packaged goods sales revenue structure in 2018



Source: the Company

Distribution of end-consumer products with *AUGA* brand in the domestic Baltics market was increased significantly in local retail chains during last 6 months. This gives solid base for further sales increase in 2019 in the Baltics. Further progress was achieved in the export markets. Contracts are finalized and sales are expected to start in the near future to such markets as the Unites States of America, South Korea, the United Arab Emirates, Romania, Ukraine.

Cost of sales was rising a well, because most of the products in this segment are still selling on comparably low scale what results in high cost of sales and low margins at the moment. Cost of sales was EUR 1.79 million in 2018 compared to EUR 1.00 million in 2017.

High cost of sales resulted in EUR 0.07 million gross profit of end-consumer packaged goods segment in 2018. Gross profit of EUR 0.05 million reported in 2017.

2.7. Operating expenses

The Group's operating expenses for the twelve months of 2018 were significantly influenced by one-off effect of expenses related to the termination of the acquisition of shares of UAB Arginta Engineering (effect of EUR 0.72 million). After eliminating this one-off effect, the Group's operating expenses in 2018 amounted to EUR 9.64 million comparing to EUR 8.59 million in 2017. Payroll and social security expenses increased by EUR 0.20 million due to increase in average salaries as well as number of personnel. Depreciation and amortisation costs, included in OPEX, increased by EUR 0.23 million in twelve months of 2018 compared to the same period in 2017 mainly due to amortisation costs of long-term land-rent contracts intangible asset which were accounted after acquisition of AUGA Raseiniai, UAB.

2.8. Capital expenditures and business combinations

On 26 February 2018 AUGA group, AB has completed the purchase of 100% share of UAB Raseinių agra (now – UAB AUGA Raseiniai) for EUR 2.42 million. UAB Raseinių agra was established in October 2017 as a result of spin-off procedure from UAB agra Corporation, shareholders of which decided to withdraw from agricultural business and to focus in the area of investment property management. UAB Raseinių agra managed around 5,200 ha of agricultural land but did not own any agricultural land. During acquisition EUR 2.93 million of property, plant and equipment was acquired majority in buildings and constructions and machinery. More information about this acquisition is provided in note 24 of the Company's consolidated and separate financial statements for the year ended 31 December 2018.

Apart of the acquisition described above, the Group is concentrating on its existing business development, implementing a more deeply integrated closed loop organic farming model and moving towards end-consumer product development and production. Total investments (additions) into property, plant and equipment amounted EUR 11.12 million in 2018 (EUR 10.27 million in 2017). Investments (additions) into property, plant and equipment split is provided in the table below. For detailed description of investments into property, plant and equipment see note 5 of the Company's consolidated and separate financial statements for the year ended 31 December 2018.

Investments (additions) into property, plant and equipment, EUR'000

	Land	Buildings	Constructions and machinery	Vehicles, equipment and other property, plant and equipment	Construction in progress	Total
2017	1,566	733	6,432	1,254	282	**10,267**
2018	1,390	565	7,890	896	380	**11,121**

Majority of the capital expenditures (additions) were in constructions and machinery since additional machinery were required due to significantly expanded cultivated land area due to recently acquired agricultural companies as well as for improvement of agricultural operations. For instance, 19 tractors, 10 telescopic loaders, 4 manure spreaders, 14 seeding-machines and etc. were acquired. The Group also invested in agricultural land EUR 1.39 million in 2018 (EUR 1.57 million in 2017). The Group does not actively acquire agricultural land and such acquisitions are only implemented in cases when the Group already cultivates particular land plot and existing land lord insists on selling land plot.

Group's investments (additions) into intangible assets were EUR 0.01 million in 2018 (EUR 0.02 million in 2017). In addition EUR 2.12 million increase in intangible assets came through purchase of UAB AUGA Raseiniai (former UAB Raseinių agra) as long term land rent contracts fair value. For more information on Group's investments into intangible assets see note 8 of the Company's consolidated and separate financial statements for the year ended 31 December 2018.

2.9. Research and Development activities

Company's Research and Development Department main goal is to create additional value by supplying innovative organic agriculture technologies and at the end - more and better end-user products. At present, the Department's team is running following projects:

- Broiler poultry farms
- Laying hens poultry farms
- Adaptation of agricultural machinery to organic farming
- Biogas production
- Biogas cleaning
- New generation organic dairy farms
- Combined fodder factory
- Mushroom growing robotics technology development

2.9. Research and Development activities (continued)

Project development is at different stages and is developing at a different pace, depending on their relevance on the scale of the Group and the market situation. Several of the projects have EU financing already approved.

Innovative mushroom growing robotics technology development

Baltic Champs, UAB with partner Aksonas, UAB is implementing a project "Development of prototype of innovative champignon robotics technology of Baltic Champs UAB" co-financed by EU structural funds, which is designed to investigate and develop innovative, artificial intelligence-based mushroom growing robotics technology to help reduce the risk, duration, and increase the productivity of champignons and the quality of mushrooms. Existing mushroom growing techniques are specialized and require a lot of manual work that is directly related to the human factor and labour costs.

During the project new technologies will be developed:

- for the identification of mushrooms and identification of mushrooms, the IT system of data processing, which will control microclimate change and irrigation systems and take important procedural decisions, will be obtained with the help of visual analysis system;
- substrate segmentation technology;
- robotic mushroom processing technology;
- automatic visual analysis systems for mushrooms and automatic sorting and accounting systems for mushrooms.

The project is financed by the European Regional Development Fund in accordance with Priority 1 "Promotion of Research, Experimental Development and Innovation" of the Operational Program for Investments of the European Union Funds for 2014-2020. J05-LVPA-K means "Intellect. Joint Science-Business Projects ". The total value of the project is EUR 1.75 million (excluding VAT). For the implementation of the project, Baltic Champs, UAB and its partner Aksonas, UAB will allocate at least EUR 0.80 million of own funds the rest being financed by the European Regional Development Fund.

Biogas cleaning and application technologies development

The long-term goal of Company is to achieve a neutral CO2 balance. One way to achieve this would be to ensure that fossil fuels used in the Company's farm tractors and vehicles are replaced by biogas produced from materials generated at other stages of the Company's operations. As a result, the Company invests in the production of biofuels from the production of livestock manure and biogas-powered tractor on farm.

Company together with experienced partners - science and business institutions, is implementing project aimed at developing efficient biogas cleaning technologies. With this project, the aim is to create a cheaper alternative to cleaning technology. Lower prices can create a breakthrough and encourage other biogas producers to clean them and produce high value biomethane. A large part of the project is designed to keep the cleaning process clean, which would not result in the unavoidable release of a small amount of methane into the atmosphere during the cleaning process.

The project is financed by the European Regional Development Fund in accordance with the Measure No 1 of the 2014-2020 European Union Funds Investment Action Program, Promotion of Research, Experimental Development and Innovation. J05-LVPA-K "Intellect. Joint Science - Business Projects ". The total value of the project is EUR 0.86 million (VAT excluded). For the implementation of the project Company and its partners Addeco, UAB and BMG Agro, UAB will allocate at least EUR 0.27 million own funds the rest being financed by the European Regional Development Fund.

The logical continuation of the development of sustainable gas cleaning technologies is the creation of a real scale prototype laboratory. Due to this, the Biogas Power Plant Cluster, in which Company is participating as well, decided to initiate a project "Laboratory for Biomethane Concentration Techniques in High Volume Anaerobic Fermenters". After the implementation of the project, complex laboratory equipment for the implementation of R&D activities will be acquired. It is planned to develop and offer to markets several new products worldwide, using laboratory equipment purchased during the project.

The project is implemented by a project co-financed by the European Union Structural Funds "Research Laboratory of Application of Biomethane Concentration Methods in Large Volume Anaerobic Fermenters". The value of the project is EUR 1.88 million of which EUR 1.22 million is funded by EU funds under the Inoklaster LT program.

The Company is currently focusing on the production of a prototype of a biogas-driven tractor.

2.10. Assessment of main types of risks and exposures the Group faces

Climatic conditions. Climatic conditions are one of the most significant risk factors of agricultural activities. Poor or adverse meteorological conditions have a dominant influence on productivity and may significantly adversely affect the yield of agricultural products, cause harm to preparation of foodstuffs, destroy crops and cause other damage. Any damage arising due to adverse climatic conditions may negatively affect the Group's financial situation, business and results.

2.10. Assessment of main types of risks and exposures the Group faces (continued)

Borrowed capital accounts for a large share of the Group's total capital. Historically, the main source of Group's financing (needed for capital expenditure, acquisitions and working capital) was generated by both cash generated from operations and using borrowed funds. As a result of expanding Group's operations and changing business model deployment of borrowed capital is significant. As of 31 December 2018, the aggregate debt of the Group amounted to EUR 55.86 million (31 December 2017: EUR 43.59 million). The level of borrowed capital for the Group may entail significant consequences, for instance: (i) the Group's ability to obtain additional financing for working capital, capital expenditure, acquisitions, servicing the debt, or other targets may be restricted; (ii) the Group's flexibility to adapt to changing market conditions may be limited; (iii) undertakings with certain limitations on business and financial matters contained in credit agreements, although typical for such type of financing transaction, may nonetheless restrict the Group's possibilities of borrowing more funds, mortgaging property and/or participating in mergers or transactions of other types, which may to certain extent restrict active implementation of development possibilities and, potentially, decrease competitive advantages in the future. Furthermore, major loans of the Group are with floating interest rates; thus, an increase of interest rates may adversely affect the Group's cash flows and business results.

In addition, the Group uses short-term credit line facilities to finance working capital. As of 31 December 2018, the Group's short-term credit line borrowing amounted to EUR 21.27 million (2017: EUR 13.61 million). Credit line facilities are used to finance working capital and is renewed annually on regular basis. Should the Group have difficulties in renewing/refinancing these credit line facilities or fail to do so, this could potentially have a significantly negative effect on the viability of business operations conducted by the Group.

Finally, considerable part of the assets of the Group are mortgaged (around 88% as at 31 December 2018) in order to secure the performance of financial obligations under the credit agreements, there are no assurances or guarantees that if the Group fails to fulfil its debt obligations timely, its creditors will not refer their claims to recover their funds from the assets of the Group.

Change in demand for and price sensitivity to organic food. While the trends indicate an increase in demand for organic food products at a price premium, any adverse change in economic conditions that could lead to price sensitivity or any negative publicity towards organic consumption may have a significant impact on the Group's performance. The Group has aligned itself to be an organic producer and would therefore depend on the demand for organic food.

Prices of agricultural products. The Group's income and business results are subject to many factors, including the prices of agricultural products, which are beyond the Group's control. Various unpredictable factors (climatic conditions, national agricultural policy, changes in worldwide demand determined by changes in the world population, changes of living conditions and volumes of competing products in other countries) also have a significant influence on the prices of agricultural products. The factors, such as climatic conditions, infections, pest infestations, national agricultural policy of different countries, etc., may have a strong effect on supply of primary agricultural products and prices. Changes in demand of primary agricultural materials may be greatly affected by different international and local programmes implemented in compliance with national agricultural policy, changes in international demand determined by changes in the world population and changes of living conditions in different countries of the world. These factors may cause significant fluctuation in the prices of agricultural products and consequently adversely affect the Group's activities, financial situation and results.

Risk of diseases. The Group's business is *inter alia* related to assets of plant or animal origin. Epidemic cattle diseases (e.g., bovine spongiform encephalopathy or 'mad cow disease'), any diseases, bacteria, etc. may decrease demand of such products due to fear of consequences arising from these issues. Such changes may lead to aggravation of the Group's financial condition.

Loss of recognitions and certifications. The Group is currently recognised as an organic producer and holds among others USDA Organic, Global GAP, Kosher and BRC Food certification. This can be considered an important part of the Group's brand and market positioning, thus a loss of these certifications may result in a decline in demand or the Group´s brand value. Loss of certification as an organic producer would also reduce the potential income from EU subsidies relating to organic farming.

Changes in EU subsidies. The Group receives significant income from EU subsidies and this is important for the continued viability of the business. If for any reason these subsidies were removed or reduced, this could have significant implications in many areas of the Group's business including (i) reduced operating cash flows and profitability, and (ii) decreases in value of land and investment property and thus the possible impairment of property, plant and equipment. Significant changes in EU subsidy programmes could also threaten the long-term viability of the Group's operations.

Expressed or implied dangers related to the quality, safety or health effects of products offered by the Group could give rise to liability of the Group and prejudice to its business and reputation. Notwithstanding the control mechanisms applied by the Group in its activities, there are no guarantees that any of the products offered by the Group (milk, grain crops, mushrooms, etc.) could not be recognised as incompatible with quality requirements or unsuitable for further processing and use. Therefore, the Group may be forced to recall or destroy these agricultural products and to assume liability for causing risk posed by these products to health of consumers.

2.10. Assessment of main types of risks and exposures the Group faces (continued)

Possible risks related to environmental regulation. The Group has to comply with environmental regulations and it may be held liable for improper compliance with such rules. In its operations, the Group must comply with different environmental rules regulating labelling, use, and storage of different hazardous substances used in the Group's activities. These rules require installing procedures and technologies for proper treatment of any hazardous substances and provide for the Group's liability in managing and eliminating any pollution of the environment. In addition to the liability for current activities, the Group may also be liable for any previous operations if it appears that such operations caused damages to the environment. Furthermore, any changes in environmental regulations, both national and international, may bind the Group to introduce measures that would meet required standards.

More information about **Group's financial risk management** is provided in note 3 of the Company's consolidated and separate financial statements for the year ended 31 December 2018.

2.11. Planned and forecasted activities of the Group

The Group's vision is to focus only on organic and sustainable food production, with a long-term vision of supplying a wide range of finished goods for the end consumers.

The Group´s strategic shift to organic farming began in 2015 and in 2017 the Group had successfully completed the transition from conventional agricultural activities to organic. Recently acquired UAB AUGA Raseiniai managed land will finish transition and will be certified as fully organic in 2019.

The Group manages approximately 38 thousand hectares of land and has no plans to significantly expand managed land area in the near future. Timely and correct operations on the fields are vital in order to achieve the desired results – therefore the Group plans to concentrate on improving operations as well as continue investments into agricultural equipment dedicated to organic agriculture. The Group plans to undergo various operational tests on sustainable organic farming model for purpose to increase efficiency and yields.

As it was already mentioned, the fall of 2018 was very favourable for autumn sowing and other preparatory land works for the season of 2018/2019. Winter of 2018/2019 season was favourable for winter crops as well and at the date of publishing this report the Group management is very positive about 2018/2019 season harvest potential. At the beginning of 2019 the Group signed 3 years agreement with Nordic Sugar Kėdainiai, AB for growing and selling organic sugar beets. As a result it is planned to double growing area of sugar beet from 800 ha last year to 1500 ha. Sugar beets were one of the most profitable crops in 2017/2018 season.

It is planned that the number of livestock will remain stable. Milk produced by the Group was certified as organic since August 2017, however as at the end of year 2018 not all milk output was sold with organic price premium. The Group aims to further increase the percentage of milk sold with organic price premium during 2019. Bottled end-consumer products were introduced by the Group in April 2018 which opens new opportunities and sales channels for organic milk sales expansion in both local and export markets. The Group plans to get its organic milk production certified according to China and USA organic farming requirements during 2019. These certificates would further widen potential customers base for the Group's organic milk production.

The cultural mushrooms growing business will remain in leading positions across the Baltics, with no significant production capacity expansion plans forecasted for the coming years. As it was stated in Research and Development activities section, the Group is implementing partial robotization of mushroom seedbed production, mushrooms picking and packaging processes project that would allow to significantly reduce labor costs and increase efficiency of mushroom growing segment. Labor costs comprises around 25% of mushrooms cost of goods sold thus potential cost savings during robotization of the processes are significant. The Group also expects to further increase the percentage of production of organic mushrooms.

The Group expects that revenues of end-consumer packaged goods segment will retain its growing pace. Segment is of strategic importance for the Group due to diversification of current business lines as well as higher value added to existing products. Distribution of end-consumer products with *AUGA* brand in the domestic Baltics market was increased significantly in local retail chains during last months of the year 2018 and the beginning of the year 2019. This gives solid base for further sales increase in 2019 in the Baltics. Further progress was achieved in the export markets. Contracts are finalized and sales are expected to start int the near future to such markets as the Unites States of America, South Korea, the United Arab Emirates, Romania, Ukraine.

Due to significant deterioration in the Group's financial results during 2018, major creditors (banks) set limits on Group's capital expenditures for the year 2019. Without separate written consent of the creditors the Group's investments shall not exceed EUR 2 million. Having such a limited capital expenditures budget, the Group's key capital expenditure projects for the year 2019 are oriented in securing its own organic combined feedstock production capacity, improving animal welfare and agricultural operations, as well as allocating minimal resources to strategic development projects to make sure they are not cancelled and could proceed as Group's financial situation improves.

(All amounts are in EUR thousand, unless otherwise stated)

3. Corporate governance and personnel

3.1. Share capital structure of the Company

The share capital of AUGA group AB as at 31 December 2018 is EUR 65.95 million (31 December 2017: EUR 54.35 million). The share capital is divided into 227,416,252 ordinary shares (2017: 187,416,252 ordinary shares). Each issued share has a EUR 0.29 nominal value and fully paid.

The Company on 23 August 2018 has successfully completed public offering by selling 80 million offered shares for the total aggregate amount of EUR 36 million. Offering included 40 million units of shares newly issued by the Company and 40 million of existing shares sold by the Company's main shareholder Baltic Champs Group, UAB. All shares were sold for the total aggregate amount of EUR 36 million at EUR 0.45 price per one share. The Company plans to invest the funds raised during the offering to unlock synergies across its farming activities and projects which would enable to diversify its product range by expanding into poultry farms, building modern dairy farms, combined feedstock production plant, biogas production plant and biogas application to agricultural machinery.

3.2. Shareholders of the Company

Total number of shareholders on 31 December 2018 was 1,149 (one thousand one hundred forty-nine), and on 31 December 2017 it was 915 (nine hundred fifteen). The shareholders owning more than 5% of shares in the Company were the following:

Entity / person	31 December 2018 Number of shares	31 December 2018 % owned	31 December 2017 Number of shares	31 December 2017 % owned
Baltic Champs Group, UAB (identification code: 145798333; address: Poviliškiai v., Šiauliai region mun., Lithuania)	125,167,939	55.04	165,167,939	88.13
European Bank for Reconstruction and Development (identification code: EBRDGB2LXXXX; address: One Exchange Square, London EC2A 2JN, UK)	19,810,636	8.71	-	-
UAB "ME Investicija" (identicifation code: 302489393; address: Račių st. 1, Vilnius, Lithuania)	19,030,801	8.37	-	-
Žilvinas Marcinkevičius	15,919,138	7.00	-	-
Other shareholders	47,487,738	20.88	22,248,313	11.87
Total	**227,416,252**	**100.00**	**187,416,252**	**100.00**

No shareholder has special voting rights.

Kęstutis Juščius, Chairman of the Board, is the sole shareholder of Baltic Champs Group, UAB, as of 31 December 2018 controlling 55.04% of shares in AUGA group, AB.

3.3. Information on own shares

The Company has not acquired any own shares.

3.4. Share transfer restrictions

Laws and Articles of Association do not provide for restrictions on transfer of shares.

There could be separate share transfer restrictions, which can only be imposed by the shareholders and only in agreed-upon cases.

The Company was advised about the following contractual share transfer restrictions by one of the main shareholders of the Company, i.e. Baltic Champs Group, UAB has agreed on certain restrictions with (i) its financing bank in respect of financing provided by it, and (ii) AS LHV bank, which acted as a global lead manager of the Company's shares during the secondary public offering carried out by the Company in 2018, in the latter case restrictions were undertaken by the majority shareholder in relation to the latter public offering.

(All amounts are in EUR thousand, unless otherwise stated)

3.5. Information on significant agreements, which could be affected by the change in shareholder structure

Bank loans and financial lease agreements of Group companies, including the Company, have change of control clause at standalone level which is standard practice for such agreements. The Company or the Group has not entered into any other significant agreements the validity, amendment and termination of which could be affected by the change in shareholder structure.

3.6. Company's shareholders voting rights restrictions

As at the date of 31 December 2018 the Company is not aware/was not advised of any restrictions on the shareholders' voting rights.

3.7. Agreements between the shareholders

As at the date of 31 December 2018 the Company is not aware/was not advised of any agreements between the shareholders.

3.8. Procedure for amendments of the Articles of Association

The Articles of Association can be changed following Republic of Lithuania Law on Companies with an appropriate approval of the Company's shareholders.

3.9. Members of collegial bodies, Head of Company, Key Executives

The managing bodies of the Company are general meeting of the shareholders, the Supervisory Council, the Board of Directors and the Chief Executive Officer.

The Supervisory Council (consisting of 3 members) is elected by the shareholder meeting.

The Board of directors is formed from 5 members. The chairman is elected by the Board. The Board members are elected by the Supervisory Council. The Board of Directors elects and recalls the Chief Executive Officer, decide upon remuneration and other working conditions, approves official rulebook, awards and handles penalties.

The Chief Executive Officer is the manager of the Company. Key Executives of the Company are Chief Executive Officer and Chief Financial Officer.

Information about **Supervisory Board of the Company** as at 31 December 2018:

Name, Surname	Position	End of current term of office	Period of service as a member
Vladas Lašas	Chairman of Supervisory Board	Until general meeting of shareholders to be held in 2019	Member of Supervisory Board since 14-05-2015
Liudas Navickas	Member of Supervisory Board	Until general meeting of shareholders to be held in 2019	Member of Supervisory Board since 13-03-2014
Rimantas Rudzkis	Member of Supervisory Board	Until general meeting of shareholders to be held in 2019	Member of Supervisory Board since 13-03-2014

Information about **Audit Committee of the Company** as at 31 December 2018:

Name, Surname	Position	End of current term of office	Period of service as a member
Liudas Navickas	Chairman of Audit Committee	Until general meeting of shareholders to be held in 2019	Chairman of Audit Committee since 17-02-2017
Vladas Lašas	Member of Audit Committee	Until general meeting of shareholders to be held in 2019	Member of Audit Committee since 17-02-2017
Rimantas Rudzkis	Member of Audit Committee	Until general meeting of shareholders to be held in 2019	Member of Audit Committee since 17-02-2017

Main functions of the Audit Committee are to monitor the process of preparing the Company's financial statements, monitor the audit process, analyse the effectiveness of internal audit and risk management systems.

(All amounts are in EUR thousand, unless otherwise stated)

3.9. Members of collegial bodies, Head of Company, Key Executives (continued)

Information about the **Board of the Company** as at 31 December 2018:

Name, Surname	Position	End of current term of office	Period of service as a member
Kęstutis Juščius	Chairman of Board	Until general meeting of shareholders to be held in 2019	Chairman of Board since 14-05-2015
Linas Bulzgys	Member of Board	Until general meeting of shareholders to be held in 2019	Member of Board since 08-05-2014; Chief Executive Officer since 05-05-2015
Marijus Bakas	Member of Board	Until general meeting of shareholders to be held in 2019	Member of Board since 08-05-2014
Linas Strėlis	Member of Board	Until general meeting of shareholders to be held in 2019	Member of Board since 14-12-2007
Agnė Jonaitytė	Member of Board	Until general meeting of shareholders to be held in 2019	Member of Board since 07-02-2017

Information of the **Key executives of the Company** as at 31 December 2018:

Name, Surname	Position	End of term	Beginning of term
Linas Bulzgys	Chief Executive Officer	Indefinite	Chief Executive Officer since 05-05-2015
Martynas Repečka	Chief Financial Officer	Indefinite	Chief Financial Officer since 15-05-2017

Members of the Supervisory Board and Audit Committee

Vladas Lašas (Chairman of supervisory board)

Education, qualification: Kaunas Polytechnic Institute, IT Technologies, PhD, 1979.

Activity: founder and CEO of UAB „Skubios siuntos" (legal form: Private Limited Liability Company, code: 134678891, registered address: Kaunas district municipality, Biruliškių vil. Inovacijų str. 3) (1996 – present).

Miscellaneous: member of Board of Viešoji įstaiga „Global Lithuanian Leaders" (legal form: Public Institution, code: 302484453, registered address: Vilnius municipality, Vilnius, Krokuvos str. 9A-29); member of Board of Viešoji įstaiga „LIETUVOS JUNIOR ACHIEVEMENT" (legal form: Public Institution, code: 191832513, registered address: Vilnius municipality, Vilnius, A. Goštauto str. 12-121); chair of the board of Association LITBAN (legal form: association, code: 304811409, registered address: Vilnius municipality, Vilnius, L. Stuokos-Gucevičiaus str. 9-10); director of UAB „LVV Grupė" (legal form: Private Limited Liability Company, code: 304425959, registered address: Vilnius municipality, Vilnius, Eigulių str. 16); board member of Kaunas University Technology Gymnasium (legal form: Public Institution, code: 190994836, registered address: Kaunas district municipality, Kaunas, Studentų str. 65).

Liudas Navickas (Chairman of audit committee)

Education, qualification: 1976 - Kaunas University of Technology, Engineer Electric Specialty. 1982 – Vilnius University, Economics Specialty.

Activity: Director of Nuklono gatvės įmonių asociacija (legal form: association, code: 304690555, registered address: Šiauliai district municipality, Šiauliai, Pailių str. 6B-12) (2017 – present).

Rimantas Rudzkis

Education, qualification: 1973 - Kaunas Polytechnic Institute, Accounting Equipment Specialty, Engineer Mathematician Diploma; 1978 – PhD Dissertation of Mathematics; 1993 – Habilitated PhD of Mathematics; 1996 – Professor Degree.

Activity: Senior Scientific Specialist of the Mathematics and Informatics faculty at Vilnius University (legal form: Public Institution, code: 211950810, registered address: Vilnius municipality, Vilnius, Universiteto str. 3) (1974 – present), member of the Board of Lietuvos mokslo taryba (legal form: Budget Institution, code: 188716281, registered address: Vilnius municipality, Vilnius, Gedimino ave. 3) (2017 – present).

3.9. Members of collegial bodies, Head of Company, Key Executives (continued)

Members of the Board

Kęstutis Juščius (Chairman)

Education, qualification: 1995 – Vilnius University, Business Administration Bachelor Degree.

Activity: Chairman of the Board of AUGA group, AB (legal form: Public Limited Liability Company, code: 126264360, registered address: Vilnius municipality, Vilnius, Konstitucijos ave. 21C) (2015 – present).

Miscellaneous: Chairman of the Supervisory Board of Mycela SA; Chairman the Board of Baltic Champs Group, UAB (legal form: Private Limited Liability Company, code: 145798333, registered address: Šiauliai district municipality, Poviliškių vil.).

Marijus Bakas

Education, qualifications: Vilnius University, Faculty of Economics, Municipal Economics Master Degree.

Activity: Head of Širvintai branch at Baltic Champs, UAB (legal form: Private Limited Liability Company, code: 302942064, registered address: Šiauliai district municipality. Poviliškių vil. 15) (2001 – present).

Linas Bulzgys

Education, qualifications: Vilnius University, Finance and Banking Master Degree, ACCA qualification and membership.

Activity: General Manager of AUGA group, AB (legal form: Public Limited Liability Company, code: 126264360, registered address: Vilnius municipality, Vilnius, Konstitucijos ave. 21C) (2015 – present).

Agnė Jonaitytė

Education, qualifications: Vilnius University, Master�going Degree in Law; London University, Master's Degree in Banking and finance Law.

Activity: attorney at law at the law firm of attorney at law A. Jonaitytė (registered address: Vilnius municipality, Vilnius, Konstitucijos ave. 21C) (2017 – present).

Linas Strėlis

Education, qualifications: 1991 – Kaunas Polytechnic Institute, machine production faculty.

Activity: Director of Uždaroji akcinė bendrovė „Biglis" (legal form: Private Limited Liability Company, code: 133688345, registered address: Kaunas district municipality, Kaunas, V. Kudirkos str. 9) (1993 – present).

Miscellaneous: Member of the Board of AB "VILKYŠKIŲ PIENINĖ" (legal form: Public Limited Liability Company, code: 277160980, registered address: Pagėgiai municipality, Vilkyškių mstl. Prano Lukošaičio str. 14); chair of the Council of Association of Social Enterprises (legal form: association, code: 126347183, registered address: Vilnius municipality, Vilnius, Skroblų str. 19); board member at Akcinė bendrovė Umega (legal form: Public Limited Liability Company, code: 183743495, registered address: Utena district municipality, Utena, Metalo str. 5); member of the supervisory council at SIA Preses nams; board member at AB „East West Agro" (legal form: Public Limited Liability Company, code: 300588407, registered address: Kaunas district municipality, Kumpių vil. Tikslo str. 10); director at Uždaroji akcinė bendrovė LS Capital (legal form: Private Limited Liability Company, code: 133118295, registered address: Kaunas district municipality, Kaunas, V. Kudirkos str. 9).

Key Executives

Linas Bulzgys

Education, qualifications: Vilnius University, Finance and Banking Master Degree, ACCA qualification and membership.

Activity: General Manager of AUGA group, AB (legal form: Public Limited Liability Company, code: 126264360, registered address: Vilnius municipality, Vilnius, Konstitucijos ave. 21C) (2015 – present).

Martynas Repečka

Education, qualifications: Vilnius University, Finance Master's Degree.

Activity: Chief Financial Officer of AUGA group, AB (legal form: Public Limited Liability Company, code: 126264360, registered address: Vilnius municipality, Vilnius, Konstitucijos ave. 21C) (2017 – present).

(All amounts are in EUR thousand, unless otherwise stated)

3.10. Shares Held by the Management of the Company

Information on the shares of the Company held by the members of the Supervisory Board, the Board and the top executives as of 31 December 2018:

Name, surname	Position in the Company	Owned shares in the Company, units	Owned shares in the Company, %
Kęstutis Juščius	Chairman of the Management Board	1,392	0.0006
Marijus Bakas	Member of the Management Board	39,062	0.017

Kęstutis Juščius, Chairman of the Board, is the ultimate owner of Baltic Champs Group UAB, controlling 55.04% of the Group's shares.

3.11. Management of the Company Remuneration and Benefits

The Company's top management includes Members of the Board, Chief Executive Officer and Chief Financial Officer (6 persons). Members of the Board of Directors do not receive remuneration for performance of board member functions. Members of the Board who, in addition to their board member position, serve on another top management position received salaries or payments for legal services as compensation.

Table below summarises salaries and other payments calculated for top management. Other payments include abovementioned legal services.

Remuneration paid to members of the Management Board and the Key Executives of the Company during 2018, EUR	Salaries in 2018	Bonuses in 2018	Other payments (fees for provided legal services) in 2018	Total payouts in 2018
Average for 1 member	31,301	-	13,406	44,706
Total amount for all members of the Management Board and the Key Executives	187,804	-	80,434	268,237

There were no salaries or bonuses paid to Members of Supervisory board in the year 2018.

3.12. Information on collegial bodies of the Company and the Group agreements regarding compensations in case of resignation, unjustifiable redundancy, or change in ownership structure

The Company and its collegial bodies' members have not concluded any agreements regarding compensations in case of resignation, unjustifiable redundancy, or change in ownership structure.

3.13. Personnel

As at 31 December 2018 the number of employees and average monthly salary by education and categories was as follows:

Employee category	Numbers of employees		Average monthly salary	
	2018	2017	2018	2017
Central office / Company	63	54	2,230	2,286
Agricultural entities management	145	134	1,308	1,316
Agricultural entities workers	957	939	883	756
Total:	**1,165**	**1,127**		

Education	Central office / Company		Agricultural entities	
	2018	2017	2018	2017
Higher	60	49	212	162
Special professional	1	4	438	471
Middle	2	1	452	440
Primary	-	-	-	-
Total:	**63**	**54**	**1,102**	**1,073**

(All amounts are in EUR thousand, unless otherwise stated)

3.13. Personnel (continued)

Structure	**Number of employees**		**Average monthly salary**	
	as at 31 December 2018	**as at 31 December 2017**	**2018**	**2017**
Managing personnel	49	55	2,512	2,285
Specialists	159	171	1,290	1,081
Employees	957	901	883	743
Total:	**1,165**	**1,127**		

For more information about Group's personnel please see the Company´s Sustainability Report for the year 2018 (see Annex No. 2).

3.14. Information on transactions with related parties

Information on transactions with related parties is disclosed in the explanatory notes (note 29) of the Company's consolidated and separate financial statements for the year ended 31 December 2018.

3.15. Information on compliance with the Code of Corporate Governance

Information on AUGA group AB compliance with the Code of Corporate Governance is provided as Annex No. 1 to the Company's consolidated annual report for the year ended 31 December 2018.

3.16. Data on publicly announced information

The Company informs of all material events over the CNS system of NASDAQ Vilnius and on the ESPI information system which is operated by Polish FSA, as well as on Electronic Information Base which is operated by Warsaw Stock Exchange.

The summary of publicly announced information by the Company is provided below:

Announcement date	**Announcement header**
08-04-2019	Notice on Convocation of the ordinary General Meeting of Shareholders of AUGA group, AB on 30 April 2019 and on its draft decisions
01-03-2019	Announcement about investor conference webinar to introduce unaudited financial results for the 12 months of 2018
28-02-2019	Interim information of AUGA group, AB for the 12-month period ended 31 December 2018
27-02-2019	AUGA group will hold an Investor Conference Webinar to introduce unaudited financial results for the 12 months of 2018
27-12-2018	Dates of periodic information disclosure of AUGA group, AB for the year 2019 (investor calendar)
13-12-2018	The main lenders of AUGA group, AB decided to extend credit lines for a year and not to apply the Financial Debt and EBITDA ratio covenant until the end of third quarter of the year 2019
04-12-2018	Announcement about investor conference webinar to introduce unaudited financial results for the 9 months of 2018
02-12-2018	CORRECTION: AUGA group will hold an Investor Conference Webinar to introduce unaudited financial results for the 9 months of 2018
30-11-2018	Interim information of AUGA group, AB for the 9-month period ended 30 September 30, 2018
29-11-2018	AUGA group will hold an Investor Conference Webinar to introduce unaudited financial results for the 9 months of 2018
25-09-2018	Notification on transaction concluded by person closely associated with the person discharging managerial responsibilities
31-08-2018	Unaudited financial information of AUGA group, AB for the 6 month period ended 30 June 2018
29-08-2018	All conditions for registration and introduction to trading of newly-issued shares in Poland have been satisfied
29-08-2018	Management Board of AUGA group, AB adopted a decision to increase capital of subsidiaries
29-08-2018	Resolutions of Warsaw Stock Exchange and KDPW regarding new shares
27-08-2018	Notifications on the acquisition or disposal of voting rights and on transaction concluded by person closely associated with the person discharging managerial responsibilities

(All amounts are in EUR thousand, unless otherwise stated)

27-08-2018	AUGA group shares now traded on the Baltic Main List
24-08-2018	Notification on the acquisition of voting rights, AUGA group, AB
24-08-2018	Listing of shares of AUGA group, AB on Baltic Main List, trading will be resumed on 27 August 2018
23-08-2018	AUGA group Successfully Completed Secondary Public Offering by Selling All Offered Shares
23-08-2018	New wording of Articles of Association of AUGA group, AB and the new shares were registered
20-08-2018	AUGA group, AB notification on final offer price, final number of allocated shares and allocation
17-08-2018	Trading will be suspended in AUGA group, AB shares
13-08-2018	AUGA group opens doors to North America
24-07-2018	Updated presentation of AUGA group, AB
20-07-2018	Approved second supplement to the prospectus of public offering of shares of AUGA group, AB and their admission to regulated markets
19-07-2018	Management Board of AUGA group, AB decided to apply for an extension of the public offer period
19-07-2018	In the course of public offering of shares in AUGA group, AB, the Framework Agreement was signed with European Bank for Reconstruction and Development
17-07-2018	Approved supplement to the prospectus of public offering of shares of AUGA group, AB and their admission to regulated markets
16-07-2018	Decision of extraordinary shareholders' meeting of AUGA group, AB which took place on 16 July 2018
10-07-2018	Updated presentation of AUGA group, AB
03-07-2018	Correction: Approved prospectus of public offering of shares of AUGA group, AB and their admission to regulated markets
03-07-2018	Approved prospectus of public offering of shares of AUGA group, AB and their admission to regulated markets
26-06-2018	Decision of Nasdaq Vilnius concerning conditional admission of AUGA group, AB shares to the Main Trading List
22-06-2018	Notice on Convocation of the Extraordinary General Meeting of Shareholders of AUGA group, AB on 16 July 2018
01-06-2018	Presentation of AUGA group, AB at the event "CEO meets investors" organised by NASDAQ OMX Vilnius
31-05-2018	Interim information of AUGA group, AB for the 3 months period ended 31 March 2018
14-05-2018	Supreme Administrative Court of Lithuania partly satisfied the appeal by the Company regarding decision of Bank of Lithuania
30-04-2018	Decisions of Ordinary General Meeting of Shareholders of AUGA group, AB which took place on 30 April 2018
20-04-2018	CORRECTION: Notice on the draft decisions of an Ordinary General Meeting of Shareholders of AUGA group, AB to be held on 30 April 2018 and consolidated annual financial statements for the year 20
19-04-2018	Notice on the draft decisions of an Ordinary General Meeting of Shareholders of AUGA group, AB to be held on 30 April 2018 and consolidated annual financial statements for the year 2017 filed for the year 20
17-04-2018	Notice on the update of the agenda of the Ordinary General Meeting of Shareholders of AUGA group, AB to be held on 30 April 2018
06-04-2018	Notice on Convocation of the Ordinary General Meeting of Shareholders of AUGA group, AB on 30 April, 2018
06-04-2018	CORRECTION: AUGA group, AB Sustainability Report
03-04-2018	AUGA group, AB Sustainability Report
28-03-2018	Decisions of extraordinary shareholder's meeting of AUGA group, AB which took place on 28th March, 2018
14-03-2018	AUGA group, AB decided against proceeding with the shares purchase of Arginta Engineering
14-03-2018	Updated presentation of AUGA group, AB
08-03-2018	CORRECTION: Notice on Convocation of the ordinary General Meeting of Shareholders of AUGA group, AB on 28 March 2018
06-03-2018	Notice on Convocation of the ordinary General Meeting of Shareholders of AUGA group, AB on 28 March 2018

(All amounts are in EUR thousand, unless otherwise stated)

28-02-2018	AUGA group, AB unaudited financial information for 12 months ended 31 December 2017
26-02-2018	AUGA group, AB has successfully completed acquisition of UAB Raseinių agra shares
09-02-2018	Subsidiary of AUGA group, AB sells shares of OOO Karakash Agro
23-01-2018	AUGA group, AB seeks to raise up to EUR 20 million of additional share capital through a public offering by the middle of 2018
23-01-2018	AUGA group, AB acquires shares of UAB Arginta Engineering
11-01-2018	Dates of periodic information disclosure of AUGA group, AB for the year 2018 (investor calendar)

AUGA group, AB Chief Executive Officer Linas Bulzgys

11 April 2019

(All amounts are in EUR thousand, unless otherwise stated)

III. CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS

Balance sheet

	Notes	As at 31 December			
		GROUP		COMPANY	
ASSETS		**2018**	**2017**	**2018**	**2017**
Non-current assets					
Property, plant and equipment	5	92,892	85,235	415	303
Investments in subsidiaries	6	-	-	96,438	69,777
Intangible assets	8	2,427	839	8	10
Long term receivables at amortised cost	13	5,641	3,497	8,418	-
Investments accounted for using equity method	7	57	286	-	-
Available for sale financial assets	7	355	355	-	-
Deferred tax asset	19	1,438	890	-	-
Biological assets	9	9,128	8,029	-	-
Total non-current assets		**111,938**	**99,131**	**105,279**	**70,090**
Current assets					
Biological assets	9	14,390	10,111	-	-
Inventory	10	28,708	25,547	10	2
Trade receivables, advance payments and other receivables	12	14,573	10,765	3,748	5,467
Cash and cash equivalents	11, 14	2,281	620	49	1
		59,952	**47,043**	**3,807**	**5,470**
Assets classified as held for sale	24	-	2,374	-	-
Total current assets		**59,952**	**49,417**	**3,807**	**5,470**
TOTAL ASSETS		**171,890**	**148,548**	**109,086**	**75,560**
EQUITY AND LIABILITIES					
Capital and reserves					
Share capital	15	65,951	54,351	65,951	54,351
Share premium	15	6,707	738	6,707	738
Revaluation reserve		7,155	5,889	-	-
Legal reserve	15	1,649	579	1,649	579
Reserve to provide shares for employees	15	957	-	957	-
Currency exchange differences		-	(165)	-	-
Retained earnings		8,937	17,241	9,585	8,122
Equity attributable to equity holders of the parent		**91,356**	**78,633**	**84,849**	**63,790**
Non-controlling interest		359	382	-	-
Total equity		**91,715**	**79,015**	**84,849**	**63,790**
Non-current liabilities					
Borrowings	17	13,829	16,535	1,000	6,427
Obligations under finance lease	18	7,889	5,987	163	83
Deferred grant income	16, 2.16	3,433	3,657	-	-
Deferred tax liability	19	883	656	-	-
Total non-current liabilities		**26,034**	**26,835**	**1,163**	**6,510**
Current liabilities					
Current portion of non-current borrowings	17	9,256	4,506	3,027	1,440
Current portion of non-current obligations under finance lease	18	3,618	2,956	16	23
Current borrowings	17	21,270	13,607	18,870	3,210
Trade payables		14,681	14,467	216	320
Other payables and current liabilities	20	5,316	5,855	945	267
		54,141	**41,391**	**23,074**	**5,260**
Liabilities directly associated with assets classified as held for sale	24	-	1,307	**-**	**-**
Total current liabilities		**54,141**	**42,698**	**23,074**	**5,260**
Total liabilities		**80,175**	**69,533**	**24,237**	**11,770**
TOTAL EQUITY AND LIABILITIES		**171,890**	**148,548**	**109,086**	**75,560**

The accompanying explanatory notes presented on pages 46 to 99 are an integral part of these financial statements.

These financial statements were approved and signed on 11 April 2019.

Linas Bulzgys
Chief Executive Officer

Martynas Repečka
Chief Financial Officer

(All amounts are in EUR thousand, unless otherwise stated)

Income statement and statement of other comprehensive income

		Year ended 31 December			
		GROUP		COMPANY	
	Notes	2018	2017	2018	2017
Revenues	21	54,749	48,784	3,304	653
Dividends from subsidiaries	25	-	-	5,656	25,303
Cost of sales	21,22	(45,824)	(38,012)	-	-
Gain (loss) on changes in fair values of biological assets and on recognition at fair value of agricultural produce at point of harvest	9,21	(5,262)	4,159	-	-
GROSS PROFIT		**3,663**	**14,931**	**8,960**	**25,956**
Operating expenses	23	(10,354)	(8,585)	(4,823)	(3,755)
Other income	26	2,753	351	383	76
OPERATING PROFIT		**(3,938)**	**6,697**	**4,520**	**22,277**
Finance cost	27	(2,295)	(1,904)	(1,030)	(887)
Share of net profit (loss) of associated accounted for using the equity method	7	(229)	-	-	-
PROFIT (LOSS) BEFORE INCOME TAX		**(6,462)**	**4,793**	**3,490**	**21,390**
Income tax expense	19	482	222	-	-
NET PROFIT / (LOSS) FOR THE YEAR		**(5,980)**	**5,015**	**3,490**	**21,390**
ATTRIBUTABLE TO:					
Equity holders of the Company		(5,957)	4,926	3,490	21,390
Non-controlling interest		(23)	89	-	-
		(5,980)	**5,015**	**3,490**	**21,390**
Basic and diluted earnings (loss) per share (EUR)	28	**(0.03)**	**0.03**	**0.02**	**0.11**
STATEMENT OF OTHER COMPREHENSIVE INCOME					
NET PROFIT/ (LOSS) FOR THE PERIOD		**(5,980)**	**5,015**	**3,490**	**21,390**
Other comprehensive income:					
Items that may be reclassified to profit or loss :					
Currency exchange differences		-	52	-	-
Items that will not be reclassified to profit or loss:					
Revaluation of land, gross of tax	5	1,407	1,800	-	-
Deferred tax liability from revaluation	19	(141)	(90)	-	-
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**(4,714)**	**6,777**	**3,490**	**21,390**
ATTRIBUTABLE TO:					
Equity holders of the Company		(4,691)	6,688	3,490	21,390
Non-controlling interest		(23)	89	-	-
		(4,714)	**6,777**	**3,490**	**21,390**

The accompanying explanatory notes presented on pages 46 to 99 are an integral part of these financial statements.

These financial statements were approved and signed on 11 April 2019.

Linas Bulzgys
Chief Executive Officer

Martynas Repečka
Chief Financial Officer

(All amounts are in EUR thousand, unless otherwise stated)

Statement of changes in equity

GROUP	Share capital	Share premium	Revaluation reserve	Currency exchange differences	Reserve to provide shares for employees	Legal reserve	Retained earnings	Equity attributable to the shareholders of the Company	Non-controlling interest	Total
Balance as at 31 December 2016	**54,351**	**7,890**	**4,179**	**(217)**	**-**	**579**	**5,163**	**71,945**	**293**	**72,238**
Comprehensive income										
Net profit (loss) for the period	-	-	-	-	-	-	4,926	**4,926**	**89**	**5,015**
Other comprehensive income										
Revaluation of land, net of tax (note 5, 19)	-	-	1,710	-		-	-	**1,710**	-	**1,710**
Currency exchange differences	-	-	-	52	-	-	-	**52**	-	**52**
Total comprehensive income	***-***	***-***	***1,710***	***52***	***-***	***-***	***4,926***	***6,688***	***89***	***6,777***
Transactions with shareholders										
Transfer of share premium to retained earnings (note 15)	-	(7,152)	-	-	-	-	7,152	-	-	-
Total transactions with shareholders	-	***(7,152)***	-	-	-	-	**7,152**	-	-	-
Balance as at 31 December 2017	**54,351**	**738**	**5,889**	**(165)**	**-**	**579**	**17,241**	**78,633**	**382**	**79,015**
Change in accounting policy (IFRS9), (note 2.2)	-	-	-	-	-		(155)	**(155)**	-	**(155)**
Balance as at 31 December 2017 (restated)	**54,351**	**738**	**5,889**	**(165)**	**-**	**579**	**17,086**	**78,478**	**382**	**78,860**
Comprehensive income										
Net profit (loss) for the period	-	-	-	-	-	-	(5,957)	**(5,957)**	**(23)**	**(5,980)**
Sale of subsidiary (note 24)	-	-	-	165	-	-	(165)	-	-	-
Other comprehensive income										
Revaluation of land, net of tax (note 5, 19)	-	-	1,266	-	-	-	-	**1,266**	-	**1,266**
Currency exchange differences	-	-	-	-	-	-	-	-	-	-
Total comprehensive income	***-***	***-***	***1,266***	***-***		***-***	***(6,122)***	***(4,691)***	***(23)***	***(4,714)***
Transactions with shareholders										
Transfer to legal reserve (note 15)	-	-	-	-	-	1,070	(1,070)	-	-	-
Transfer to other reserve (note 15)	-	-	-	-	957	-	(957)	-	-	-
Issue of ordinary shares, net of transaction costs (note 15)	11,600	5,969	-	-	-	-	-	17,569	-	17,569
Total transactions with shareholders	***11,600***	***5,969***	***-***	***-***	***957***	***1,070***	***(2,027)***	***17,569***	-	***17,569***
Balance as at 31 December 2018	**65,951**	**6,707**	**7,155**	**-**	**957**	**1,649**	**8,937**	**91,356**	**359**	**91,715**

These financial statements were approved and signed on 11 April 2019.

Linas Bulzgys
Chief Executive Officer

Martynas Repečka
Chief Financial Officer

(All amounts are in EUR thousand, unless otherwise stated)

Statement of changes in equity

COMPANY	**Share capital**	**Share premium**	**Legal reserve**	**Reserve to provide shares for employees**	**Retained earnings**	**Total**
Balance as at 31 December 2016	**54,351**	**7,890**	**579**	**-**	**(20,420)**	**42,400**
Comprehensive income						
Net profit (loss) for the period	-	-	-	-	21,390	21,390
Total comprehensive income	***-***	***-***	***-***	***-***	***21,390***	***21,390***
Transactions with shareholders						
Coverage of losses with share premium (note 16)	-	(7,152)	-	-	7,152	-
Total transactions with shareholders	***-***	***(7,152)***	***-***	***-***	***7,152***	***-***
Balance as at 31 December 2017	**54,351**	**738**	**579**	**-**	**8,122**	**63,790**
Comprehensive income						
Net profit (loss) for the period	-	-	-	-	3,490	3,490
Total comprehensive income	***-***	***-***	***-***	***-***	***3,490***	***3,490***
Transactions with shareholders						
Transfer to legal reserve (note 15)	-	-	1,070	-	(1,070)	-
Transfer to other reserve (note 15)	-	-	-	957	(957)	-
Issue of ordinary shares, net of transaction costs (note 15)	11,600	5,969	-	-	-	17,569
Total transactions with shareholders	***11,600***	***5,969***	***1,070***	***957***	***(2,027)***	***17,569***
Balance as at 31 December 2018	**65,951**	**6,707**	**1,649**	**957**	**9,585**	**84,849**

The accompanying explanatory notes presented on pages 46 to 99 are an integral part of these financial statements.

These financial statements were approved and signed on 11 April 2019.

Linas Bulzgys
Chief Executive Officer

Martynas Repečka
Chief Financial Officer

(All amounts are in EUR thousand, unless otherwise stated)

Consolidated statement of cash flows

		Year ended 31 December			
		GROUP		**COMPANY**	
	Notes	**2018**	**2017**	**2018**	**2017**
Net profit (loss) before income tax		**(6,462)**	**4,793**	**3,490**	**21,390**
Adjustments for non-cash expenses (income) items and other adjustments					
Depreciation expense	5	7,504	6,800	67	47
Amortization expense	8	565	178	5	5
Write offs of PPE		52	41	-	-
(Gain) loss on sales of non-current assets	26	(15)	(2)	4	-
Share of losses (profits) of investments accounted for using equity method	7	229	-	-	-
Gain (loss) on sale of subsidiaries	24	(2,062)	-	-	-
Loss provision of receivables	12, 23	31	-	-	-
Write-offs of inventory and biological assets	22	1,590	1,102	-	-
Net finance cost	26, 27	1,774	1,904	787	828
Impairment of PPE	5	109	-	-	-
Dividends from subsidiaries	25	-	-	(5,656)	(25,303)
Loss (gain) on changes in fair value of biological assets	21	5,262	(4,159)	-	-
Grants related to assets, recognized as income	16	(484)	(623)	-	-
Changes in working capital				-	-
(Increase) decrease in biological assets		(10,640)	(6,568)	-	-
(Increase) decrease in trade receivables and prepayments		(2,535)	3,468	(1,377)	(2,097)
(Increase) decrease in inventory		(3,918)	(6,675)	(8)	(1)
(Decrease) increase in trade and other payables		(739)	5,908	574	154
		(9,739)	**6,167**	**(2,144)**	**(4,979)**
Interest paid, net		(1,747)	(1,802)	(669)	(828)
Net cash flows from /(to) operating activities		**(11,486)**	**4,365**	**(2,783)**	**(5,805)**
Cash flows from /(to) investing activities					
Purchase of property, plant and equipment		(4,025)	(4,950)	(103)	(100)
Purchase of non-current intangible assets	8	(12)	(17)	(3)	-
Purchase of available for sale investments	7	-	(355)	-	-
Payment of acquisition of subsidiary, net of cash acquired	24	(2,193)	(1,321)	(2,424)	(3)
Proceeds from sales of PPE		210	616	24	-
Proceeds from sales of subsidiary, net of cash disposed	24	985	-	-	-
Grants related to assets, received from NPA	16	260	373	-	-
Dividends received from subsidiaries	25, 12	-	-	8,752	22,207
Other loans repaid	13	-	143	-	-
Other loans granted	6, 13	(1,261)	(1,041)	(32,655)	-
Net cash flows from/(to) investing activities		**(6,036)**	**(6,552)**	**(26,409)**	**22,104**
Cash flows from /(to) financing activities					
Proceeds from issue of shares	15	17,569	-	17,569	-
Loans repaid to banks		(18,450)	(5,921)	(3,298)	-
Loans repaid to subsidiaries		-	-	(7,867)	(49,760)
Borrowings received		21,199	12,130	18,870	3,210
Borrowings received from subsidiaries		-	-	-	31,351
Other borrowings received		7,000	-	7,000	-
Other borrowings paid		(3,000)	(1,547)	(3,000)	(1,171)
Finance lease repayments		(5,135)	(3,504)	(34)	(25)
Net cash flows from/(to) financing activities		**19,183**	**1,158**	**29,240**	**(16,395)**
Net (decrease) / increase in cash and cash equivalents		**1,661**	**(1,030)**	**48**	**(96)**
Cash and cash equivalents at the beginning of the period		**620**	**1,650**	**1**	**97**
Cash and cash equivalents at the end of the period		**2,281**	**620**	**49**	**1**

The accompanying explanatory notes presented on pages 46 to 99 are an integral part of these financial statements.

These financial statements were approved and signed on 11 April 2019.

Linas Bulzgys
Chief Executive Officer

Martynas Repečka
Chief Financial Officer

(All amounts are in EUR thousand, unless otherwise stated)

1. *General information*

AUGA group AB (hereinafter – "the Company") was founded and started its operations on 25 June 2003. The Company's head office is located in Konstitucijos av. 21C, Quadrum North, Vilnius, Lithuania. The Company's main activity is management of agricultural companies. Main operations of the Group – cultural mushroom growing and sale, milk production and sale, grain growing and sale, end-consumer products production and sale. As at 31 December 2018 the Group had 1,165 employees, 31 December 2017 – 1,127 employees. The ultimate shareholder of AUGA group AB is Baltic Champs Group, UAB which is 100% owned by Kęstutis Juščius.

The main shareholders (over 5 per cent) of the Company were:

	31 December 2018		31 December 2017	
Entity / Person's name/surname	**Number of shares**	**% owned**	**Number of shares**	**% owned**
Baltic Champs Group UAB	125,167,939	55.04	165,167,939	88.13
European Bank for Reconstruction and Development	19,810,636	8.71	-	-
ME Investicija UAB	19,030,801	8.37	-	-
Žilvinas Marcinkevičius	15,919,138	7.00	-	-
Other shareholders	47,487,738	20.88	22,248,313	11.87
Total	**227,416,252**	**100.00**	**187,416,252**	**100.00**

The Company's shareholders' meeting has the power to reject and request the management to reissue financial statements after issue. The shares in the Company are listed on Nasdaq Vilnius Baltic Main list and Warsaw Stock Exchange. The fiscal year of the Company and its subsidiaries corresponds with calendar year.

The consolidated Group (hereinafter the Group) consists of the Company and one hundred thirty-five subsidiaries (31 December 2017: one hundred thirty-six subsidiaries). On 28 February 2018 the Group has acquired an agricultural entity AUGA Raseiniai, UAB. On 31 March 2018 Group has sold 2 of its subsidiaries Karakash OOO and Karakash Agro OOO. See note 24 for more details.

The subsidiaries included in the Group's consolidated financial statements as at 31 December 2018 are indicated below.

No.	Name of subsidiary	Legal form	Legal entity code	Address, place and date of registration	Profile	Group ownership interest, % 31 12 2018	Group ownership interest, % 31 12 2017
1.	Baltic Champs UAB	*4	302942064	Šiaulių region, Poviliškių v., 15, Registered: Šiaulių reg., Registration date: 27-12-2012	**A	100,00%	100,00%
2.	AVG Investment UAB	*4	300087691	Vilniaus mun., Vilnius, Konstitucijos av. 21C, Registered: Vilnius mun., Registration date: 10-02-2005	**G	100,00%	100,00%
3.	AWG Investment 1 UAB	*4	301745765	Vilniaus mun., Vilnius, Konstitucijos av. 21C, Registered: Vilnius mun., Registration date: 18-06-2008	**G	100,00%	100,00%
4.	AWG Investment 2 UAB	*4	301807590	Vilniaus mun., Vilnius, Konstitucijos av. 21C, Registered: Vilnius mun., Registration date: 24-07-2008	**G	100,00%	100,00%
5.	Agross UAB	*4	301807601	Vilniaus mun., Vilnius, Konstitucijos av. 21C, Registered: Vilnius mun., Registration date: 24-07-2008	**H	100,00%	100,00%
6.	Grain Lt UAB	*4	302489354	Vilniaus mun., Vilnius, Konstitucijos av. 21C, Registered: Vilnius mun., Registration date: 17-03-2010	**H	98,97%	97,41%
7.	Ars Ingenii UAB	*4	302602713	Vilniaus mun., Vilnius, Konstitucijos av. 21C, Registered: Vilnius mun., Registration date: 15-03-2011	**H	100,00%	100,00%
8.	AgroGis UAB	*4	302583978	Vilniaus mun., Vilnius, Konstitucijos av. 21C, Registered: Vilnius mun., Registration date: 18-01-2011	**D	95,00%	95,00%
9.	Agro Management Team UAB	*4	302599498	Jonavos region, Bukonių v., Lankesos st. 2, Registered: Jonavos reg., Registration date: 02-03-2011	**E	100,00%	100,00%
10.	Agrotechnikos centras UAB	*4	302589187	Vilniaus mun., Vilnius, Konstitucijos av. 21C, Registered: Jonavos reg., Registration date: 03-02-2011	**F	100,00%	100,00%
11.	AUGA trade UAB	*4	302753875	Jonavos region, Bukonių v., Lankesos st. 2, Registered: Jonavos reg., Registration date: 29-02-2012	**H	100,00%	100,00%
12.	Agricultural entity Žemės fondas	*1	300558595	Vilniaus mun., Vilnius, Konstitucijos av. 21C, Registered: Vilnius mun., Registration date: 07-04-2006	**E	100,00%	100,00%

(All amounts are in EUR thousand, unless otherwise stated)

13.	Žemės vystymo fondas 6 UAB	*4	300589719	Vilniaus mun., Vilnius, Smolensko st. 10, Registered: Vilnius mun., Registration date: 10-08-2006	**E	100,00%	100,00%
14.	Žemės vystymo fondas 9 UAB	*4	300547638	Vilniaus mun., Vilnius, Konstitucijos av. 21C, Registered: Jonavos reg., Registration date: 09-03-2006	**E	100,00%	100,00%
15.	Žemės vystymo fondas 10 UAB	*4	301522723	Vilniaus mun., Vilnius, Konstitucijos av. 21C, Registered: Jonavos reg., Registration date: 10-01-2008	**E	100,00%	100,00%
16.	Žemės vystymo fondas 20 UAB	*4	300887726	Vilniaus mun., Vilnius, Konstitucijos av. 21C, Registered: Jonavos reg., Registration date: 22-06-2007	**B	100,00%	100,00%
17.	AUGA Grūduva UAB	*4	174401546	Šakių region, Gotlybiškių v., Registered: Šakių mun., Registration date: 24-02-1997	**A	98,97%	97,41%
18.	Agricultural entity AUGA Spindulys	*1	171330414	Radviliškio region, Vaitiekūnų v., Spindulio st. 13, Registered: Radviliškio reg., Registration date: 09-04-1993	**A	99,99%	99,96%
19.	Agricultural entity AUGA Smilgiai	*1	168548972	Panevėžio region, Smilgių mstl. Panevėžio st. 23-1, Registered: Panevėžio reg., Registration date: 16-09-1992	**A	100,00%	100,00%
20.	Agricultural entity AUGA Skėmiai	*1	171306071	Radviliškio region, Skėmių v., Kėdainių st. 36, Registered: Radviliškio reg., Registration date: 01-10-1992	**A	99,97%	99,87%
21.	Agricultural entity AUGA Nausodė	*1	154179675	Anykščių mun., Nausodės v., Nausodės st. 55, Registered: Anykščių reg., Registration date: 11-08-1992	**A	99,93%	99,80%
22.	Agricultural entity AUGA Dumšiškės	*1	172276179	Raseinių mun., Gėluvos v., Dvaro st. 30, Registered: Raseinių reg., Registration date: 29-09-1992	**A	99,88%	99,38%
23.	Agricultural entity AUGA Žadžiūnai	*1	175706853	Šiaulių region, Žadžiūnų v., Gudelių st. 30-2, Registered: Šiaulių reg., Registration date: 30-06-1992	**A	99,81%	99,02%
24.	Agricultural entity AUGA Mantviliškis	*1	161274230	Kėdainių mun., Mantviliškio v., Liepos 6-osios st. 60, Registered: Kėdainių reg., Registration date: 06-11-1992	**A	99,94%	98,79%
25.	Agricultural entity AUGA Alanta	*1	167527719	Molėtų region, Kazlų v., Skiemonių st. 2A, Registered: Molėtų reg., Registration date: 29-06-1992	**A	99,99%	98,55%
26.	Agricultural entity AUGA Eimučiai	*1	175705032	Šiaulių region, Žadžiūnų v., Gudelių st. 30-2, Registered: Šiaulių reg., Registration date: 29-06-1992	**A	99,24%	98,41%
27.	Agricultural entity AUGA Vėriškės	*1	171305165	Radviliškio reg., Skėmiai, Kėdainių st. 13, Registered: Radviliškio reg., Registration date: 29-09-1992	**A	99,93%	99,86%
28.	Agricultural entity AUGA Želsvelė	*1	165666499	Marijampolės mun., Želsvos v., Želsvelės st. 1, Registered: Marijampolės mun., Registration date: 03-07-1992	**A	99,86%	97,17%
29.	Agricultural entity AUGA Lankesa	*1	156913032	Jonavos region, Bukonių v., Registered: Jonavos reg., Registration date: 06-04-1999	**A	99,59%	96,24%
30.	Agricultural entity AUGA Kairėnai	*1	171327432	Radviliškio region, Kairėnų v., Registered: Radviliškio reg., Registration date: 02-03-1993	**A	98,47%	94,82%
31.	Agricultural entity AUGA Jurbarkai	*1	158174818	Jurbarko region, Klišių v., Vytauto Didžiojo st. 99, Registered: Jurbarko reg., Registration date: 31-07-1992	**A	98,46%	87,78%
32.	Agricultural entity AUGA Gustoniai	*1	168565021	Panevėžio region, Gustonių v., M. Kriaučiūno st. 15, Registered: Panevėžio reg., Registration date: 09-12-1992	**A	100,00%	99,72%
33.	Cooperative entity Siesarčio ūkis	*3	302501098	Vilniaus mun., Vilnius, Konstitucijos av. 21C, Registered: Šakių reg., Registration date: 21-04-2010	**A	99,92%	99,44%
34.	Cooperative entity Kašėta	*3	302501251	Vilniaus mun., Vilnius, Konstitucijos av. 21C, Registered: Jonavos reg., Registration date: 21-04-2010	**A	99,92%	99,44%
35.	Agricultural entity Gustonys	*1	302520102	Vilniaus mun., Vilnius, Konstitucijos av. 21C, Registered: Panevėžio reg., Registration date: 08-06-2010	**E	100,00%	100,00%
36.	Agricultural entity Skėmių pienininkystės centras	*1	302737554	Radviliškio region, Skėmių v., Alyvų st. 1, Registered: Radviliškio reg., Registration date: 05-03-2012	**A	49,61%	48,67%
37.	Cooperative entity Agrobokštai	*3	302485217	Vilniaus mun., Vilnius, Konstitucijos av. 21C, Registered: Vilnius mun., Registration date: 02-03-2010	**A	99,62%	97,94%
38.	Cooperative entity Dotnuvėlės valdos	*3	302618614	Šiaulių region, Žadžiūnų v., Gudelių st. 30-2, Registered: Šiaulių reg., Registration date: 21-04-2011	**A	99,91%	99,22%
39.	Cooperative entity Nevėžio lankos	*3	302618596	Kėdainių region, Mantviliškio v., Liepos 6-osios st. 60, Registered: Kėdainių reg., Registration date: 21-04-2011	**A	99,61%	96,51%
40.	Cooperative entity Radviliškio kraštas	*3	302618742	Radviliškio region, Skėmių v., Kėdainių st. 13, Registered: Radviliškio reg., Registration date: 20-04-2011	**A	99,66%	98,67%
41.	Cooperative entity Šventosios pievos	*3	302618201	Raseinių region, Kalnujų mstl. Žieveliškės st. 1, Registered: Raseinių reg., Registration date: 20-04-2011	**A	99,35%	96,36%
42.	Cooperative entity Kairių ūkis	*3	302615194	Panevėžio region, Gustonių v., M. Kriaučiūno st. 15, Registered:	**A	99,70%	98,68%

(All amounts are in EUR thousand, unless otherwise stated)

				Panevėžio reg., Registration date: 13-04-2011			
43.	Cooperative entity Šiaurinė valda	*3	302615187	Akmenės mun., Ramučių v., Klevų st. 11, Registered: Šiaulių reg., Registration date: 13-04-2011	**A	99,40%	96,15%
44.	Cooperative entity Šušvės žemė	*3	302618767	Kelmės region, Pašiaušės v., Vilties st. 2, Registered: Kelmės reg., Registration date: 21-04-2011	**A	99,64%	98,43%
45.	Cooperative entity Žalmargėlis	*3	303145954	Vilniaus mun., Vilnius, Konstitucijos av. 21C, Registered: Vilnius mun., Registration date: 23-09-2013	**A	99,53%	98,32%
46.	Cooperative entity Juodmargėlis	*3	303159014	Raseinių region, Kalnujų mstl. Žieveliškės st. 1, Registered: Raseinių reg., Registration date: 03-10-2013	**A	99,91%	99,35%
47.	Cooperative entity Agromilk	*3	302332698	Raseinių region, Kalnujų mstl. Žieveliškės st. 1, Registered: Raseinių reg., Registration date: 23-04-2009	**A	99,33%	96,28%
48.	Cooperative entity Purpurėja	*3	302542337	Širvintų mun., Širvintų v., Zosinos st. 8, Registered: Širvintų reg., Registration date: 02-09-2010	**A	99,93%	99,53%
49.	Bukonių ekologinis ūkis UAB	*4	302846621	Vilniaus mun., Vilnius, Konstitucijos av. 21C, Registered: Vilnius mun., Registration date: 23-08-2012	**A	100,00%	100,00%
50.	Agrosaulė 8 UAB	*4	302846105	Vilniaus mun., Vilnius, Smolensko st. 10-100, Registered: Vilnius mun., Registration date: 23-08-2012	**G	100,00%	100,00%
51.	Biržai distr., Rinkuškiai reclamation infrastructure users association	*2	302465556	Biržų region, Biržai, Vytauto st. 38, Registered: Biržų reg., Registration date: 11-12-2009	**A	49,61%	48,67%
52.	Pasvalys distr., Pušalotas reclamation infrastructure users association	*2	302465563	Pasvalio region, Diliauskų v., Diliauskų st. 23, Registered: Pasvalio reg., Registration date: 11-12-2009	**A	49,61%	48,67%
53.	Skėmiai reclamation infrastructure users association	*2	303170256	Šiaulių region, Žadžiūnų v., Gudelių st. 30-2, Registered: Šiaulių reg., Registration date: 22-10-2013	**A	49,61%	48,67%
54.	Vaitiekūnai reclamation infrastructure users association	*2	303170306	Šiaulių region, Žadžiūnų v., Gudelių st. 30-2, Registered: Šiaulių reg., Registration date: 22-10-2013	**A	49,61%	48,67%
55.	Association Grūduvos melioracija	*2	302567116	Šakių region, Gotlybiškių v., Mokyklos st. 2, Registered: Šakių reg., Registration date: 23-11-2010	**A	66,33%	65,81%
56.	Pauliai reclamation infrastructure users association	*2	303169909	Raseinių region, Gėluvos v., Dvaro st. 30, Registered: Raseinių reg., Registration date: 11-12-2009	**A	0,00%	100,00%
57.	Nausode reclamation infrastructure users association	*2	304219592	Vilniaus mun., Vilnius, Konstitucijos av. 21C, Registered: Vilnius mun., Registration date: 22-10-2013	**A	71,42%	70,74%
58.	Traktorių nuomos centras UAB	*4	302820808	Vilniaus mun., Vilnius, Konstitucijos av. 21C, Registered: Jonavos reg., Registration date: 16-07-2012	**A	100,00%	100,00%
59.	Traktorių nuomos paslaugos UAB	*4	302820797	Vilniaus mun., Vilnius, Konstitucijos av. 21C, Registered: Jonavos reg., Registration date: 16-07-2012	**A	100,00%	100,00%
60.	Arnega UAB	*4	302661957	Vilniaus mun., Vilnius, Konstitucijos av. 21C, Registered: Jonavos reg., Registration date: 13-08-2011	**A	100,00%	100,00%
61.	AgroSchool OU	*6	12491954	Harju maakond, Tallinn, Kesklinna linnaosa, Lai tn 32-8, 10133, Registered: Estonia, Registration date: 15-07-2013	**G	100,00%	100,00%
62.	Public institution AgroSchool	*5	303104797	Vilniaus mun., Vilnius, Smolensko st. 10-100, Registered: Vilnius mun., Registration date: 22-07-2013	**C	50,00%	50,00%
63.	AUGA Ramučiai UAB	*4	302854479	Akmenės region, Ramučių v., Klevų st. 11, Registered: Akmenės reg., Registration date: 05-09-2012	**A	100,00%	100,00%
64.	AUGA Luganta UAB	*4	300045023	Kelmės region, Pašiaušės v., Registered: Kelmės reg., Registration date: 05-09-2012	**A	100,00%	100,00%
65.	eTime invest UAB	*4	300578676	Vilniaus mun., Vilnius, Konstitucijos av. 21C, Registered: Vilnius mun., Registration date: 09-06-2014	**G	100,00%	100,00%
66.	Karakash Agro OOO	*6	37171461	Adalet st. 18, Chechova, Razdolnenskiy distr., Krym, Registered: Ukraine, Registration date: 09-09-2010	**A	0,00%	100,00%
67.	Karakash OOO	*6	37171461	Adalet st. 18, Chechova, Razdolnenskiy distr., Krym, Registered: Ukraine, Registration date: 09-09-2010	**A	0,00%	100,00%
68.	ŽVF Projektai UAB	*4	300137062	Vilniaus mun., Vilnius, Konstitucijos av. 21C, Registered: Jonavos reg., Registration date: 27-12-2012	**E	52,62%	52,62%
69.	Agricultural entity Alantos ekologinis ūkis	*1	303324747	Molėtų region, Kazlų v., Skiemonių st. 2A, Registered: Molėtų reg., Registration date: 09-06-2014	**A	100,00%	100,00%
70.	Agricultural entity Dumšiškių ekologinis ūkis	*1	303324722	Raseinių mun., Gėluvos v., Dvaro st. 30, Registered: Raseinių reg., Registration date: 09-06-2014	**A	100,00%	100,00%
71.	Agricultural entity Eimučių ekologinis ūkis	*1	303324715	Šiaulių region, Žadžiūnų v., Gudelių st. 30-2, Registered: Šiaulių reg., Registration date: 09-06-2014	**A	100,00%	100,00%

(All amounts are in EUR thousand, unless otherwise stated)

72.	Agricultural entity Grūduvos ekologinis ūkis	*1	303324804	Šakių region, Gotlybiškių v., Mokyklos st. 2, Registered: Šakių reg., Registration date: 09-06-2014	**A	100,00%	100,00%
73.	Agricultural entity Jurbarkų ekologinis ūkis	*1	303325361	Jurbarko region, Klišių v., Vytauto Didžiojo st. 99, Registered: Jurbarko reg., Registration date: 09-06-2014	**A	100,00%	100,00%
74.	Agricultural entity Kairėnų ekologinis ūkis	*1	303325774	Radviliškio region, Vaitiekūnų v., Spindulio st. 13-2, Registered: Radviliškio reg., Registration date: 09-06-2014	**A	100,00%	100,00%
75.	Agricultural entity Lankesos ekologinis ūkis	*1	303325710	Jonavos region, Bukonių v., Lankesos st. 2, Registered: Jonavos reg., Registration date: 09-06-2014	**A	100,00%	100,00%
76.	Agricultural entity Mantviliškio ekologinis ūkis	*1	303325703	Kėdainių region, Mantviliškio v., Liepos 6-osios st. 60, Registered: Kėdainių reg., Registration date: 09-06-2014	**A	100,00%	100,00%
77.	Agricultural entity Nausodės ekologinis ūkis	*1	303325781	Anykščių region, Nausodės v., Nausodės st. 55, Registered: Anykščių reg., Registration date: 09-06-2014	**A	100,00%	100,00%
78.	Agricultural entity Skėmių ekologinis ūkis	*1	303325692	Radviliškio region, Skėmių v., Kėdainių st. 13, Registered: Radviliškio reg., Registration date: 09-06-2014	**A	100,00%	100,00%
79.	Agricultural entity Smilgių ekologinis ūkis	*1	303325824	Panevėžio region, Smilgiai, Panevėžio st. 23-1, Registered: Panevėžio reg., Registration date: 09-06-2014	**A	100,00%	100,00%
80.	Agricultural entity Spindulio ekologinis ūkis	*1	303325817	Radviliškio region, Vaitiekūnų v., Spindulio st. 13-2, Registered: Radviliškio reg., Registration date: 09-06-2014	**A	100,00%	100,00%
81.	Agricultural entity Vėriškių ekologinis ūkis	*1	303325849	Radviliškio region, Skėmių v., Kėdainių st. 13, Registered: Radviliškio reg., Registration date: 09-06-2014	**A	100,00%	100,00%
82.	Agricultural entity Žadžiūnų ekologinis ūkis	*1	303325870	Šiaulių region, Žadžiūnų v., Gudelių st. 30-2, Registered: Šiaulių reg., Registration date: 09-06-2014	**A	100,00%	100,00%
83.	Agricultural entity Želsvelės ekologinis ūkis	*1	303325856	Marijampolės mun., Želsvos v., Želsvelės st. 1, Registered: Marijampolės mun., Registration date: 09-06-2014	**A	100,00%	100,00%
84.	Prestviigi OU	*6	12654600	Harju maakond, Tallinn, Kesklinna linnaosa, Lai tn 32-8, 10133, Registered: Estonia, Registration date: 02-05-2014	**G	100,00%	100,00%
85.	Turvaste partners OU	*6	12655410	Harju maakond, Tallinn, Kesklinna linnaosa, Lai tn 32-8, 10133, Registered: Estonia, Registration date: 02-05-2014	**G	100,00%	100,00%
86.	Nakamaa Agro OU	*6	12655522	Harju maakond, Tallinn, Kesklinna linnaosa, Lai tn 32-8, 10113, Registered: Estonia, Registration date: 02-05-2014	**G	100,00%	100,00%
87.	Hindaste Invest OU	*6	12655384	Harju maakond, Tallinn, Kesklinna linnaosa, Lai tn 32-8, 10133, Registered: Estonia, Registration date: 24-04-2014	**G	100,00%	100,00%
88.	Tuudi River OU	*6	12655640	Harju maakond, Tallinn, Kesklinna linnaosa, Lai tn 32-8, 10133, Registered: Estonia, Registration date: 02-05-2014	**G	100,00%	100,00%
89.	Palderma Partners OU	*6	12654959	Harju maakond, Tallinn, Kesklinna linnaosa, Lai tn 32-8, 10133, Registered: Estonia, Registration date: 02-05-2014	**G	100,00%	100,00%
90.	Ave-Martna Capital OU	*6	12655155	Harju maakond, Tallinn, Kesklinna linnaosa, Lai tn 32-8, 10133, Registered: Estonia, Registration date: 02-05-2014	**G	100,00%	100,00%
91.	Hobring Invest OU	*6	12655427	Harju maakond, Tallinn, Kesklinna linnaosa, Lai tn 32-8, 10133, Registered: Estonia, Registration date: 02-05-2014	**G	100,00%	100,00%
92.	Rukkirahhu Capital OU	*6	12655232	Harju maakond, Tallinn, Kesklinna linnaosa, Lai tn 32-8, 10133, Registered: Estonia, Registration date: 02-05-2014	**G	100,00%	100,00%
93.	Pahasoo OU	*6	12655367	Harju maakond, Tallinn, Kesklinna linnaosa, Lai tn 32-8, 10133, Registered: Estonia, Registration date: 02-05-2014	**G	100,00%	100,00%
94.	Cooperative entity Ganiklis	*3	303429417	Radviliškio region, Skėmių v., Alyvų st. 1-3, Registered: Radviliškio reg., Registration date: 20-10-2014	**A	99,46%	98,09%
95.	Cooperative entity Ganiavos gėrybės	*3	303429431	Marijampolės mun., Želsvos v., Želsvelės st. 1, Registered: Radviliškio reg., Registration date: 20-10-2014	**A	99,46%	98,09%
96.	Cooperative entity Žemėpačio pieno ūkis	*3	303432388	Raseinių region, Ariogalos sen. Gėluvos v., Dvaro st. 30, Registered: Raseinių reg., Registration date: 22-10-2014	**A	99,46%	98,09%
97.	Cooperative entity Žemynos pienelis	*3	303427989	Raseinių region, Ariogalos sen. Gėluvos v., Dvaro st. 30, Registered: Raseinių reg., Registration date: 17-10-2014	**A	99,46%	98,09%

(All amounts are in EUR thousand, unless otherwise stated)

98.	Cooperative entity Lygiadienio ūkis	*3	303428087	Panevėžio mun., Smilgiai, Panevėžio st. 23-1, Registered: Radviliškio reg., Registration date: 17-10-2014	**A	99,46%	98,09%
99.	Cooperative entity Laumės pieno ūkis	*3	303427996	Raseinių region, Ariogalos sen. Gėluvos v., Dvaro st. 30, Registered: Raseinių reg., Registration date: 17-10-2014	**A	99,46%	98,09%
100.	Cooperative entity Medeinos pienas	*3	303428112	Raseinių region, Ariogalos sen. Gėluvos v., Dvaro st. 30, Registered: Raseinių reg., Registration date: 17-10-2014	**A	99,46%	98,09%
101.	Cooperative entity Gardaitis	*3	303429381	Panevėžio mun., Gustonių v., M. Kriaučiūno st. 15, Registered: Radviliškio reg., Registration date: 20-10-2014	**A	99,46%	98,09%
102.	Cooperative entity Dimstipatis	*3	303429424	Mažeikių aplinkl. 9, Naikių v., Mažeikių apylinkės sen., Mažeikių region, Registered: Mažeikių reg., Registration date: 20-10-2014	**A	99,46%	98,09%
103.	Cooperative entity Aušlavis	*3	303429456	Anykščių mun. Nausodės v. Nausodės st. 55, Registered: Radviliškio reg., Registration date: 20-10-2014	**A	99,46%	98,09%
104.	Cooperative entity Austėjos pieno ūkis	*3	303428094	Mažeikių aplinkl. 9, Naikių v., Mažeikių apylinkės sen., Mažeikių region, Registered: Mažeikių reg., Registration date: 17-10-2014	**A	99,46%	98,09%
105.	Cooperative entity Aitvaro ūkis	*3	303429374	Radviliškio region, Skėmių v., Alyvų st. 1-3, Registered: Radviliškio reg., Registration date: 20-10-2014	**A	99,46%	98,09%
106.	Cooperative entity Giraičio pieno ūkis	*3	303429399	Mažeikių aplinkl. 9, Naikių v., Mažeikių apylinkės sen., Mažeikių region, Registered: Mažeikių reg., Registration date: 20-10-2014	**A	99,46%	98,09%
107	Fentus 10 GmbH	*6	HRB106477	StraBe des 17 Juni 10b 10623 Berlin, Germany, Registered: Germany, Registration date: 02-05-2014	**G	100,00%	100,00%
108.	Norus 26 AG	*6	HRB109356B	StraBe des 17 Juni 10b 10623 Berlin, Germany, Registered: Germany, Registration date: 02-05-2014	**G	100,00%	100,00%
109.	LT Holding AG	*6	HRB109265B	StraBe des 17 Juni 10b 10623 Berlin, Germany, Registered: Germany, Registration date: 02-05-2014	**G	100,00%	100,00%
110.	KTG Agrar UAB	*4	300127919	Raseinių region, Gėluvos v., Dvaro st. 30, Registered: Vilnius mun., Registration date: 20-10-2014	**A	100,00%	100,00%
111.	Agrar Raseiniai UAB	*4	300610316	Raseinių region, Gėluvos v., Dvaro st. 30, Registered: Raseinių reg., Registration date: 20-10-2014	**A	100,00%	100,00%
112.	Agrar Mažeikiai UAB	*4	300610348	Mažeikių av. 9, Naikių v., Mažeikių region, Registered: Mažeikių reg., Registration date: 20-10-2014	**A	100,00%	100,00%
113.	PAE Agrar UAB	*4	300867691	Raseinių region, Gėluvos v., Dvaro st. 30, Registered: Raseinių reg., Registration date: 20-10-2014	**A	100,00%	100,00%
114.	Delta Agrar UAB	*4	300868875	Raseinių region, Gėluvos v., Dvaro st. 30, Registered: Raseinių reg., Registration date: 20-10-2014	**A	100,00%	100,00%
115.	KTG Grūdai UAB	*4	302637486	Raseinių region, Gėluvos v., Dvaro st. 30, Registered: Raseinių reg., Registration date: 20-10-2014	**A	100,00%	100,00%
116.	KTG Eko Agrar UAB	*4	300510650	Raseinių region, Gėluvos v., Dvaro st. 30, Registered: Raseinių reg., Registration date: 20-10-2014	**A	100,00%	100,00%
117.	Agronita UAB	*4	300132574	Raseinių region, Gėluvos v., Dvaro st. 30, Registered: Raseinių reg., Registration date: 20-10-2014	**A	100,00%	100,00%
118.	Agronuoma UAB	*4	303204954	Raseinių region, Gėluvos v., Dvaro st. 30, Registered: Raseinių reg., Registration date: 20-10-2014	**A	100,00%	100,00%
119.	VL Investment Vilnius 12 UAB	*4	303205611	Raseinių region, Gėluvos v., Dvaro st. 30, Registered: Raseinių reg., Registration date: 20-10-2014	**A	100,00%	100,00%
120.	Agrar Ašva UAB	*4	301608542	Raseinių region, Gėluvos v., Dvaro st. 30, Registered: Raseinių reg., Registration date: 20-10-2014	**A	100,00%	100,00%
121.	Agrar Varduva UAB	*4	301608791	Raseinių region, Gėluvos v., Dvaro st. 30, Registered: Raseinių reg., Registration date: 20-10-2014	**A	100,00%	100,00%
122.	Agrar Seda UAB	*4	301608777	Raseinių region, Gėluvos v., Dvaro st. 30, Registered: Raseinių reg., Registration date: 20-10-2014	**A	100,00%	100,00%
123.	Agrar Kvistė UAB	*4	302308067	Raseinių region, Gėluvos v., Dvaro st. 30, Registered: Raseinių reg., Registration date: 20-10-2014	**A	100,00%	100,00%
124.	Agrar Luoba UAB	*4	302308035	Raseinių region, Gėluvos v., Dvaro st. 30, Registered: Raseinių reg., Registration date: 20-10-2014	**A	100,00%	100,00%
125.	Agrar Gaja UAB	*4	302594412	Raseinių region, Gėluvos v., Dvaro st. 30, Registered: Raseinių reg., Registration date: 20-10-2014	**A	100,00%	100,00%
126.	Agrar Ariogala UAB	*4	301626540	Raseinių region, Gėluvos v., Dvaro st. 30, Registered: Raseinių reg., Registration date: 20-10-2014	**A	100,00%	100,00%
127.	Agrar Girdžiai UAB	*4	301621568	Raseinių region, Gėluvos v., Dvaro st. 30, Registered: Raseinių reg., Registration date: 20-10-2014	**A	100,00%	100,00%

(All amounts are in EUR thousand, unless otherwise stated)

128.	Agrar Vidauja UAB	*4	301622531	Raseinių region, Gėluvos v., Dvaro st. 30, Registered: Raseinių reg., Registration date: 20-10-2014	**A	100,00%	100,00%
129.	Agrar Raudonė UAB	*4	302309532	Raseinių region, Gėluvos v., Dvaro st. 30, Registered: Raseinių reg., Registration date: 20-10-2014	**A	100,00%	100,00%
130.	Agrar Venta UAB	*4	302307855	Raseinių region, Gėluvos v., Dvaro st. 30, Registered: Raseinių reg., Registration date: 20-10-2014	**A	100,00%	100,00%
131.	Agrar Nerys UAB	*4	302594063	Raseinių region, Gėluvos v., Dvaro st. 30, Registered: Raseinių reg., Registration date: 20-10-2014	**A	100,00%	100,00%
132.	Agrar Gėluva UAB	*4	302312133	Raseinių region, Gėluvos v., Dvaro st. 30, Registered: Raseinių reg., Registration date: 20-10-2014	**A	100,00%	100,00%
133.	Agrar Betygala UAB	*4	302312222	Raseinių region, Gėluvos v., Dvaro st. 30, Registered: Raseinių reg., Registration date: 20-10-2014	**A	100,00%	100,00%
134.	Agrar Dubysa UAB	*4	302312215	Raseinių region, Gėluvos v., Dvaro st. 30, Registered: Raseinių reg., Registration date: 20-10-2014	**A	100,00%	100,00%
135.	Agrar Pauliai UAB	*4	302312165	Raseinių region, Gėluvos v., Dvaro st. 30, Registered: Raseinių reg., Registration date: 20-10-2014	**A	100,00%	100,00%
136.	Agrar Mituva UAB	*4	302312172	Raseinių region, Gėluvos v., Dvaro st. 30, Registered: Raseinių reg., Registration date: 20-10-2014	**A	100,00%	100,00%
137.	AUGA Raseiniai UAB	*4	304704364	Raseinių region, Kalnujai, Žieveliškės st. 1, Registered: Raseinių reg., Registration date: 06-11-2017	**A	100,00%	0,00%

COMMENTS:
*
*1 Agricultural entity
*2 Association
*3 Cooperative entity
*4 Private limited Company
*5 Public institution
*6 Foreign legal entity

**
**A Agricultural operations
**B Cash pool of the Group
**C Human resource management
**D IT system development
**E Land management
**F Lease of machinery
**G Management of subsidiaries
**H Trade and logistics

2. Summary of significant accounting policies

2.1 Changes in accounting policies

The Group has consistently applied the following accounting policies to all the periods presented in these financial statements.

2.2 Basis of preparation

The accompanying financial statements are prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union (EU). The consolidated financial statements have been prepared on the historical cost basis, except for land in property, plant and equipment, which is measured at revalued amount, biological assets (livestock and crops), which are measured at fair value. The Company applies the same accounting policies as the Group, except for accounting of subsidiaries as disclosed in note 2.25.

The preparation of financial statements in conformity with IFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements, are disclosed in note 4.

The consolidated financial statements are presented in the national currency, the euro (EUR), which is the Company's functional and presentation currency.

Going concern basis

The accompanying financial statements are prepared on going concern basis. The short-term goal for the Group is to generate sufficient funds to carry out operations efficiently and profitably and to generate appropriate amounts of revenues and profits in order to pay current liabilities. The Group's management expects to maintain current liquidity levels and to accumulate funds for future investments. The Company deals mainly with Group companies thus Companies liquidity position is adjusted on demand.

As at 31 December 2018 Group's current assets exceeded current liabilities by EUR 5,811 thousand (as at 31 December 2017 by EUR 6,719 thousand). The liquidity ratio (current assets/current liabilities) of the Group amounted to 1.11 (2017: 1.16), while quick ratio (current assets (excluding biological assets and inventory)/current liabilities) was 0.32 (2017: 0.32).

As at 31 December 2018 Company's current liabilities exceeded current assets by EUR 19,267 thousand as at 31 December 2018, while in 31 December 2017 current assets exceeded current liabilities by EUR 210 thousand. Increase in current liabilities is related to the Groups decision to consolidate short-term financing in parent Company. Company is financing it's subsidiaries based on long-term contracts. Most of the deficit consist of the credit-line facility (EUR 18,870 thousand) which is renewed at the end of each year. Other liabilities will be covered with the cash-flows collected from management fee. The liquidity and quick ratio of the Company amounted to 0.17 (2017: 1.04).

New standards, amendments and interpretations

In 2018 the Group and the Company have adopted all of the new and revised Standards and Interpretations issued by the International Accounting Standards Board (the IASB) and the International Financial Reporting Interpretations Committee (IFRIC) of the IASB that are relevant to their operations and effective for the accounting periods beginning on 1 January 2018.

a) Adoption of new and (or) amended IFRSs and interpretations of the International Financial Reporting Interpretations Committee (IFRIC)

The Group and the Company has applied the following standards and amendments for the first time for their annual reporting period commencing 1 January 2018:

IFRS 9, Financial Instruments (effective for annual periods beginning on or after 1 January 2018)

- Financial assets are required to be classified into three measurement categories: those to be measured subsequently at amortised cost, those to be measured subsequently at fair value through other comprehensive income (FVOCI) and those to be measured subsequently at fair value through profit or loss (FVPL).

- Classification for debt instruments is driven by the entity's business model for managing the financial assets and whether the contractual cash flows represent solely payments of principal and interest (SPPI). If a debt instrument is held to collect, it may be carried at amortised cost if it also meets the SPPI requirement. Debt instruments that meet the SPPI requirement that are held in a portfolio where an entity both holds to collect assets' cash flows and sells assets may be classified as FVOCI. Financial assets that do not contain cash flows that are SPPI must be measured at FVPL (for example, derivatives). Embedded derivatives are no longer separated from financial assets but will be included in assessing the SPPI condition.

(All amounts are in EUR thousand, unless otherwise stated)

2.2 Basis of preparation (continued)

- Investments in equity instruments are always measured at fair value. However, management can make an irrevocable election to present changes in fair value in other comprehensive income, provided the instrument is not held for trading. If the equity instrument is held for trading, changes in fair value are presented in profit or loss.

- Most of the requirements in IAS 39 for classification and measurement of financial liabilities were carried forward unchanged to IFRS 9. The key change is that an entity will be required to present the effects of changes in own credit risk of financial liabilities designated at fair value through profit or loss in other comprehensive income.

- IFRS 9 introduces a new model for the recognition of impairment losses – the expected credit losses (ECL) model. There is a 'three stage' approach which is based on the change in credit quality of financial assets since initial recognition. In practice, the new rules mean that entities will have to record an immediate loss equal to the 12-month ECL on initial recognition of financial assets that are not credit impaired (or lifetime ECL for trade receivables). Where there has been a significant increase in credit risk, impairment is measured using lifetime ECL rather than 12-month ECL. The model includes operational simplifications for lease and trade receivables.

- Hedge accounting requirements were amended to align accounting more closely with risk management. The standard provides entities with an accounting policy choice between applying the hedge accounting requirements of IFRS 9 and continuing to apply IAS 39 to all hedges because the standard currently does not address accounting for macro hedging.

The adoption of IFRS 9, Financial Instruments, from 1 January 2018 resulted in changes in accounting policies as disclosed in Notes 2.11 and 2.13, however as disclosed in notes 11, 12, 13 there was no significant impact on recognition, classification and measurement of financial assets and financial liabilities, derecognition of financial instruments and impairment of financial assets, except for the adjustment related to remeasurement of loss provision for trade and long term accounts receivable as at 1 January 2018, which was accounted through equity.

The Group/the Company had applied the new rules retrospectively from 1 January 2018, with the practical expedients permitted under the standard. Comparatives for 2017 were not restated.

The impact of the measurement of the financial assets as per IFRS 9 as at 1 January 2018 is presented in the table:

	Nota-tion	**31 December 2017** (presented previously)	**Impact of IFRS 9**	**1 January 2018**
Financial assets				
Long-term receivables	CR	3,497	(199)	3,298
Current receivables	CR	10,765	44	10,809
EQUITY (retained earnings)	DR	17,241	(155)	17,086

The loss allowance for trade receivables as at 31 December 2018 and 1 January 2018 (on adoption of IFRS 9) was determined as follows:

1 January, 2018

	Not overdue, without past delays	**1–30 days overdue**	**31–90 days overdue**	**Overdue 90 days and more**	**Total**
Expected loss rate	0.02%	1.45%	1.86%	4.39%	
Total trade accounts receivable, gross	4,277	758	537	296	**5,868**
Impairment charge	(1)	(11)	(10)	(13)	**(35)**
Total trade accounts receivable, net	**4,276**	**747**	**527**	**283**	**5,833**

The basis of calculation of the loss allowances is described in notes 2.11, 2.13 and 3 "credit risk".

The loss allowance for the loans measured at amortized cost is determined using the expected credit losses in accordance with the three-stage model.

The Group/ the Company did not recognise any loss allowances for loans under IAS 39 as there were no indicators that would suggest a possible loss. For the purpose of implementing IFRS 9 an individual analysis of each loan was performed to allocate it to one of the three stages. The probability of default (12-month or lifetime – depending on its classification to stage 1 or 2) was then determined based on the individual rating of the loan and market data. The expected credit loss was calculated based on the probability of default, the repayment profile in the loan agreement and the assessment of recoveries from collateral. A loss allowance of EUR 199 thousand as at 1 January 2018 according to the expected credit loss model was determined.

(All amounts are in EUR thousand, unless otherwise stated)

2.2 Basis of preparation (continued)

Loans to Grybai LT and Fixed yield investment fund with a total carrying value of EUR 3,497 thousand as at 1 January 2018 were determined to be a low-risk loans and the loss allowance for these loans was determined based on 12-month expected credit losses – the entire expected credit loss on the loans was multiplied by the probability that the loss will occur within the next 12 months. Total loss allowance for these loans amounted to EUR 199 thousand as at 1 January 2018.

Loss allowance of long term receivables:

1 January 2018	**Stage 1 (12-month ECL)**	**Stage 2 (lifetime ECL)**	**Stage 3 (lifetime ECL)**	**Total**
Cooperative entity Grybai Lt	2,123	-	-	**2,123**
Fixed yield investment fund	1,374	-	-	**1,374**
Symbol LLC (as for sale of subsidiaries Karakash and Karakash agro, note 24)	-	-	-	**-**
Gross carrying amount	**3,497**	**-**	**-**	**3,497**
Impairment allowance	(199)	-	-	(199)
Net carrying amount	**3,298**	**-**	**-**	**3,298**

The movement of loss allowance for financial assets reconciles to the opening loss allowances as follows:

	GROUP	**COMPANY**
Closing loss allowance as at 31 December 2017 (calculated under IAS 39)	**(79)**	**-**
Amounts restated through opening retained earnings	(155)	**-**
Opening loss allowance as at 1 January 2018 (calculated under IFRS 9)	**(234)**	**-**
Increase in loan loss allowance recognised in profit or loss during the year	(31)	-
Closing loss allowance as at 31 December 2018	**(265)**	**-**

The new standard also introduces expanded disclosure requirements and changes in presentation. See notes 11, 12, 13 for more details.

IFRS 15, Revenue from Contracts with Customers (effective for annual periods beginning on or after 1 January 2018)

The new standard introduces the core principle that revenue must be recognised when the goods or services are transferred to the customer, at the transaction price. Any bundled goods or services that are distinct must be separately recognised, and any discounts or rebates on the contract price must generally be allocated to the separate elements. When the consideration varies for any reason, minimum amounts must be recognised if they are not at significant risk of reversal. Costs incurred to secure contracts with customers have to be capitalised and amortised over the period when the benefits of the contract are consumed.

Amendments to IFRS 15, Revenue from Contracts with Customers (effective for annual periods beginning on or after 1 January 2018)

The amendments do not change the underlying principles of the standard but clarify how those principles should be applied. The amendments clarify how to identify a performance obligation (the promise to transfer a good or a service to a customer) in a contract; how to determine whether a company is a principal (the provider of a good or service) or an agent (responsible for arranging for the good or service to be provided); and how to determine whether the revenue from granting a licence should be recognised at a point in time or over time. In addition to the clarifications, the amendments include two additional reliefs to reduce cost and complexity for a company when it first applies the new standard.

The Group / Company has adopted IFRS 15 in the annual financial statements of 2018 using the retrospective modified approach, i.e. the comparatives will not be restated. However changes in accounting policies were made and disclosed in note 2.22. The sales of the Group are divided to 4 main segments: dairy, crop-growing, mushroom growing and consumer packaged goods. In all of the segments the sales contracts with customers are very straight-forward and does not have any bundled services or goods. In most cases the goods are transferred to the customers the same day as the issue of the invoices.

2.2 Basis of preparation (continued)

As at 31 December 2018 and 2017 there were no goods which were transferred or were in transit to the customers, but the invoices were not issued and vice versa.

The adoption of IFRS 15 did not have a significant impact on Group's / Company's financial statements.

Classification and Measurement of Share-based Payment Transactions -Amendments to IFRS 2 (effective for annual periods beginning on or after 1 January 2018)

The amendments mean that non-market performance vesting conditions will impact measurement of cash-settled share-based payment transactions in the same manner as equity-settled awards. The amendments also clarify classification of a transaction with a net settlement feature in which the entity withholds a specified portion of the equity instruments, that would otherwise be issued to the counterparty upon exercise (or vesting), in return for settling the counterparty's tax obligation that is associated with the share-based payment. Such arrangements will be classified as equity-settled in their entirety. Finally, the amendments also clarify accounting for cash-settled share based payments that are modified to become equity-settled, as follows (a) the share-based payment is measured by reference to the modification-date fair value of the equity instruments granted as a result of the modification; (b) the liability is derecognised upon the modification, (c) the equity-settled share-based payment is recognised to the extent that the services have been rendered up to the modification date, and (d) the difference between the carrying amount of the liability as at the modification date and the amount recognised in equity at the same date is recorded in profit or loss immediately. The new standard has no significant impact on the Group's financial statements, as the Group has no share-based payment transactions.

Annual Improvements to IFRS 2014–2016 Cycle (effective for annual periods beginning on or after 1 January 2018 (changes to IFRS 1 and IAS 28)

IFRS 1 was amended to delete some of the short-term exemptions from IFRSs after those short-term exemptions have served their intended purpose. The amendments to IAS 28 clarify that venture capital organisations or similar entities have an investment-by- investment choice for measuring investees at fair value. Additionally, the amendment clarifies that if an investor that is not an investment entity has an associate or joint venture that is an investment entity, the investor can choose on an investment-by-investment basis to retain or reverse the fair value measurements used by that investment entity associate or joint venture when applying the equity method. Implementation does not have a material impact on the Group's / Company's financial position, financial results or cash flows.

Investment Property - Amendments to IAS 40 (effective for annual periods beginning on or after 1 January 2018)

The amendment clarified that to transfer to, or from, investment properties there must be a change in use. This change must be supported by evidence; a change in intention, in isolation, is not enough to support a transfer. Implementation does not have a material impact on the Group's / Company's financial position, financial results or cash flows.

IFRIC 22, Foreign Currency Transactions and Advance Consideration (effective for annual periods beginning on or after 1 January 2018)

The interpretation applies where an entity either pays or receives consideration in advance for foreign currency-denominated contracts. The interpretation clarifies that the date of transaction, i.e. the date when the exchange rate is determined, is the date on which the entity initially recognises the non-monetary asset or liability from advance consideration. However, the entity needs to apply judgement in determining whether the prepayment is monetary or non-monetary asset or liability based on guidance in IAS 21, IAS 32 and the Conceptual Framework. The new standard has no significant impact on the Group's / Company's financial statements.

b) Standards adopted by the EU but not yet effective and have not been early adopted

IFRIC 23, Uncertainty over Income Tax Treatments (effective for annual periods beginning on or after 1 January 2019)

IAS 12 specifies how to account for current and deferred tax, but not how to reflect the effects of uncertainty. The interpretation clarifies how to apply the recognition and measurement requirements in IAS 12 when there is uncertainty over income tax treatments. An entity should determine whether to consider each uncertain tax treatment separately or together with one or more other uncertain tax treatments based on which approach better predicts the resolution of the uncertainty. An entity should assume that a taxation authority will examine amounts it has a right to examine and have full knowledge of all related information when making those examinations. If an entity concludes it is not probable that the taxation authority will accept an uncertain tax treatment, the effect of uncertainty will be reflected in determining the related taxable profit or loss, tax bases, unused tax losses, unused tax credits or tax rates, by using either the most likely amount or the expected value, depending on which method the entity expects to better predict the resolution of the uncertainty.

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2.2 Basis of preparation (continued)

An entity will reflect the effect of a change in facts and circumstances or of new information that affects the judgments or estimates required by the interpretation as a change in accounting estimate. Examples of changes in facts and circumstances or new information that can result in the reassessment of a judgment or estimate include, but are not limited to, examinations or actions by a taxation authority, changes in rules established by a taxation authority or the expiry of a taxation authority's right to examine or re-examine a tax treatment. The absence of agreement or disagreement by a taxation authority with a tax treatment, in isolation, is unlikely to constitute a change in facts and circumstances or new information that affects the judgments and estimates required by the Interpretation. The Group has not yet assessed the impact of amendments to these standards on the financial statements.

Prepayment Features with Negative Compensation - Amendments to IFRS 9 (effective for annual periods beginning on or after 1 January 2019)

The amendments enable measurement at amortised cost of certain loans and debt securities that can be prepaid at an amount below amortised cost, for example at fair value or at an amount that includes a reasonable compensation payable to the borrower equal to present value of an effect of increase in market interest rate over the remaining life of the instrument. In addition, the text added to the standard's basis for conclusion reconfirms existing guidance in IFRS 9 that modifications or exchanges of certain financial liabilities measured at amortised cost that do not result in the derecognition will result in an gain or loss in profit or loss. Reporting entities will thus in most cases not be able to revise effective interest rate for the remaining life of the loan in order to avoid an impact on profit or loss upon a loan modification. The Group has not yet assessed the impact of amendments to these standards on the financial statements.

IFRS 16, Leases (effective for annual periods beginning on or after 1 January 2019).

The new standard sets out the principles for the recognition, measurement, presentation and disclosure of leases. All leases result in the lessee obtaining the right to use an asset at the start of the lease and, if lease payments are made over time, also obtaining financing. Accordingly, IFRS 16 eliminates the classification of leases as either operating leases or finance leases as is required by IAS 17 and, instead, introduces a single lessee accounting model. Lessees will be required to recognise: (a) assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value; and (b) depreciation of lease assets separately from interest on lease liabilities in the income statement. IFRS 16 substantially carries forward the lessor accounting requirements in IAS 17. Accordingly, a lessor continues to classify its leases as operating leases or finance leases, and to account for those two types of leases differently. Starting from 1 January 2019, approximately EUR 34,977 thousand will be recognised on the Groups statement of financial position as right of use asset and lease liability, thus increasing the total assets and liabilities by approximately EUR 34,977 thousand. The depreciation of the right of use assets should be equal to around EUR 5,339 thousand for the 12 months of 2019.

c) Standards not yet adopted by the EU

Amendments to existing standards and new standards, which are not yet adopted by the EU, are not relevant to the Group and the Company.

2.3 Group accounting

Subsidiaries are all entities over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

The Group uses the acquisition method of accounting to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair value of the assets transferred, the liabilities incurred and the equity interest issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Acquisition-related costs are expensed as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair value at the acquisition date. On an acquisition-by-acquisition basis, the Group recognises any non-controlling interest in the acquiree either at fair value or at the non-controlling interest’s proportionate share of the acquiree’s net assets.

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree, and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the Group’s share of the identifiable net assets acquired is recorded as goodwill. If this is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognised directly in the income statement as negative goodwill.

Inter-company transactions, balances and unrealised gains on transactions between Group companies are eliminated. Unrealised losses are also eliminated but considered an impairment indicator of the asset transferred.

2.4 Associates

Associates are all entities over which the Group has significant influence but not control or joint control. This is generally the case where the Group holds between 20% and 50% of the voting rights. Investments in associates are accounted for using the equity method of accounting, after initially being recognised at cost.

Under the equity method of accounting, the investments are initially recognised at cost and adjusted thereafter to recognise the Group's share of the post-acquisition profits or losses of the investee in income statement, and the Group's share of movements in other comprehensive income of the investee in other comprehensive income. Dividends received or receivable from associates and joint ventures are recognised as a reduction in the carrying amount of the investment.

When the Group's share of losses in an equity-accounted investment equals or exceeds its interest in the entity, including any other unsecured long-term receivables, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the other entity.

Unrealised gains on transactions between the Group and its associates and joint ventures are eliminated to the extent of the Group's interest in these entities. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of equity accounted investees have been changed where necessary to ensure consistency with the policies adopted by the Group.

The carrying amount of equity-accounted investments is tested for impairment in accordance with the policy described in note 2.9.

2.5 Transactions with non-controlling interest

The Group treats transactions with non-controlling interests as transactions with equity owners of the Group. For purchases from non-controlling interests, the difference between any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

2.6 Foreign currency translation

Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The Company's functional currency is the euro (EUR).

Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are remeasured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement.

Group companies

The results and financial position of all the Group entities (none of which has the currency of a hyper-inflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

a) Assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;
b) Income and expenses for each profit or loss transactions are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing at the rate on the dates of the transactions);
c) All exchange differences are recognised in other comprehensive income as a separate component of equity.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate.

2.7 Property, plant and equipment

Property, plant and equipment are assets that are owned and controlled by the Group, which are expected to generate economic benefits in the future periods and with the useful life exceeding one year. Property, plant and equipment, except land, are shown at cost less subsequent accumulated depreciation and subsequent impairment losses. Land is accounted at revalued amounts less subsequent impairment losses.

Buildings comprise mainly cow farms, machinery yards and grain storage buildings. Constructions and machinery comprise agricultural equipment and milking farm equipment. All the property, plant and equipment, except for land, construction in progress, are shown at cost less subsequent depreciation and any accumulated impairment losses.

Land comprises mainly agricultural land and is shown at revalued amounts based on periodic, but at least triennial, valuations by external independent valuers.

Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognized. All other repairs and maintenance are charged to the income statement in the period in which they are incurred.

Increases in the carrying amount arising on revaluation of land are credited to revaluation reserve in shareholders' equity. Decreases that offset previous increases of the same asset are charged against revaluation reserve directly in equity; all other decreases are charged to the income statement.

Land is not depreciated. Depreciation of other assets, except construction in progress, is calculated using the straight-line method to allocate their cost or revaluated amounts to their residual values over their estimated useful lives as follows:

Buildings	20–50	years
Constructions and machinery	4–20	years
Vehicles, equipment and other assets	1–10	years

Assets held under finance leases are depreciated over the shorter of their expected useful lives on the same basis as owned assets or lease term. The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Construction-in-progress represents property, plant and equipment under construction. Such assets are carried at acquisition cost, less any recognized impairment losses. Cost includes design, construction works, plant and equipment being mounted and other directly attributable costs.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised within 'operating expenses' in the income statement. When revalued assets are sold, the amounts included in revaluation reserve are transferred to retained earnings.

The useful lives of property, plant and equipment are determined by management at the time the asset is acquired and reviewed on an annual basis for appropriateness.

2.8 Intangible assets

Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net identifiable assets of the acquired subsidiary/associate at the date of acquisition. Goodwill on acquisitions of subsidiaries is included in 'intangible assets'. Goodwill is tested annually for impairment and carried at cost less accumulated impairment losses. Impairment losses on goodwill are not reversed. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

Goodwill is allocated to cash-generating units for the purpose of impairment testing. The allocation is made to those cash-generating units or groups of cash-generating units that are expected to benefit from the business combination in which the goodwill arose.

Other intangible assets

Intangible assets expected to provide economic benefit to the Group in future periods have a finite useful life and are valued at acquisition cost less any accumulated amortisation and any accumulated impairment losses. Amortisation is calculated on the straight-line method to allocate the cost of intangible asset over the estimated amortisation period as follows:

Software	2–3	years
Other intangible assets	5	years
Land rent contracts	1-22	years

2.8 Intangible assets (continued)

Separately acquired licences are shown at historical cost less accumulated amortization. Licences acquired in a business combination are recognised at fair value at the acquisition date. Acquired computer software licences are capitalized on the basis of the costs incurred to acquire and bring to use the specific software.

Directly attributable costs that are capitalized as part of the software product include the software development employee costs and an appropriate portion of relevant overheads. Other development expenditures that do not meet these criteria are recognised as an expense as incurred. Development costs previously recognised as an expense are not recognised as an asset in a subsequent period.

The gain or loss arising on the disposal of intangible assets is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognized in income statement.

The useful lives of intangible assets are determined by management at the time the asset is acquired and reviewed on an annual basis for appropriateness.

Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

2.9 Impairment of non-financial assets

Impairment of non-financial assets, except inventory and deferred taxes, is evaluated whenever events or circumstances indicate that the value of an asset may not be recoverable. If such indications exist, the recoverable amount of the asset is estimated.

An impairment loss is recognised for the amount by which the asset’s carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset’s fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets other than goodwill that suffered impairment are reviewed for possible reversal of the impairment at each reporting date. Reversal of impairment losses recognized in prior years is recorded when there is an indication that the recognition of losses due to impairment no longer exist or have decreased significantly. The reversal of impairment loss is recognized in income statement in the same item as impairment loss.

2.10 Biological assets

Biological assets are measured on initial recognition and at each balance sheet date at their fair value less estimated costs to sell, except for the case where the fair value cannot be measured reliably on initial recognition. Agricultural produce harvested from the Group’s biological assets is measured at its fair value less estimated costs to sell at the point of harvest and subsequently recorded as inventories.

If an active market exists for a biological asset or agricultural produce, the quoted price in that market is the appropriate basis for determining the fair value of that asset. If an active market does not exist the most recent market transaction price, provided that there has not been a significant change in economic circumstances between the date of that transaction and the balance sheet date, is used in determining fair value. Cost is used as an approximation of fair value when little biological transformation has taken place since initial cost incurrence, e.g. within short time after seeding the crop or mushroom.

During the growth period (crops, mushrooms, livestock until 1st lactation period), costs are capitalised to the carrying value of the asset. At each balance sheet date*, the biological assets are revalued to their fair value. The remeasurement gain or loss (as the difference between the fair value and costs incurred and capitalised) is recognised on the line "Gain (loss) arising from changes in fair value of biological assets and on recognition at fair value of agricultural produce at point of harvest" in income statement.

For milk, costs incurred (feeding etc) are capitalised as part of cost of the agricultural produce. The agricultural produce is recognised at fair value at harvest. The remeasurement gain or loss (as the difference between fair value and costs incurred and capitalised) is recognised on the line " Gain (loss) arising from changes in fair value of biological assets and on recognition at fair value of agricultural produce at point of harvest". On sales of the produce (crops, mushrooms, milk, meat), the carrying value of the biological asset/agricultural produce is recognised in the income statement based on the nature of the expense - all actually incurred expenses line by line by nature within "Cost of sales" and including fair value remeasurement gain/loss.

The line "Gain (loss) arising from changes in fair value of biological assets and on recognition at fair value of agricultural produce at point of harvest " in Income Statement includes mainly (1) the remeasurement gains/losses of agricultural produce that is unsold by the balance sheet date (mainly crops, as milk and mushrooms are sold immediately) and (2) remeasurement gains and losses of milking cows, (2.1) during growth period being the difference between the costs incurred and capitalised, and the fair values at balance sheet dates; and (2.2) during milking period the reduction of the fair value following the reduction of the remaining useful production life of the cows; and any other changes due to the changes to the inputs in the cash flow model.

All other movements in the biological asset reconciliation (note 9) are presented in the amount of costs capitalised.

2.10 Biological assets (continued)

The line "Cost of sales" includes line-by-line expenses incurred to produce crops, mushrooms, milk and meat that have been sold during the period. The expenses incurred for produce that is unsold at the balance sheet date have been capitalised within the carrying amount and will be recycled to Income Statement to " Cost of sales " in future periods when the produce is sold. The expenditures capitalised to grow milking cows are not recycled to "Cost of sales"; instead the carrying value of cows is expensed over the life of the cows as the change in fair value on the line of " Gain (loss) arising from changes in fair value of biological assets and on recognition at fair value of agricultural produce at point of harvest ".

* For mushrooms and crops, the cost approximates the fair value until there is little biological transformation. At year-end, the winter crops are always in the stage of having only a little biological transformation since seeding in autumn. For mushrooms, the stage depends on timing of seeding the seedbeds; as there has been no planned harvest during the first week of 2019 or 2018, the seedbeds as of the balance sheet dates of 31.12.18 and 31.12.17 were in the stage of having only a little biological transformation. Therefore; for both of these assets the management considers that it is appropriate to consider that cost approximates the fair value.

2.11 Investments and other financial assets

2.11.1 Classification

From 1 January 2018, the Group classifies its financial assets in the following measurement categories:

- those to be measured subsequently at fair value (either through OCI or through profit or loss) and
- those to be measured at amortized cost.

The classification depends on the entity’s business model for managing the financial assets and the contractual terms of the cash flows.

For assets measured at fair value, gains and losses will either be recorded in profit or loss or OCI. For investments in equity instruments that are not held for trading, this will depend on whether the Group has made an irrevocable election at the time of initial recognition to account for the equity investment at fair value through other comprehensive income (FVOCI).
The Group reclassifies debt investments when and only when its business model for managing those assets changes.

2.11.2 Recognition and derecognition

Regular way purchases and sales of financial assets are recognized on trade-date, the date on which the Group commits to purchase or sell the asset. Financial assets are derecognized when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all the risks and rewards of ownership.

2.11.3 Measurement

At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss (FVPL), transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVPL are expensed in profit or loss. Subsequent measurement of debt instruments depends on the Group’s business model for managing the asset and the cash flow characteristics of the asset. There are three measurement categories into which the Group classifies its debt instruments:

- Amortized cost: Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortized cost. Interest income from these financial assets is included in finance income using the effective interest rate method. Any gain or loss arising on derecognition is recognized directly in profit or loss and presented in other gains/(losses) together with foreign exchange gains and losses. Impairment losses are presented as separate line item in the statement of profit or loss.

-FVOCI: Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets’ cash flows represent solely payments of principal and interest, are measured at FVOCI. Movements in the carrying amount are taken through OCI, except for the recognition of impairment gains or losses, interest income and foreign exchange gains and losses which are recognized in profit or loss. When the financial asset is derecognized, the cumulative gain or loss previously recognized in OCI is reclassified from equity to profit or loss and recognized in other gains/(losses). Interest income from these financial assets is included in finance income using the effective interest rate method. Foreign exchange gains and losses are presented in other gains/(losses) and impairment expenses are presented as separate line item in the statement of profit or loss.

- FVPL: Assets that do not meet the criteria for amortized cost or FVOCI are measured at FVPL. A gain or loss on a debt investment that is subsequently measured at FVPL is recognized in profit or loss and presented net within other gains/(losses) in the period in which it arises.

2.11.3 Measurement (continued)

The Group subsequently measures all equity investments at fair value. Where the Group's management has elected to present fair value gains and losses on equity investments in OCI, there is no subsequent reclassification of fair value gains and losses to profit or loss following the derecognition of the investment. Dividends from such investments continue to be recognized in profit or loss as other income when the Group's right to receive payments is established. Changes in the fair value of financial assets at FVPL are recognized in other gains/(losses) in the statement of profit or loss as applicable. Impairment losses (and reversal of impairment losses) on equity investments measured at FVOCI are not reported separately from other changes in fair value.

2.11.4 Impairment

Accounting policy from 1 January 2018

From 1 January 2018, the Group/the Company assesses on a forward-looking basis the expected credit losses associated with its financial assets carried at amortized cost. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

The Group/the Company follows a three-stage model for impairment for financial assets other than trade receivables:

- Stage 1 – balances, for which the credit risk has not increased significantly since initial recognition, or that have low credit risk at the reporting date. For these assets, 12-month expected credit losses ('ECL') are recognized and interest revenue is calculated on the gross carrying amount of the asset (that is, without deduction for credit allowance). 12-month ECL are the expected credit losses that result from default events that are possible within 12 months after the reporting date. It is not the expected cash shortfalls over the 12-month period but the entire credit loss on an asset weighted by the probability that the loss will occur in the next 12 months

- Stage 2 – comprises balances for which there have been a significant increase in credit risk since initial recognition (unless they have low credit risk at the reporting date) but that do not have objective evidence of impairment. For these assets, lifetime ECL are recognized, but interest revenue is still calculated on the gross carrying amount of the asset. Lifetime ECL are the expected credit losses that result from all possible default events over the expected life of the financial instrument. Expected credit losses are the weighted average credit losses with the probability of default ('PD') as the weight

-Stage 3 – comprises balances with objective evidence of impairment at the reporting date. For these assets, lifetime ECL are recognized and interest revenue is calculated on the net carrying amount (that is, net of credit allowance)

The financial assets are considered as credit-impaired, if objective evidence of impairment exist at the reporting date. Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in payments, the probability that they will enter bankruptcy or other financial reorganization.

Financial assets are written off, in whole or in part, when there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include, among others, the probability of insolvency or significant financial difficulties of the debtor. Impaired debts are derecognized when they are assessed as uncollectible.

For trade and other receivables, the Group applies the simplified approach permitted by IFRS 9, which requires expected lifetime losses to be recognized from initial recognition of the receivables. Trade receivables are classified either to Stage 2 or Stage 3:

- Stage 2 – comprises receivables for which there the simplified approach was applied to measure the expected lifetime credit losses, except for certain trade receivables classified in Stage 3

- Stage 3 – comprises trade receivables which are overdue more than 90 days (except is reasonable explanation for that) or individually identified as impaired

The expected loss rates are based on the payment profiles of sales over a period of 36 months before 31 December 2018 or over period of 24 months before 1 January 2018 and the corresponding historical credit losses experienced within this period. The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the tenants to settle the receivable. Such forward-looking information would include:

- changes in economic, regulatory, technological and environmental factors, (such as industry outlook, GDP, employment and politics)
- external market indicators
- customers' base

2.11.5 Accounting policies applied until 31 December 2017

Classification

The Group has financial assets in the following measurement categories: at fair value through profit or loss, available-for-sale, and loans and receivables. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the balance sheet date. These are classified as non-current assets. The Group's loans and receivables comprise 'trade and other receivables', and 'cash and cash equivalents' in the balance sheet.

Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless the investment matures or management intends to dispose of it within 12 months of the end of the reporting period.

Financial assets at fair value through profit (loss)

The Group holds derivative financial instruments to hedge against its interest rate risk exposures; however, there is no formal hedging policy prepared by the Group, and therefore no hedge accounting is applied.

Recognition and measurement

Regular purchases and sales of financial assets are recognised on the trade-date – the date on which the Group commits to purchase or sell the asset. Investments are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets carried at fair value through profit or loss are initially recognised at fair value, and transaction costs are expensed in the income statement.

Financial assets are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership. Loans and receivables are carried at amortised cost using the effective interest rate method.

The effective interest rate method is a method of calculating the amortised cost of a financial asset or a financial liability and of allocating the interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial asset or financial liability.

Derivatives are recognised initially at fair value; any directly attributable transaction costs are recognised in income statement as they are incurred. Subsequent to initial recognition, derivatives are measured at fair value, and changes therein are recognised in income statement.

After initial recognition available-for-sale financial assets are measured at fair value based on available market prices or quotes of brokers. For investments where there is no active market, fair value is determined using valuation techniques. Such techniques include using recent arm's length market transactions, reference to the current market value of another instrument, which is substantially the same, and discounted cash flow analysis. The result of revaluation of available-for-sale securities is recognised in other comprehensive income.

2.12 Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined by FIFO method. The cost of inventories comprises purchase price, taxes (other than those subsequently recoverable by the Group from the tax authorities), transport, handling and other costs directly attributable to the acquisition of inventories. Net realisable value is the estimate of the selling price in the ordinary course of business, less the applicable selling expenses.

2.13 Trade receivables

Trade receivables are recognized initially at fair value and subsequently measured at amortized cost using the effective interest method, less loss allowance. Trade receivables are amounts due from customers for goods sold or services performed in the ordinary course of business. They are generally due for settlement within 30 days and therefore are all classified as current. Trade receivables are recognized initially at the amount of consideration that is unconditional unless they contain significant financing components, when they are recognized at fair value. The Group holds the trade receivables with the objective to collect the contractual cash flows and therefore measures them subsequently at amortized cost using the effective interest method.

2.13 Trade receivables (continued)

The Group applies the IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables. To measure the expected credit losses, trade receivables have been grouped based on revenue segments of the Group (livestock, agriculture, mushrooms, end-consumer products and other). The expected loss rates are based on the payment profiles of sales over a period of 36 month before 31 December 2018 or 24 months before 1 January 2018 respectively and the corresponding historical credit losses experienced within this period. The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables. The Group has identified the EU GDP growth rate to be the most relevant factor and accordingly adjusts the historical loss rates based on expected changes in these factors.

On that basis, the loss allowance as at 31 December 2018 and 1 January 2018 (on adoption of IFRS 9) was determined for trade receivables. Trade receivables are written off when there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include, amongst others, the failure of a debtor to engage in a repayment plan with the Group, and a failure to make contractual payments for a period of greater than 120 days past due.

2.14 Cash and cash equivalents

For the purposes of the cash flow statement, cash and cash equivalents include cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less.

2.15 Share capital

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

2.16 Deferred grant income

Grants from the government are recognised at their fair value where there is a reasonable assurance that the grant will be received and the Group will comply with all attached conditions.

Grants related to assets

Government grants relating to property, plant and equipment are included in deferred income and are credited to the income statement on a straight-line basis over the expected lives of the related assets.

Grants related to income

Grants related to income are received as a reimbursement for the expenses already incurred and as a compensation for unearned revenue, and also all other grants than those related to assets. Grants received as a compensation for unearned revenue are recognized as income over the periods necessary to match them with the related unearned revenue.

Grants related to biological assets

Unconditional grants related to biological assets measured at their fair value less estimated point-of-sale costs are recognized as income when government grant became receivable. Conditional grants related to biological assets measured at their fair value less estimated point-of-sale costs are recognized as income when the conditions attached to the government grant are met.

2.17 Trade payables

Trade payable are obligations to pay for goods or services that have been acquired in an ordinary course of business. Accounts payable are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities.

Trade payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest rate method.

2.18 Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the income statement over the period of the borrowings using the effective interest rate method.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

2.19 Accounting for leases where the Group is the lessee

Finance lease

The Group is a lessee in a lease which transferred substantially all the risks and rewards incidental to ownership to the Group. The assets leased are capitalised in property, plant and equipment at the commencement of the lease at the lower of the fair value of the leased asset and the present value of the minimum lease payments. Each lease payment is allocated between the liability and finance charges so as to achieve a constant rate on the finance balance outstanding. The corresponding rental obligations, net of future finance charges, are included in borrowings. The interest cost is charged to the income statement over the lease period using the effective interest method. The assets acquired under finance leases are depreciated over the shorter of their useful life or the lease term if the Group is not reasonably certain that it will obtain ownership by the end of the lease term. If sale and leaseback transaction results in a finance lease, any excess or shortfall of sales proceeds over the carrying amount is not recognised immediately and is deferred and amortised over the lease term.

Operating lease

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the income statement on a straight-line basis over the period of the lease.

2.20 Accounting for leases where the Group is the lessor

Operating lease

Leases where the Group does not transfer substantially all the risks and benefits of ownership of the asset are classified as operating leases. The Group presents assets subject to operating leases in the balance sheet according to the nature of the asset. Lease income from operating leases is recognized in the income statement on a straight-line basis over the lease term as revenues. The depreciation policy for leased assets is consistent with the Group’s depreciation policy for similar assets, and depreciation is calculated in accordance with the accounting policies used for property, plant and equipment.

2.21 Current and deferred income tax

The tax expense for the period comprises current and deferred tax. Tax is recognised in the income statement, except to the extent that it relates to items recognised in other comprehensive income and directly in equity. In this case, the tax is also recognised in other comprehensive income, and directly in equity, respectively.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the Group companies operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax is recognised, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the separate and consolidated financial statements. However, deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred income tax is provided on temporary differences arising on investments in subsidiaries, except where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

Income tax expense is calculated and accrued for in the financial statements on the basis of information available at the moment of the preparation of the financial statements and estimates of income tax performed by the management in accordance with Lithuanian regulatory legislation on taxation.

Deferred income tax assets are recognised only to the extent that is probable that future taxable profit will be available against which the temporary differences and unused tax losses can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised; such reductions are reversed when the probability of future taxable profits improves. Unrecognized deferred tax assets are reassessed at each reporting date and recognized to the extent that it has become probable that future taxable profits will be available against which they can be used.

According to Lithuanian legislation, ordinary tax losses can be carried forward indefinitely if a taxpayer continues to perform business activities from which such losses occurred. When calculating the income tax for 2015 and subsequent years, only 70% of the taxable result for the period can be set off against tax loss utilised.

Deferred tax assets and liabilities are offset when they are related to taxes levied by the same tax authority and when there is a legally enforceable right to cover current payable taxes at net value.

The main temporary differences arise due to revaluation of land.

2.22 Revenue and expense recognition

Revenue comprises the fair value of the consideration received or receivable for the sale of goods and services in the ordinary course of the Group's activities. Revenue is shown net of value-added tax, returns, rebates and discounts and after eliminating sales within the Group.

The Group recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the Group and when specific criteria have been met for each of the Group's activities as described below. The Group bases its estimates on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

The revenue is measured at the transaction price agreed under the contract. In most cases, the consideration is due when legal title has been transferred. While deferred payment terms may be agreed in rare circumstances, the deferral never exceeds twelve months. The transaction price is therefore not adjusted for the effects of a significant financing component.

The Group disaggregates revenue from contracts with customers based on business segments which are: dairy, crop growing, cultural mushrooms growing, consumer packaged goods and other. The Group considers that this is the most adequate way of disaggregation as it depicts the nature, amounts, timing and uncertainty of Group's revenue and cash flows.

Expenses are recognized on the accrual basis.

Sales of goods

The Group manufactures and sells a range of agricultural commodities in an open market. Sales of goods are recognized when the Group entity has delivered products to the customer. Delivery does not occur until the products have been shipped to the specified location, the risks of obsolescence and loss have been transferred to the customer and the customer has accepted the products in accordance with the sales contract.

Sales of services

Revenue from services is recognised on the performance of the services.

Interest income and expenses

Interest income and expenses are recognized using the effective interest method. In the cash flow statement received interest is classified as cash flows from investing activities, interest paid – as cash flows from operating activity.

2.23 Employee benefits

Social security contributions

The Group pays social security contributions to the state Social Security Fund (the Fund) on behalf of its employees based on the defined contribution plan in accordance with the legal requirements. A defined contribution plan is a plan under which the Group pays fixed contributions into the Fund and will have no legal or constructive obligations to pay further contributions if the Fund does not hold sufficient assets to pay all employees benefits relating to employee service in the current and prior period. Social security contributions are recognised as expenses on an accrual basis and included in payroll expenses.

Termination benefits

Termination benefits are payable whenever an employee's employment is terminated before the normal retirement date or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Group recognises termination benefits when it is demonstrably committed to either terminate the employment of current employees according to a detailed formal plan without possibility of withdrawal or to provide termination benefits as a result of an offer made to encourage voluntary redundancy. Benefits falling due more than 12 months after the balance sheet date are discounted to present value.

Bonus plans

The Group recognises a liability and an expense for bonuses where contractually obliged or where there is a past practice that has created a constructive obligation.

2.24 Segment information

Management has determined the operating segments based on the reports reviewed by the CEO and CFO that are used to make strategic decisions. The business segments defined by the Group are dairy, crop growing, cultural mushrooms growing and end-consumer packaged goods.

The Management of the Group also assesses the performance of each individual agricultural company. Those individual companies are analysed based on a measure of gross profit of different segments: mushroom growing, milk production and cattle sale in dairy, different crops such as wheat, legumes, rapeseed, barley, etc. in the crop-growing segment, as well as trading, agricultural services and rent activities.

Expenses of the Group's companies, which may be directly allocated to a specific segment, are allocated to this segment. Expenses of the companies of the Group, which take part in more than one segment, are allocated pro rata to the established distribution of expenses.

2.25 Investments in subsidiaries in the separate financial statements of the Company

Investments in subsidiaries are accounted for at cost less impairment. Cost is calculated based on the price paid and adjusted to reflect changes in price paid arising from contingent consideration amendments. Cost also includes direct attributable costs of investment.

2.26 Financial guarantee contracts

Financial guarantee contracts are recognised as a financial liability at the time the guarantee is issued. The liability is initially measured at fair value and subsequently at the higher of the amount determined in accordance with the expected credit loss model under IFRS 9 Financial Instruments and the amount initially recognised less, where appropriate, the cumulative of income recognised in accordance with the principles of IFRS 15 Revenue from Contracts with Customers.

The fair value of financial guarantees is determined as the present value of the difference in net cash flows between the contractual payments under the debt instrument and the payments that would be required without the guarantee, or the estimated amount that would be payable to a third party for assuming the obligations.

Where guarantees in relation to loans or other payables of associates are provided for no compensation, the fair values are accounted for as contributions and recognised as part of the cost of the investment.

2.27 Subsequent events

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

3. Risk management

3.1 Financial risk management

Financial risk factors

The Group's and the Company's activities expose them to financial risks: market risk (including foreign exchange risk, and cash flow and fair value interest rate risk), credit risk, liquidity risk. The Group's overall risk management focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects of the financial performance of the Group.

The Board of Directors is responsible for the risk management policies and procedures.

Market risk

(i) Foreign exchange risk

The absolute majority of Group's operations is in Lithuania, which as of 1 January 2015 adopted the euro area unified currency – the euro. Major purchases and expenses, as well as revenues are denominated in functional currency, with only minor operations happened in other currencies till the end of first quarter of 2018 (Crimea operations), and some sales being made to countries with other currency than the euro (e.g. Sweden, Norway, Poland, Canada). On 31 March 2018 the Group has sold the companies in Crimea and has no more operations in that region. See note 24 for more details.

The Group companies do not have significant foreign currency concentration thus no financial instruments were used in order to hedge against foreign currency risks.

(ii) Securities price risk

The Group is not exposed to significant equity securities price risk because it has no material investments in securities or other similar financial instruments outside of the Group. The subsidiaries are owned and controlled directly. The Group influences the results of subsidiaries by directly participating in management of the subsidiaries.

(iii) Cash flow and fair value interest rate risk

The Group's interest rate risk arises from variable rate borrowings. Borrowings issued at variable rates expose the Group to cash flow interest rate risk. Borrowings issued at fixed rates do not expose the Group to cash flow or fair value interest rate risk because all borrowings are carried at amortised cost.

The Group's borrowings include loans and leases with floating interest rate, which is related to EURIBOR. Most of bank borrowings and finance lease liabilities are repriced each 3 or 6 months. Other borrowings are repriced each month or every 3 months. The Group has payables to the State for acquired land which are with fixed interest rate.

The Group's cash flow and interest rate risk is periodically monitored by the Group's management. It analyses its interest rate exposure on a dynamic basis taking into consideration refinancing, renewal of existing positions, alternative financing. Based on these scenarios, the Group calculates the impact on profit and loss of a defined interest rate shift.

3.1 Financial risk management (continued)

The Group has interest rate swap contracts to hedge against floating interest rate: 1) a contract to pay a fixed 1 per cent of interest on outstanding loan balance of EUR 4,658 thousand as at 31 December 2018 (EUR 5,718 as at 31 December 2017) and receive a 3-month EURIBOR interest. The contract duration is pegged to the outstanding agricultural entities loan agreement, which terminates in 2020. 2) a contract to pay a fixed 0,5 per cent of interest on outstanding loan balance EUR 1,474 thousand as at 31 December 2018 (EUR 1,895 thousand as at 31 December 2017) and receive a 3-month EURIBOR interest. The contract duration is pegged to the outstanding agricultural entities loan agreement, which terminates in 2022.

The negative change in market value of these derivatives is recognised in the income statement in actual period (see note 27), and accordingly adjusted the derivative value in the balance sheet. In 2018, the change was negative and amounted to EUR 80 thousand (in 2017 the change was negative - EUR 80 thousand) and is accounted in finance cost (note 27). The carrying value of the derivative was EUR 352 thousand as at 31 December 2018 (EUR 272 thousand as at 31 December 2017). The derivatives are accounted in current portion of non-current borrowings financial statement line item in balance sheet.

As at 31 December 2018 the Group borrowings at floating interest rates amounted to EUR 40.4 million (31 December 2017: EUR 32.3 million), all of which is denominated in EUR. As long as EURIBOR remains below 0, the increase or decrease in EURIBOR effect on the Group would be close to 0 as most of the Group's loans have clauses that for interest calculation purposes EURIBOR cannot be smaller than 0. If EURIBOR would increase above 0 and floating rate interest (influenced by EURIBOR) changed by 1 percentage point, the annual effect on the Group would amount to EUR 374 thousand before taxes (2017: EUR 324 thousand).

As at 31 December 2018 the Company's borrowings with floating interest rates amounted to EUR 19,049 thousand (31 December 2017: EUR 3,316 thousand). As at 31 December 2018 liabilities with fixed interest rates totalled to EUR 4,027 thousand (As at 31 December 2017: EUR 7,867 thousand).

Credit risk

Credit risk is managed on the Group basis. Senior management is responsible for credit risk management. Credit risk arises from cash, cash equivalents, and short-term deposits with banks, as well as credit exposures to customers, mainly related to outstanding receivables and loans granted. Credit risk associated with the cash funds at banks is minimal, as the Group deals with the banks which have high credit ratings established by foreign rating agencies. For customers, the Company sells the majority of its production to wholesalers and has policies in place to ensure that sales of products are made only to customers with an appropriate credit history. The Group always makes an assessment of the credit quality of the customer, taking into account its financial position, past experience and other factors. Credit period is awarded only to a few customers who are well known to the Group and have good credit history. The Group has credit concentration risk as the sales are distributed among several clients which are the strongest players in the country's agricultural market (see note 21). The Group in some cases use credit insurance and has established specific limits for part of the clients that are usually new clients with no proofed track record of payments.

The Group has additionally guaranteed for a loan of Cooperative "Grybai Lt" which outstanding amount as at 31 December 2018 totalled EUR 2,565 thousand (2017: EUR 3,095 thousand).

As at 31 December 2018, the Company had issued guarantees to banks for loans taken by subsidiary entities (agricultural entities, Baltic Champs UAB) for total of EUR 22,122 thousand (EUR 24,612 thousand in 2017). Additionally the Company guaranteed for liabilities of subsidiary UAB Agronuoma for EUR 731 thousand as at 31 December 2018 (EUR 931 thousand in 2018).

See notes 11, 12 and 13 for further disclosure on credit risk.

Liquidity risk

Cash flow forecasting is performed in the operating entities of the Group and aggregated by Group finance. Group finance monitors rolling forecast of the Group's liquidity requirements to ensure it has sufficient cash to meet operational needs. Such forecasting takes into consideration the Group's debt financing plans, covenant compliance, compliance with internal balance ratio targets and other material information. Borrowed capital accounts for a large share of the Group's total capital.

(All amounts are in EUR thousand, unless otherwise stated)

3.1 Financial risk management (continued)

The table below analyses the Group's financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

GROUP	Carrying amount	Total	Contractual cash flows: Payable on demand	Within one year	Within second year	Within third and fourth year	Within fifth year and later
31 December 2018							
Borrowings	44,355	46,933	-	32,261	11,352	2,134	1,186
Finance lease liabilities	11,507	12,189	-	3,911	3,054	4,284	940
Guarantees issued	-	2,797	2,797	-	-	-	-
Trade and other payables	16,008	16,008	-	16,008	-	-	-
Total	**71,870**	**77,927**	**2,797**	**52,180**	**14,406**	**6,418**	**2,126**
31 December 2017							
Borrowings	34,648	36,206	-	18,701	6,338	9,858	1,309
Finance lease liabilities	8,943	9,539	-	3,220	2,727	2,978	614
Guarantees issued	-	3,095	3,095	-	-	-	-
Trade and other payables	15,550	15,550	-	15,550	-	-	-
Total	**59,141**	**64,390**	**3,095**	**37,471**	**9,065**	**12,836**	**1,923**

COMPANY	Carrying amount	Total	Contractual cash flows: Payable on demand	Within one year	Within second year	Within third and fourth year	Within fifth year and later
31 December 2018							
Borrowings	22,897	23,809	-	22,800	1,009	-	-
Leasing liabilities	179	186	-	76	33	73	4
Guarantees issued	-	23,086	23,086	-	-	-	-
Trade and other payables	238	238	-	238	-	-	-
Total	**23,314**	**47,319**	**23,086**	**23,114**	**1,042**	**73**	**4**
31 December 2017							
Borrowings	11,077	11,691	-	4,814	225	6,652	-
Leasing liabilities	106	111	-	26	59	23	3
Guarantees issued	-	25,544	25,544	-	-	-	-
Trade and other payables	320	320	-	320	-	-	-
Total	**11,503**	**37,666**	**25,544**	**5,160**	**284**	**6,675**	**3**

Payable on demand includes guarantees issued by the Group or the Company, which represents the maximum Group/Company's exposure at the balance sheet date.

3.2 Capital risk management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

When financing its business activities, the Group follows equity ratio (equity to assets ratio). As at 31 December 2018 this ratio was equal to 53% (as at December 2017 – 53%). The defined allowed range the Group's management monitors is 50%.

Pursuant to the Lithuanian Law on Companies the authorised share capital of a joint stock company and private limited liability company must be not less than EUR 29,000 and EUR 2,900, respectively, and the shareholders' equity should not be lower than 50 per cent of the Company's registered share capital. As at 31 December 2018 and 31 December 2017, the Company complied with these requirements.

As at 31 December 2018 56 Group companies did not comply with these requirements (as at 31 December 2017 – 40). The Board of a company which does not meet the above requirements must convene a shareholders' meeting to solve the problem of capital level. The incompliance of these Group companies had no impact on loan covenants.

(All amounts are in EUR thousand, unless otherwise stated)

3.3 Fair value estimation

The three levels of the fair value hierarchy have been defined as follows:

Level 1 includes the fair value of assets which is established based on quoted prices (unadjusted) in active markets for identical assets;
Level 2 includes the fair value of assets which is established based on other directly or indirectly observable inputs;
Level 3 includes the fair value of assets which is established based on unobservable inputs.

There were no transfers between any levels during the year.

Due to the short-term nature of trade accounts receivable, other current receivables, trade payables and other payables their carrying amount is considered to be the same as their fair value. For the majority of the non-current receivables, the fair values are also not significantly different to their carrying amounts.

The fair value of long-term and short-term borrowings is measured by discounting the future cash flows, using market interest rate. They are classified as level 3 fair values in the fair value hierarchy due to use of unobservable inputs, including own credit risk.

As at 31 December, the Group and the Company had the following structure of interest-bearing financial liabilities (taking into account bank and other borrowings and finance lease liabilities) (presented at their carrying values):

GROUP	Liabilities with fixed interest rate	Liabilities with floating interest rate
31 December 2018		
Loans from financial institutions	6,132	29,988
Finance lease liabilities	1,655	9,852
Other borrowings	7,684	551
Total	**15,471**	**40,391**

31 December 2017	Liabilities with fixed interest rate	Liabilities with floating interest rate
Loans from financial institutions	7,613	23,361
Finance lease liabilities	-	8,941
Other borrowings	3,676	-
Total	**11,289**	**32,302**

COMPANY	Liabilities with fixed interest rate	Liabilities with floating interest rate
31 December 2018		
Loans from financial institutions	-	18,870
Finance lease liabilities	-	179
Other borrowings	4,027	-
Total	**4,027**	**19,049**

	Liabilities with fixed interest rate	Liabilities with floating interest rate
31 December 2017		
Loans from financial institutions	-	-
Finance lease liabilities	-	106
Other borrowings	7,867	3,210
Total	**7,867**	**3,316**

The fair value of non-current borrowings with variable interest rates approximates their carrying amounts. Average effective interest rate of borrowings of the Group with variable rate at 31 December 2018 equals 3.56 per cent (2017: 3.31 per cent).

Considering that there were no major changes in the market since the loan agreement conditions were renegotiated (in the previous reporting periods), the management treats the agreed interest rate as the one which approximates market interest rates. These facts show that as of 31 December 2018 and 31 December 2017 the fair value of the Group's financial liabilities with fixed interest rates is close to their carrying amounts. The Group's fixed interest rate was by 0.11% lower than the floating interest rate as at 31 December 2018 (2017: 1.35% higher).

The fair value of the biological assets is disclosed in note 9 and the fair value of agricultural land is disclosed in note 5.

(All amounts are in EUR thousand, unless otherwise stated)

4. Critical accounting estimates and assumptions

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities in future periods are addressed below.

Listed below are the most significant areas that involved management judgement.

Impairment of property, plant and equipment (except land)

At each balance sheet date, the Group reviews the carrying amounts of its property, plant and equipment to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Recoverable amount is the higher of fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognized immediately in the income statement.

Valuation of cultivated agricultural land

The Group evaluates its land portfolio at the end of the year each year. In 2018 the Group has hired independent valuators who evaluated 646 ha of agricultural land plots in different regions of Lithuania (representing approximately 16% of the Group's entire land portfolio). The evaluation was performed by independent valuators Inreal, UAB. The valuator assessed the values of the selected land plots comparing it to the comparable market transactions of land plots with a similar size, fertility, region and subregion (village). The results of the valuator were grouped by different region and subregion (village) and average values per 1 ha of agricultural land were obtained. These average values per subregion and region were used in determining the market values of the land plots in different regions by multiplying the average value per ha in different region by total area of agricultural land plot in the same region. The valuation was performed in November 2018 and there were no significant value changes between the end of the reporting period and the date of the valuation. The Group calculated an increase of EUR 1,355 thousand for the whole portfolio of cultivated land (2017: EUR 1,717 thousand), as the average price of agricultural land has risen to around EUR 5.1 thousand per hectare (2017: EUR 4.6 thousand per hectare). EUR 1,407 thousand of this change was recorded as increase in revaluation reserve (2017: EUR 1,800 thousand) and EUR (53) thousand was recorded as loss in income statement as part of evaluated land plots which value has decreased did not have revaluation reserve accumulated (2017: EUR (83) thousand). Positive 5% change in the value of 1 ha of land equals to around EUR 910 thousand (2017: EUR 859 thousand) of change in the total land portfolio held by Group. EUR 893 thousand (2017: EUR 838 thousand) would be accounted through equity and EUR 17 thousand (2017: EUR 21 thousand) would be accounted in Income statement. Negative 5% change of the land portfolio of the Group would decrease the revaluation reserve in equity by EUR 663 thousand (2017: EUR 831 thousand) and result in a loss of less than EUR 1 thousand (2017: EUR 28 thousand) in Income statement.

The table below provides summarizing data of changes in values of agricultural land between different regions from 2017 to 2018.

	31 December 2018			31 December 2017		
Region	**Area (Ha)**	**Values (thous. Eur)**	**Average (EUR / Ha)**	**Area (Ha)**	**Values (thous. Eur)**	**Average (EUR / Ha)**
Total	**4,272***	**21,638**	**5,065**	**4,050***	**18,779**	**4,630**
Radviliškio	853	4,931	5,781	818	4,123	5,040
Jonavos	389	1,972	5,069	424	2,264	5,340
Šakių	436	2,843	6,521	420	2,456	5,848
Šiaulių	338	1,817	5,376	351	1,625	4,630
Kėdainių	282	1,955	6,933	281	1,728	6,149
Jurbarko	319	1,187	3,721	325	1,188	3,655
Anykščių	276	891	3,228	276	799	2,895
Raseinių	292	1,568	5,370	237	1,158	4,886
Panevėžio	222	1,055	4,752	220	960	4,364
Mažeikių	190	887	4,668	167	779	4,665
Other	675	2,532	3,751	531	1,699	3,200

* Out of 4,272 Ha (2017: 4,050 Ha) Group has property ownership to 3,490 ha (2017: 3,268 ha). The remaining 782 ha is consolidated to the Group financial statements based on share-repurchase agreement of a company which holds this land.

(All amounts are in EUR thousand, unless otherwise stated)

4. Critical accounting estimates and assumptions (continued)

Change in the average value of agricultural land per hectare:

Region	31 December 2018	31 December 2017	Variance, EUR	Variance (%)
Total	**5,065**	**4,630**	**435**	**9.40**
Radviliškio	5,781	5,040	741	14.70
Jonavos	5,069	5,340	(271)	(5.07)
Šakių	6,521	5,848	673	11.51
Šiaulių	5,376	4,630	746	16.11
Kėdainių	6,933	6,149	784	12.75
Jurbarko	3,721	3,655	66	1.81
Anykščių	3,228	2,895	333	11.50
Raseinių	5,370	4,886	484	9.91
Panevėžio	4,752	4,364	388	8.89
Mažeikių	4,668	4,665	3	0.06
Other	3,751	3,200	551	17.22

The value of land is determined based on level II fair value hierarchy.

Valuation of biological assets

The Group's biological assets are measured at fair value less cost to sell at each balance sheet date (value of all biological assets at 31 December 2018: EUR 23,518 thousand, value at 31 December 2017: EUR 18,140 thousand).

Due to the specifics of the agricultural market, fair value of milking cows cannot be determined by using comparable market prices method, as such biological assets in areas where the Group operates are not traded on active markets which could enable the use of market value. The Group values cows using the discounted cash flow method. The model uses projected revenues from milk sales over the remaining useful life of each animal using a forecasted price. In the forecast of 2018 the average milk price assumption of the next 3 years was EUR 0.450 per kg (EUR 0.420 in the forecast of 2017); current cow herd has an estimated working life of 1 to 3 years (same as in 2017), and an average yields of 21.70 kg per cow per day (19.68 kg per cow per day in the forecast of 2017). At the end of the working period the cow is estimated to be sold for meat. The forecasted revenues are reduced with costs related to feeds. The free cash-flow is discounted with post tax WACC of 8.06% (7.82% in 2017). Obtained results show the cow herd being valued EUR 5,275 thousand as at 31 December 2018 (EUR 4,579 thousand in 2017). If the milk price over the following 3 year period would be smaller by 5%, the cow herd value would decrease by EUR 837 thousand (2017: EUR 549 thousand), and if the price would be higher by 5%, the cow herd value would increase by similar amount.

The value of milking cows is determined based on level III fair value hierarchy.

For valuation of other livestock the Group calculates the fair value by taking the average price of meat per kilo. For young bulls and heifers, the value of livestock is determined by using the market values of meat (different for different groups of animals) and multiplying the price of 1 kg by the total weight of specific group of animals. The value of other livestock as at 31 December 2018 amounted to EUR 3,853 thousand (2017 amounted to EUR 3,450 thousand). A 10% change in market price of meat would result in EUR 304 thousand (2017: EUR 406 thousand) change in other livestock herd market value.

The value of other livestock is determined based on level II fair value hierarchy.

Crops at the end of the reporting period are valued at cost as little biological transformation has taken place since initial cost incurrence. Crops value as at 31 December 2018: EUR 12,302 thousand, while as at 31 December 2017: EUR 8,946 thousand.

The mycelium cultivation seedbeds are turned over at least 7-8 times annually in the production process and mushrooms are harvested daily and sold in average within 3 days after the harvest. By the end of the reporting period the mycelium cultivation seedbeds are measured based on cost accrued, which are used to produce the substance as the seedbeds were considered to be in stage of no significant biological transformation as there were no harvest till the end of the reporting period and a week after. Mycelium cultivation seedbeds fair value approximated to its production cost and totalled as at 31 December 2018: EUR 2,088 thousand, while as at 31 December 2017: EUR 1,165 thousand.

The value of crops and mycelium growth medium is determined based on level III fair value hierarchy.

Valuation of agricultural produce

Mushrooms, compost and milk are harvested and sold each day right after the harvest. Livestock sold for meat is evaluated at the price for which the meat is sold at the time of the sale. Crop harvest is evaluated at the point of harvest based on market prices. If market prices are not available or reliable for a particular culture – the harvest of such culture is evaluated at cost.

4. Critical accounting estimates and assumptions (continued)

Estimates concerning useful lives of property, plant and equipment

The useful lives of property, plant and equipment are determined by management at the time the asset is acquired and reviewed on an annual basis for appropriateness. The useful lives are based on historical experiences with similar assets as well as anticipation of future events, which may impact their life.

Income taxes

Tax authorities have a right to examine the accounting records of the Company and its Lithuanian subsidiaries at any time during the 5-year period after the current tax year and account for additional taxes and fines. In the opinion of the Group's management, currently there are no circumstances which would raise substantial liability in this respect to the Group.

The Group and the Company had accumulated tax losses amounting to EUR 51.9 million and EUR 12.5 million, respectively, as at 31 December 2018 (EUR 35.6 million and EUR 12.6 million respectively as at 31 December 2017) (note 19). As at 31 December 2018, the Group and the Company had accumulated tax losses carried forward for which no deferred tax asset was recognised in the amount of EUR 40.06 million and EUR 12.5 million, respectively (EUR 13.98 million and EUR 12.6 million respectively as at 31 December 2017). Deferred income tax assets from accumulated tax losses are recognised to the extent that it is probable that future taxable profit will be available against which the accumulated tax losses can be utilised. Deferred income tax assets from accumulated tax losses were recognised for subsidiaries which had the history of taxable profits in the past.

Impairment of investment in subsidiaries (Company)

As at 31 December 2018 and 2017, the management of the Company has analysed impairment indicators for its investments in subsidiaries and receivables from subsidiaries. As a key test, management has compared cost of investment in a particular subsidiary with net assets of that subsidiary as at 31 December 2018 and 2017. If the equity of a subsidiary is lower than the carrying value of investment, management considered that such subsidiary has impairment indications and the recoverable amount of such subsidiaries was estimated using discounted cash-flow method. Assumptions used in impairment tests of year 2018: annual growth rate of 5% was applied calculating the forecasted period of 5 years and a growth of 2-3% was applied when calculating the terminal value of the investment based on increase in growth of export prices. The discount rate (WACC) was based on 3.60% cost of debt (2017: 3.64%), 10% cost of capital (2017: 10%) and the Group's capital structure (36% debt and 64% equity), (2017: 40% debt and 60% equity). Cost of capital was estimated using risk free rate of 0.31% (2017: 0.31%), sector levered beta of 0.59 (2017: 0.64), market risk premium of 7.67% (2017: 6.46%) and additional premiums for business risk (3.5% in both 2018 and 2017) and liquidity risk (2.5% in both 2018 and 2017). The estimated pre-tax WACC of 8.06% (2017: 7.82%) was applied in the impairment test. No additional impairment or reversal of prior impairments of investments in subsidiaries recognised in 2018.

It was also assumed that the Common Agricultural Policy of the European Union would not change and the Group companies would continue to be subsidised at the similar level for all products after the current programming period ends in 2020. Common Agricultural Policy allows European farmers to satisfy the needs of the European Union citizens. The main goals of it is to ensure a decent living conditions of the farmers and stable supply of safe food and food products at acceptable prices to the general public. As these needs of the European Union citizens (ability to buy, the price, the variety, the quality, etc.) and goals to preserve the nature will be ever present, the assumption is made that the European Union will continue to subsidise its agricultural sector. For consideration regarding going concern see note 2.2.

(All amounts are in EUR thousand, unless otherwise stated)

5. Property, plant and equipment

GROUP	Land	Buildings	Constructions and machinery	Vehicles, equipment and other property, plant and equipment	Construction in progress	Total
Carrying amount						
As at 31 December 2016	**13,548**	**42,380**	**16,713**	**2,415**	**1,206**	**76,262**
- purchase of subsidiaries (note 24)	1,948	704	2,107	480	-	5,239
- additions	1,566	733	6,432	1,254	282	10,267
- disposals and write-offs	-	-	(369)	(159)	(99)	(627)
- revaluation (note 4)	1,717	-	-	-	-	1,717
- depreciation	-	(2,119)	(3,923)	(758)	-	(6,800)
- reclassification to assets held for sale	-	(98)	(291)	(434)	-	(823)
- reclassifications	-	(17)	478	15	(476)	-
As at 31 December 2017	**18,779**	**41,583**	**21,147**	**2,813**	**913**	**85,235**
- purchase of subsidiaries (note 24)	114	1,639	1,028	132	19	2,932
- additions	1,390	565	8,090	696	380	11,121
- disposals and write-offs	-	(47)	(123)	(77)	-	(247)
- revaluation (note 4)	1,355	-	-	-	-	1,355
- depreciation	-	(2,245)	(4,441)	(818)	-	(7,504)
- reclassifications	-	-	-	-	-	-
As at 31 December 2018	**21,638**	**41,495**	**25,701**	**2,746**	**1,312**	**92,892**
Acquisition cost as at or revaluated amount						
31 December 2016	13,548	49,216	25,905	3,771	1,206	93,646
31 December 2017	18,779	50,538	30,552	4,350	913	105,132
31 December 2018	21,638	52,695	39,547	5,101	1,312	120,293
Accumulated depreciation and impairment losses as at						
31 December 2016	-	(6,836)	(9,192)	(1,356)	-	(17,384)
31 December 2017	-	(8,955)	(9,405)	(1,537)	-	(19,897)
31 December 2018	-	(11,200)	(13,846)	(2,355)	-	(27,401)
Carrying amount as at						
31 December 2016	**13,548**	**42,380**	**16,713**	**2,415**	**1,206**	**76,262**
31 December 2017	**18,779**	**41,583**	**21,147**	**2,813**	**913**	**85,235**
31 December 2018	**21,638**	**41,495**	**25,701**	**2,746**	**1,312**	**92,892**

During 2018 major investments were in constructions and machinery, vehicles, equipment and other PPE due to expansion of cultivated land area. Part of the additions to constructions and machinery, vehicles, equipment and other PPE came through purchase of the company Raseinių agra, UAB (note 24).

With the acquisition of Raseinių agra, UAB the Group has also acquired land under the buildings (note 24). The other, main, part of land was acquired through number of purchases throughout the year 2018 from different sellers. The Group purchases land which its subsidiaries already have been cultivating using operational lease agreements.

In addition, the increase in land value comparing 31 December 2018 to 31 December 2017 also came from revaluation of land at 31 December 2018 - EUR 1,355 thousand (as at 31 December 2017 – EUR 1,717 thousand).

As at 31 December 2018 the property, plant and equipment with the carrying amount of EUR 70,284 thousand (2017: EUR 66,863 thousand) have been pledged as security for bank borrowings. The leased assets secure lease liabilities according to the finance lease agreements.

(All amounts are in EUR thousand, unless otherwise stated)

5. Property, plant and equipment (continued)

COMPANY	Construction in progress	Vehicles	Equipment and other property, plant and equipment	Total
Carrying amount				
As at 31 December 2016	**-**	**138**	**79**	**217**
- additions	57	33	43	133
- disposals and write-offs	-	-	-	-
- depreciation	-	(26)	(21)	(47)
As at 31 December 2017	**57**	**145**	**101**	**303**
- additions	65	124	18	207
- disposals and write-offs	-	(28)	-	(28)
- depreciation	-	(36)	(31)	(67)
As at 31 December 2018	**122**	**204**	**89**	**415**
Acquisition cost as at				
31 December 2016	-	178	125	303
31 December 2017	57	210	168	435
31 December 2018	122	306	186	614
Accumulated depreciation and impairment losses as at				
31 December 2016	-	(39)	(46)	(85)
31 December 2017	-	(65)	(67)	(132)
31 December 2018	-	(101)	(98)	(199)
Carrying amount as at 31 December 2016	**-**	**138**	**79**	**217**
Carrying amount as at 31 December 2017	**57**	**145**	**101**	**303**
Carrying amount as at 31 December 2018	**122**	**204**	**89**	**415**

As at December 31 the carrying amount of the Group's property, plant and equipment acquired under finance lease consisted of the following:

Constructions and machinery	**2018**	**2017**
Acquisition cost	25,345	17,466
Less: accumulated depreciation	(6,529)	(3,474)
Carrying amount	**18,817**	**13,992**

Should no revaluations of land had taken place, carrying amounts of land would have been the following:

	Land
Carrying amount of land without revaluation effect as at 31 December 2017	8,971
Carrying amount of land without revaluation effect as at 31 December 2018	10,475

6. *Investments in subsidiaries*

For the year ended 31 December, the movement of the Company's investments were the following:

	2018	**2017**
As at 1 January	**69,777**	**69,774**
Capitalization of long-term receivables from subsidiaries	24,237	-
Acquisition of subsidiaries / additional acquisitions (note 24)	2,424	3
Impairment loss	-	-
As at 31 December	**96,438**	**69,777**

In 2018 EUR 24,237 thousand of long-term receivables were capitalised to share capital of subsidiaries. On 26 February 2018 the Company acquired subsidiary Raseinių AGRA, UAB, see note 24 for more details. As at 31 December 2018 and 31 December 2017, the Company performed impairment tests on investment into subsidiaries as disclosed in note 4. Total impairment of investment in subsidiaries as at 31 December 2018 and 31 December 2017 amounted to EUR 7,837 thousand. As the result of the tests, no additional impairment loss or reversal of prior losses was identified.

(All amounts are in EUR thousand, unless otherwise stated)

7. Available for sale investments and investments accounted for using equity method

Investments accounted for using the equity method

For the year ended 31 December the movement of individually immaterial associates that are accounted for using the equity method was the following:

	2018	2017
As at 1 January	**286**	**286**
Acquisition of investments	-	-
Aggregate amount of the Group's share of profit (loss)	(229)	-
As at 31 December	**57**	**286**

Available for sale investments

In 2018 the Group entities invested to 5 individually immaterial companies that are accounted as available for sale investments. Those companies will be engaged in construction and operation of biogas production plants, however, no constructions were started during 2018.

For the year ended 31 December the movement of *available for sale investments* was the following:

	2018	2017
As at 1 January	**355**	**-**
Acquisition of investments	-	355
As at 31 December	**355**	**355**

8. Intangible assets

As at 31 December the Group's intangible assets consisted of the following:

GROUP	Land rent contracts	Software	Other intangible assets	Total
Carrying amount				
As at 31 December 2016	**-**	**-**	**19**	**19**
- Acquisition of subsidiaries (note 24)	981	-	-	981
- additions	-	-	17	17
- disposals	-	-	-	-
- amortization	(167)	-	(11)	(178)
As at 31 December 2017	**814**	**-**	**25**	**839**
- Acquisition of subsidiaries (note 24)	2,141	-	-	2,141
- additions	-	-	12	12
- disposals	-	-	-	-
- amortization	(554)	-	(11)	(565)
As at 31 December 2018	**2,401**	**-**	**26**	**2,427**
Carrying amount as at 31 December 2016	**-**	**-**	**19**	**19**
Carrying amount as at 31 December 2017	**814**	**-**	**25**	**839**
Carrying amount as at 31 December 2018	**2,401**	**-**	**26**	**2,427**

The amortization of intangible assets is included in Operating expenses.

(All amounts are in EUR thousand, unless otherwise stated)

8. Intangible assets (continued)

As at 31 December the Company's intangible assets consisted of the following:

COMPANY	**Other intangible assets**
Carrying amount	
As at 31 December 2016	**16**
- additions/(disposals and write-offs)	1
- amortization	(7)
As at 31 December 2017	**10**
- additions/(disposals and write-offs)	3
- amortization	(5)
As at 31 December 2018	**8**
Carrying amount	
As at 31 December 2016	**16**
As at 31 December 2017	**10**
As at 31 December 2018	**8**

9. *Biological assets*

For the year ended 31 December the Group's biological assets consisted of the following:

	2018	**2017**
Livestock	9,128	8,029
Perennial plantations	-	-
Total non-current	**9,128**	**8,029**
Crops	12,302	8,946
Mycelium cultivation seedbed	2,088	1,165
Total current	**14,390**	**10,111**
As at 31 December	**23,518**	**18,140**

The Group's livestock quantity (units) consisted of the following:

	Milk cows	**Heifers**	**Bulls**	**Total**
As at 31 December 2016	**3,554**	**3,277**	**191**	**7,022**
Additions	-	-	-	-
Increase (birth)	-	1,755	1,904	3,659
Transfers from other groups	1,415	(1,415)	-	-
Sales	(1,208)	(392)	(1,844)	(3,444)
Natural mortality	(91)	(276)	(123)	(490)
As of 31 December 2017	**3,670**	**2,949**	**128**	**6,747**
Additions	-	-	-	-
Increase (birth)	-	1,713	1,775	3,488
Transfers from other groups	1,160	(1,160)	-	-
Sales	(1,186)	(439)	(1,682)	(3,307)
Natural mortality	(86)	(66)	(73)	(225)
As of 31 December 2018	**3,558**	**2,560**	**148**	**6,703**

(All amounts are in EUR thousand, unless otherwise stated)

9. Biological assets (continued)

The Group's livestock value consisted of the following:

	Milk cows	Heifers	Bulls	Total
As at 31 December 2016	**3,920**	**2,876**	**42**	**6,838**
Increase (birth)	-	53	57	110
Makeweight	-	2,544	233	2,777
Transfers from other groups	2,246	(2,246)	-	-
Sales	(387)	(23)	(212)	(622)
Additions	-	-	19	19
Natural mortality	(105)	(63)	(14)	(182)
Gain (loss) arising from changes in biological assets fair value (note 21)	(1,095)	188	(4)	(911)
As at 31 December 2017	**4,579**	**3,329**	**121**	**8,029**
Increase (birth)	-	51	53	104
Makeweight	-	3,578	227	3,805
Transfers from other groups	2,839	(2,839)	-	-
Sales	(526)	(53)	(248)	(827)
Additions	-	-	20	20
Natural mortality	(113)	(70)	(6)	(189)
Gain (loss) arising from changes in biological assets fair value (note 21)	(1,504)	(278)	(32)	(1,814)
As of 31 December 2018	**5,275**	**3,718**	**135**	**9,128**

The Group produced 22,634 tons of milk in 2018 (in 2017: 23,080 tons).

The fair value of livestock is attributed to Level 3 (milking cows) and level 2 (other livestock) in the fair value hierarchy. See note 4 for more details.

The Group's crops* consisted of the following:

2018	**Winter crops**	**Winter rapeseed**	**Winter rye**	**Summer crops (including feed)**	**Total**
Total ha planted (land prepared)	11,438	3,550	613	22,800	**38,401**
Total expenses incurred	3,935	1,168	199	7,088	**12,302**
Average expenses per 1 ha (EUR)	344	329	325	311	**325**

2017	**Winter crops**	**Winter rapeseed**	**Winter rye**	**Summer crops (including feed)**	**Total**
Total ha planted* (land prepared)	3,046	4,595	-	25,457	**33,098**
Total expenses incurred	793	1,163	-	6,990	**8,946**
Average expenses per 1 ha (EUR)	260	253	-	275	**270**

* Excluding expenses incurred for land preparation in Crimea, classified as held for sale as at 31 December 2017.

(All amounts are in EUR thousand, unless otherwise stated)

9. *Biological assets (continued)*

In 2018 the Group's harvest amounted to over 86 thousand tons of grains and vegetables (2017: 75 thousand tons).

The movement of biological assets (other than livestock) of the Group was the following:

Type of biological assets	Perennial plantations Long-term	Crops Short-term	Mycelium cultivation seedbed Short-term
Balance as at 31 December 2016	**20**	**4,206**	**1,017**
Biological assets acquired with subsidiaries (note 24)	-	915	-
Biological assets reclassified to assets held for sale	-	(512)	-
Sowing and other expenses until harvest	11	17,963	24,646
Harvest of crops/mushrooms	(31)	(27,642)	(24,498)
Gain (loss) on recognition in fair value of agricultural produce at point of harvest (note 21)	-	5,070	-
Autumn sowing and land preparation for spring	-	8,946	-
Balance as at 31 December 2017	**-**	**8,946**	**1,165**
Sowing and other expenses until harvest	-	27,883	25,614
Harvest of crops/mushrooms	-	(33,381)	(24,691)
Gain (loss) on recognition in fair value of agricultural produce at point of harvest (note 21)	-	(3,448)	-
Autumn sowing and land preparation for spring	-	12,302	-
Balance as at 31 December 2018	**-**	**12,302**	**2,088**

The Group produced 12,147 tons of mushrooms in 2018 (2017: 12,018 tons).

The fair value of crops is attributed to Level 3 in the fair value hierarchy. As at 31 December 2018 and 2017 cost was used as an approximation of the fair value of crops as only little biological transformation has taken place since initial cost incurrence, e.g. within a short time after seeding the crops. The costs comprise seeds, organic compliant fertilizer expenses, labour costs, machinery depreciation and repairs expenses.

At the point of harvest the Group management determines the prices of crop cultures harvested by examining the market prices of particular crops at the point of harvest (fair value of harvest), less the costs associated with point of sale. The harvest is recognised as inventory at fair value less cost to sell and the difference between harvest fair value less cost to sell and production cost is accounted in income statement as gain or loss.

As at 31 December 2018 and 31 December 2017 cost was used as an approximation of the fair value of mycelium cultivation seedbed as only little biological transformation has taken place since initial cost occurrence. The Group "turns over" the seedbed in production process at least 7–8 times a year.

The majority of Group companies' biological assets – around 80 per cent – are pledged with companies mortgages as collateral for loans as at 31 December 2018 and as at 31 December 2017.

10. Inventory

As at December 31 the Group's inventories consisted of the following:

	2018	2017
Agricultural produce	19,933	20,097
Raw materials	8,775	5,450
Total	**28,708**	**25,547**
Less: Revaluation to net realizable value of agricultural produce	-	-
Carrying amount	**28,708**	**25,547**

The majority of Group companies' inventories – 93 per cent – are pledged with companies mortgages as collateral for loans as at 31 December 2018 (more than 90 per cent as at 31 December 2017).

(All amounts are in EUR thousand, unless otherwise stated)

11. Financial instruments by category

Group's financial assets at amortized cost as per balance sheet of 31 December:	**2018**	**2017**
Non-current trade and other receivables	5,641	3,497
Available-for-sale non-current financial assets	57	286
Current trade and other receivables	11,879	6,465
Cash and cash equivalents	2,281	620
Total	**19,858**	**10,868**

Group's financial liabilities at amortized cost as per balance sheet of 31 December:	**2018**	**2017**
Borrowings	44,355	34,648
Finance lease liabilities	11,507	8,943
Trade payables	14,681	14,467
Other payables and current liabilities	1,327	1,083
Total	**71,870**	**59,141**

Financial assets of the Group include all current and non-current receivables and other receivables as per balance sheet of the Group except for advances made and receivable VAT from the State. Non-current financial assets are the shares and interests held in other Lithuanian companies, which shares are not publicly traded. The Group keeps all cash balances with the banks which have Moody's, Standard&Poors or Fitchratings long-term credit rating of investment grade.

Financial liabilities of the Group include all current and non-current liabilities as per balance sheet of the Group except for advances received, deferred capital grants and revenues, payroll related liabilities, deferred and other taxes.

Company's financial assets at amortized cost as per balance sheet of 31 December:	**2018**	**2017**
Non-current trade and other receivables	8,418	-
Current trade and other receivables	3,545	3,241
Cash and cash equivalents	49	1
Total	**12,012**	**3,242**

Company's financial liabilities at amortized cost as per balance sheet of 31 December:	**2018**	**2017**
Borrowings	22,897	11,077
Finance lease liabilities	179	106
Trade and other payables	238	342
Total	**23,314**	**11,525**

Financial assets of the Company include all current and non-current receivables and other receivables as per balance sheet of the Company except for advances made and receivable VAT from the State. The Company keeps all cash balances with the banks which have Moody's, Standard&Poors or Fitchratings long-term credit rating of investment grade.

Financial liabilities of the Company include all current and non-current liabilities as per balance sheet of the Company except for advances received, accruals, and payroll related liabilities.

Credit quality of financial assets

The default rates and calculation of the loss allowance as at 31 December 2018 for the Group's financial assets **(trade receivables)** were as follows:

	Not overdue, without past delays	**1–30 days overdue**	**31–90 days overdue**	**Overdue 90 days and more**	**Total**
Expected loss rate	0.04%	2.53%	7.43%	4.19%	
Total trade accounts receivable, gross	4,797	789	348	477	**6,411**
Impairment charge (note 12)	(2)	(21)	(24)	(20)	**(66)**
Total trade accounts receivable, net as at 31 December, 2018	**4,795**	**769**	**324**	**457**	**6,345**

(All amounts are in EUR thousand, unless otherwise stated)

11. Financial instruments by category (continued)

As at 31 December 2018, the Group's financial assets **(other receivables at amortized cost)** were allocated to the individual stages of impairment:

	Stage 1 (12-month ECL)	Stage 2 (lifetime ECL)	Stage 3 (lifetime ECL)	Total
Receivables from NPA	4,302	-	-	**4,302**
Receivables from employees	68	-	-	**68**
Non-current receivables, gross	4,758	1,082	-	**5,841**
Other receivables	97	1,000	-	**1,097**
Gross carrying amount	**9,225**	**2,082**	**-**	**11,306**
Loss allowance	(116)	(83)	-	**(199)**
Total other receivables at amortized cost, net as at 31 December, 2018	**9,109**	**1,999**	**-**	**11,108**

Receivables from the National Payment Agency are the direct subsidies receivable for crops and milk, which are due by 30 April of the following year. And are regulated by the state. Receivables from employees are also determined to be at low risk.

Non-current receivables include receivables from companies: Grybai LT, Fixed yield investment fund and Symbol LLC.

All loans are held-to-collect. All loans were concluded to meet SPPI test and as a result they will be measured at amortized cost. Loss allowance was calculated using a 3-stage model. A loss allowance was determined individually for each loan.

Loans to Grybai LT and Fixed yield investment fund with a total carrying value of EUR 4,758 thousand as at 31 December 2018 (EUR 3,497 thousand as at 1 January 2018) were determined to be a low-risk loans, due to which the loss allowance for these loans was determined based on 12-month expected credit losses – the entire expected credit loss on the loans was multiplied by the probability that the loss will occur within the next 12 months. In 2018 the financial performance of these companies was better due to which the risk of unrecoverability was lower and the total loss allowance for these loans decreased to EUR 116 thousand. In March 2018 after the sale of subsidiaries Karakash, OOO and Karakash Agro, OOO (note 24) a long-term receivable of EUR 2,082 thousand from Symbol LLC was accounted in other receivables. The receivable was determined to be at higher risk, but there is no objective evidence of impairment therefore it was determined to be at stage 2, and the loss allowance was determined based on lifetime expected credit losses. The loss allowance amounted to EUR 83 thousand as at 31 December 2018.

Other receivables include current part of consideration from Symbol LLC which is also at higher risk. The calculation of loss allowance is described below.

Loss allowance of other receivables at amortized cost:

31 December 2018	Stage 1 (12-month ECL)	Stage 2 (lifetime ECL)	Stage 3 (lifetime ECL)	Total
Expected loss rate	2.44%	4.00%	-	
Cooperative entity Grybai Lt	3,353	-	-	-
Fixed yield investment fund	1,405	-	-	-
Symbol LLC (as for sale of subsidiaries Karakash and Karakash agro, note 24)	-	2,082	-	**-**
Loss allowance	**(116)**	**(83)**	**-**	**(199)**

The default rates and calculation of the loss allowance as at 31 December for the Company's financial assets were as follows:

31 December, 2018	Not overdue, without past delays	1–30 days overdue	31–90 days overdue	Not overdue	Overdue 90 days and more	Total
Expected loss rate	0.01%	0.01%	0.01%	0.01%	0.01%	
Total trade accounts receivable	3,415	56	58	3	13	**3,545**
Total	**3,415**	**56**	**58**	**3**	**13**	**3,545**

No loss allowance for Company's trade accounts receivables were recognized as at 31 December and 1 January 2018 as expected loss rates were immaterial.

(All amounts are in EUR thousand, unless otherwise stated)

12. Trade receivables, advance payments and other receivables

As at December 31 the trade receivables, advance payments and other receivables consisted of the following:

	GROUP		COMPANY	
	2018	**2017**	**2018**	**2017**
Trade receivables	6,411	5,867	3,545	145
Subsidies and grants receivable from NPA	4,302	558	-	-
VAT receivable	719	402	1	24
Advance payments and deferred expenses	2,042	3,935	202	2,202
Receivables for dividends	-	-	-	3,096
Accounts receivable from private individuals	68	34	-	-
Other receivables	1,097	48	-	-
Total	**14,639**	**10,844**	**3,748**	**5,467**
Less: loss allowance	(66)	(79)	-	-
Carrying amount	**14,573**	**10,765**	**3,748**	**5,467**

The maximum exposure to credit risk at the reporting date is the carrying value of each class of receivable mentioned above. The Group does not hold any collateral as security.

The majority of Group companies' trade receivables, advance payments and other receivables – around 56 per cent – are pledged with companies mortgages as collateral for loans as at 31 December 2018 (as at 31 December 2017 – 80 per cent).

The movement of loss allowance for trade receivables reconciles to the opening loss allowances as follows:

	GROUP	COMPANY
Closing loss allowance as at 31 December 2017 (calculated under IAS 39)	**(79)**	**-**
Amounts restated through opening retained earnings (note 2.2)	44	**-**
Opening loss allowance as at 1 January 2018 (calculated under IFRS 9)	**(35)**	**-**
Increase in trade receivables loss allowance recognised in profit or loss during the year (note 23)	(31)	-
Closing loss allowance as at 31 December 2018	**(66)**	**-**

13. Long-term receivables

Group

As at 31 December the long-term receivables of the Group consisted of the following:

	2018	**2017**
Loans issued		
Cooperative entity Grybai Lt	3,353	2,123
Fixed yield investment fund	1,405	1,374
Symbol LLC (for sale of subsidiaries Karakash, OOO and Karakash agro, OOO, note 24)	1,082	-
Loss allowance	(199)	-
Total	**5,641**	**3,497**

In 2018 the Group has granted additional loan to Cooperative Grybai LT for EUR 1,230 thousand. All loans granted to Cooperative Grybai Lt will mature in 2022 and the loan granted to Fixed Yield Investment Fund in 2020. The interest rate applied to loans provided was 3.5% as at 31 December 2018 (3.5% as at 31 December 2017). In 2018 the Group sold subsidiaries Karakash, OOO and Karakash Agro, OOO to an investor Symbol LLC. See note 24 for more details.

The calculation of loss allowance is described in note 11.

As at 31 December the long-term receivables of the Company consisted of the following:

	2018	**2017**
Loans issued		
Žemės vystymo fondas 20, UAB	8,418	-
Total	**8,418**	**-**

13. Long-term receivables (continued)

In 2018 the Company issued EUR 32,655 thousand of loans to Žemės vystymo fondas 20, UAB which is fully owned by the Company. A part of the loan amounting to EUR 24,237 thousand was capitalized to share capital of the subsidiaries (note 6). Management has completed an analysis, which considers both historical and forward-looking information and has determined that the intercompany loan is low credit risk as at 31 December 2018. The calculated expected loss allowance, therefore, was immaterial.

14. Cash and cash equivalents

As at 31 December cash and cash equivalents consisted of the following:

	GROUP		COMPANY	
	2018	**2017**	**2018**	**2017**
Cash in banks	2,270	609	49	1
Cash on hand	11	11	-	-
Carrying amount	**2,281**	**620**	**49**	**1**

15. Share capital

Share capital of the Company

The share capital of AUGA group AB as at 31 December 2018 was EUR 65,951 thousand (as at 31 December 2017: EUR 54,351 thousand). The share capital is divided into 227,416,252 ordinary shares (2017: 187,416,252 ordinary shares). Each issued share has a EUR 0.29 nominal value and fully paid. Each share had usual material and intangible rights as per Law on Companies of the Republic of Lithuania and the Company's statutes. On 23 August 2018 AUGA group AB successfully completed secondary public offering by issuing 40,000,000 share units. The shares were sold for the total amount of EUR 18 million at EUR 0.45 price per share. Increase in shareholders equity represents the increase in shares at the nominal value. Increase in share premium represent the price premium paid by the shareholders, deducting the expenses related to the whole offering process.

A legal reserve is a compulsory reserve under Lithuanian legislation. Annual transfer of 5% of net profit, calculated in accordance with Lithuanian regulatory legislation on accounting, is compulsory until the reserve including share premium reaches 10% of the share capital. The legal reserve can be used to cover the accumulated losses. The legal reserve of the Company equalled EUR 1,649 thousand as at 31 December 2018 (EUR 579 as at 31 December 2017).

In 2018 the Company formed a reserve to grant shares for employees. The value of the reserve is EUR 957 thousand as at 31 December 2018.

	Number of shares	**Value, EUR thousand**
Shares allocated to employees based on option agreements	200,000	58
Unallocated shares as at 31 December 2018	3,100,000	899
Total reserve as at 31 December, 2018	**3,300,000**	**957**

16. Deferred grant income

For the year ended as at 31 December the movement of deferred grant income and subsidies of the Group consisted of the following (only related to assets):

	2018	**2017**
Carrying amount as at 1 January	**3,657**	**3,852**
Deferred grants, subsidies received	260	373
Grants obtained with acquisition of subsidiaries	-	55
Release of deferred grants related to property, plant and equipment to income	(484)	(623)
Carrying amount as at 31 December	**3,433**	**3,657**

Deferred grants will be released to income statement as follows:	**2018**	**2017**
Within one year	510	484
After one year	2,923	3,173
Total	**3,433**	**3,657**

(All amounts are in EUR thousand, unless otherwise stated)

17. *Borrowings*

As at 31 December the Group's long-term borrowings consisted of the following:

	2018	2017
Borrowings from banks		
Mushroom growing companies	3,949	5,927
Agricultural entities	10,901	11,441
Long-term payment to 3rd parties		
Long-term payable to the State for land purchased	1,401	1,535
Long-term payable to creditors	5,197	1,041
Long-term payable to investment fund for purchased land	1,637	1,097
Total	**23,085**	**21,041**
Less: amounts payable within one year (according to agreements)	(9,256)	(4,506)
Total long-term borrowings	**13,829**	**16,535**

The Group owes payable amount to the State amounting to EUR 1,401 thousand for land acquisition made by the Group in 2008–2015. The payable amount to the State should be paid over 12-year period. Average interest rate for borrowings from banks amounted to 3.55% in 2018 (in 2017 – 3.31%).

Group's structure of interest-bearing borrowings, including obligations under finance lease (note 18):

	31 December 2018	31 December 2017
Gross debt – fixed interest rates	(15,471)	(11,289)
Gross debt – variable interest rates	(40,391)	(32,302)
	(55,862)	**(43,591)**

All bank loans taken by the Group are secured with Property, plant and equipment (note 5). In addition, the majority of agricultural entities have company mortgages, mushroom growing company has major part of non-current and current assets pledged as a collateral (notes 9, 10 and 12).

As at 31 December the Group's short-term borrowings were as follows:

	2018	2017
Borrowings from banks		
Mushroom growing companies	2,400	2,400
Agricultural entities	-	997
Parent Company	18,870	3,210
Grain selling entity	-	7,000
Total	**21,270**	**13,607**

Short-term loans from banks consist of EUR 21,270 thousand credit-line facilities in 2018 (EUR 13,607 thousand in 2017). The available limits of credit-line facilities used by the Group are EUR 25,000 thousand as at 31 December 2018 and EUR 14,400 thousand as at 31 December 2017.

As at 31 December the Company's long-term borrowings consisted of the following:

	2018	2017
Group companies	-	7,867
Borrowings from creditors	4,027	-
Total	**4,027**	**7,867**
Less: amounts payable within one year (according to agreements)	(3,027)	(1,440)
Total long-term borrowings	**1,000**	**6,427**

As at 31 December the Company's short-term borrowings were as follows:

	2018	2017
Loans from banks	18,870	3,210
Total	**18,870**	**3,210**

Company's structure of interest-bearing borrowings, including obligations under financial lease (note 18):

	31 December 2018	31 December 2017
Gross debt – fixed interest rates	(4,027)	(7,867)
Gross debt – variable interest rates	(19,049)	(3,316)
	(23,076)	**(11,183)**

(All amounts are in EUR thousand, unless otherwise stated)

17. Borrowings (continued)

Group net debt reconciliation is as follows:

		Liabilities from financing activities				
	Cash and cash equiva-lents	**Finance lease due within 1 year**	**Finance lease due after 1 year**	**Borrowings due within 1 year**	**Borrow-ings due after1 year**	**Total**
Net debt as of 31 December 2016	**1,650**	**(2,690)**	**(3,427)**	**(8,935)**	**(16,938)**	**(30,340)**
Cash flows	(1,074)	2,415	1,089	(6,437)	1,775	(2,232)
Acquisitions of property, plant and equipment by finance lease	-	(2,114)	(3,152)	-	-	(5,266)
Acquisitions – KTG Group (note 24)	44	(465)	(497)	(2,741)	(1,372)	(5,031)
Other non-cash movements	-	(102)	-	-	-	(102)
Net debt as of 31 December 2017	**620**	**(2,956)**	**(5,987)**	**(18,113)**	**(16,535)**	**(42,971)**
Cash flows	1,430	3,065	2,190	(11,140)	4,364	(91)
Acquisitions of property, plant and equipment by finance lease	-	(3,515)	(3,782)	-	-	(7,297)
Acquisitions – Raseinių agra, UAB (note 24)	231	(185)	(310)	(1,273)	(1,658)	(3,195)
Other non-cash movements	-	(27)	-	-	-	(27)
Net debt as of 31 December 2018	**2,281**	**(3,618)**	**(7,889)**	**(30,526)**	**(13,829)**	**(53,581)**

Company's net debt reconciliation is as follows:

		Liabilities from financing activities				
	Cash and cash equivalents	**Finance lease due within 1 year**	**Finance lease due after 1 year**	**Borrow-ings due within 1 year**	**Borrow-ings due after 1 year**	**Total**
Net debt as of 31 December 2016	**97**	**(17)**	**(79)**	**(1,882)**	**(25,568)**	**(27,449)**
Cash flows	(96)	5	20	(2,771)	19,141	16,302
Acquisitions of property, plant and equipment by finance lease	-	(11)	(24)	-	-	(35)
Net debt as of 31 December 2017	**1**	**(23)**	**(83)**	**(4 650)**	**(6,427)**	**(11,182)**
Cash flows	48	34	-	(17,132)	5,427	(11,845)
Acquisitions of property, plant and equipment by finance lease	-	(15)	(80)	-	-	-
Other non-cash movements	(12)	-	-	(115)	-	(127)
Net debt as of 31 December 2018	**49**	**(16)**	**(163)**	**(21,897)**	**(1,000)**	**(23,027)**

(All amounts are in EUR thousand, unless otherwise stated)

18. Obligations under finance lease

As at 31 December the Group's minimum lease payments consisted of the following:

	2018		2017	
	Minimum lease payments	Present value of minimum lease payments	Minimum lease payments	Present value of minimum lease payments
Amount payable within one year	3,911	3,618	3,220	2,956
In the second to fifth years inclusive	8,278	7,889	6,319	5,987
Minimum lease payments	**12,189**	**11,507**	**9,539**	**8,943**
Less: future finance charges	(682)	-	(596)	-
Present value of minimum lease payments	**11,507**	**11,507**	**8,943**	**8,943**

The Group's obligations under finance leases are secured by the lessor's charge over the leased assets (note 5). The fair value of the Group's obligations under finance leases approximates their carrying amount.

As at 31 December the Company's minimum lease payments consisted of the following:

	2018		2017	
	Minimum lease payments	Present value of minimum lease payments	Minimum lease payments	Present value of minimum lease payments
Amount payable within one year	77	16	26	23
In the second to fifth years inclusive	109	163	85	83
Minimum lease payments	**186**	**179**	**111**	**106**
Less: future finance charges	(7)	-	(5)	-
Present value of minimum lease payments	**179**	**179**	**106**	**106**

19. Income taxes

Income tax charge in the income statement for the Group is calculated as follows:

	GROUP		COMPANY	
	2018	2017	2018	2017
Current income tax for the year	-	-	-	-
Deferred tax (credit) debit	(482)	(222)	-	-
Total income tax charge	**(482)**	**(222)**	**-**	**-**

(All amounts are in EUR thousand, unless otherwise stated)

19. Income taxes (continued)

The tax on the Group's profit before tax differs from the theoretical amount that would arise using the basic tax rate as follows:

	GROUP			
	2018		2017	
Profit (loss) before tax, non-agricultural companies	-	(5,590)	-	(4,523)
Profit (loss) before tax, agricultural companies	-	(4,870)	-	-
Profit (loss) before tax, small agricultural cooperatives	-	3,998	-	9,316
Tax calculated at a tax rate of 15%	15.00%	(839)	15.00%	(678)
Tax calculated at a tax rate of 10%	10.00%	(487)	10.00%	-
Tax calculated at a tax rate of 5%	5.00%	200	5.00%	466
Total theoretical tax		**(1,126)**		**(213)**
Non-taxable income				
non-agricultural companies		(1,268)		(218)
agricultural companies		(759)		-
small agricultural cooperatives		(285)		(634)
Non-deductible expenses				
non-agricultural companies		446		10
agricultural companies		702		-
small agricultural cooperatives		257		260
Gain from previously unrecognised tax losses				
non-agricultural companies		-		-
agricultural companies		-		-
small agricultural cooperatives		-		-
Current-year losses for which no deferred tax asset is recognised				
non-agricultural companies		(82)		(29)
agricultural companies		-		-
small agricultural cooperatives		-		-
Changes in estimates related to prior years				
non-agricultural companies		-		601
agricultural companies		1,633		-
small agricultural cooperatives		-		-
Income tax charge, non-agricultural companies		**(110)**		**(285)**
Income tax charge, agricultural companies		**(544)**		**-**
Income tax charge, small agricultural cooperatives		**172**		**63**
Total income tax charge		**(482)**		**(222)**

The tax on the Company's profit before tax differs from the theoretical amount that would arise using the basic tax rate as follows:

	COMPANY	
	2018	**2017**
Profit (loss) before tax	3,490	21,390
Tax calculated at a tax rate of 15%	524	3,209
Total theoretical tax	**524**	**3,209**
Non-taxable income	(856)	(3,804)
Non-deductible expenses	52	15
Current-year losses for which no deferred tax asset is recognised	280	581
Total income tax	**-**	**-**

In 2018 the profit tax legislation for agricultural companies has changed. In accordance to the new legislation profit for 2018 is taxable at a rate of 5% just for small agricultural cooperatives which agricultural sales should be at least 50% of the total sales, profit of 2018 for agricultural companies is taxable at a rate of 10%, and profit for non-agricultural companies is taxable at a rate of 15%. Profit for 2017 was taxable at a rate of 5% for agricultural companies and at a rate of 15% for non-agricultural companies of the Group, in accordance with Lithuanian regulatory legislation on taxation. In order to apply a reduced tax rate of 5%, the share of a company's agricultural sales should be at least 50% of the total company's sales.

(All amounts are in EUR thousand, unless otherwise stated)

19. Income taxes (continued)

Deferred tax	**Deferred taxes at the beginning of the period**	Acquired with subsidiaries (note 24)	Revaluation of assets (Income statement)	Accruals	Revaluation of assets (through other comprehensive income)	Change in tax rates	**Deferred taxes as of 31 December 2018**
Deferred tax asset	**890**	-	5	48	-	495	**1,438**
Deferred tax liability	**(656)**	(20)	-	-	(141)	(66)	**(883)**
Total as of 31 December 2018	**234**	**(20)**	**5**	**48**	**(141)**	**429**	**555**

As at 31 December 2018 and 2017 deferred income tax was calculated using 15% income tax rate, except for tax provisions applicable to agricultural entities.

Deferred tax asset	**GROUP**		**COMPANY**	
	2018	**2017**	**2018**	**2017**
Accruals	116	68	-	-
Revaluation of land	9	4	-	-
Change in tax rates	495	-	-	-
Tax loss carried forward	818	818	-	-
Deferred tax asset	**1,438**	**890**	**-**	**-**

Deferred tax liability	**GROUP**		**COMPANY**	
	2018	**2017**	**2018**	**2017**
Deferred tax liability acquired with subsidiaries	20	133	-	-
Change in tax rates	66	-	-	-
Revaluation of land	797	523	-	-
Deferred tax liability	**883**	**656**	**-**	**-**

In the Management's opinion, the whole amount of the Group's deferred tax asset will be recovered after more than 12 months from the date of these financial statements as future taxable profit will be available against which the Group can use the benefits therefrom.

The amount of unused tax losses carried forward for the Group and the Company is as follows:

	GROUP		**COMPANY**	
	2018	**2017**	**2018**	**2017**
Total tax loss carried forward	51,934	35,582	12,506	12,616
Less: deferred tax asset created from tax loss carried forward	(11,873)	(21,686)	-	-
Total tax loss carried forward for which no deferred tax asset created	**40,061**	**13,986**	**12,506**	**12,616**

According to the amendment of the Law on Corporate Income Tax of the Republic of Lithuania, ordinary tax losses can be carried forward indefinitely. As of 1 January 2011, according to the new amendments to the Law on Corporate Income Tax, the companies belonging to a holding structure can offset taxable profit with other holding companies' tax losses carried forward. Starting from 1 January 2014, ordinary tax losses carried forward can only be set off against up to 70% of the calculated taxable profits of the taxable period.

20. Other payables and current liabilities

As at 31 December the other payables and current liabilities consisted of the following:

	GROUP		**COMPANY**	
	2018	**2017**	**2018**	**2017**
Payroll related liabilities	1,692	1,618	182	122
Vacation reserve	960	852	166	120
Advances received	1,311	2,241	-	-
Taxes payable	11	4	-	-
Deferred revenue	15	57	575	3
Other payables	1,327	1,083	22	22
Total	**5,316**	**5,855**	**945**	**267**

Other payables include payables for land rent to organizations and private individuals. As at 31 December 2018 such payables amounted to EUR 897 thousand (EUR 910 thousand as at 31 December 2017).

(All amounts are in EUR thousand, unless otherwise stated)

21. Segment information

Income statement			**Dairy**			**Crop-growing**						
2018	**Total**	**Total reportable segments**	**Milk**	**Cattle meat**	**Total Dairy**	**Wheat**	**Peas, beans**	**Other crops**	**Total crop growing**	**Mushroom growing**	**Consumer packaged goods**	**Other segments**
Sales	**95,115**	**82,106**	8,127	2,811	**10,938**	15,597	10,919	16,332	**42,848**	**26,456**	**1,864**	**13,009**
Total cost of sales	**(92,783)**	**(81,512)**	(9,434)	(3,503)	**(12,937)**	(15,388)	(11,715)	(14,948)	**(42,051)**	**(24,731)**	**(1,793)**	**(11,271)**
Gross profit as reported to management of the Group (a)	**2,331**	**593**	(1,307)	(692)	**(1,999)**	209	(796)	1,384	**797**	**1,725**	**70**	**1,738**
Intergroup eliminations												
Intergroup sales	**40,366**	**27,357**	-	1,984	**1,984**	8,446	6,146	10,781	**25,373**	**-**	**-**	**13,009** **-**
Intergroup cost of sales	**(37,180)**	**(25,909)**	-	(2,676)	**(2,676)**	(8,422)	(5,863)	(8,948)	**(23,233)**	**-**	**-**	**(11,271)** **-**
Eliminations, net (b)	**3,186**	**1,448**	-	(692)	**(692)**	24	283	1,833	**2,140**	**-**	**-**	**1,738** **-**
Total revenues from external customers	**54,749**	**54,749**	8,127	827	**8,954**	7,151	4,773	5,551	**17,475**	**26,456**	**1,864**	**-**
Direct subsidies (c)	**9,780**	**9,780**			**698**			9,082	**9,082**	**-**	**-**	
Gain on changes in biological assets fair value (d)	**(5,262)**	**(5,262)**			**(1,814)**			(3,448)	**(3,448)**	**-**	**-**	
Gross profit ((a)-(b)+(c)+(d))	**3,663**	**3,663**			**(2,427)**				**4,317**	**1,725**	**70**	**-**
Depreciation included in cost of sales	**6,285**	**6,285**	**-**	**-**	**531**	**-**	**-**	**3,939**	**3,939**	**1,815**	**-**	
2017	**Total**	**Total reportable segments**	**Milk**	**Cattle meat**	**Total Dairy**	**Wheat**	**Peas, beans**	**Other crops**	**Total crop growing**	**Mushroom growing**	**Consumer packaged goods**	**Other segments**
Sales	**78,489**	**71,339**	8,205	2,721	**10,926**	15,361	3,928	15,645	**34,934**	**24,429**	**1,050**	**7,150**
Total cost of sales	**(75,748)**	**(70,045)**	(7,607)	(2,935)	**(10,542)**	(15,129)	(3,672)	(16,207)	**(35,008)**	**(23,498)**	**(997)**	**(5,703)**
Gross profit as reported to management of the Group (a)	**2,741**	**1,294**	598	(214)	**384**	232	256	(562)	**(74)**	**931**	**50**	**1,450**
Intergroup eliminations												
Intergroup sales	**29,708**	**22,647**	-	1,916	**1,916**	7,244	2,157	11,330	**20,731**	**-**	**-**	**7,061**
Intergroup cost of sales	**(28,768)**	**(23,065)**	-	(2,131)	**(2,131)**	(7,063)	(2,078)	(11,793)	**(20,934)**	**-**	**-**	**(5,703)**
Eliminations, net (b)	**940**	**(418)**	-	(215)	**(215)**	181	79	(463)	**(203)**	**-**	**-**	**-**
Total revenues from external customers	**48,784**	**48,692**	**8,205**	**805**	**9,010**	**8,117**	**1,771**	**4,315**	**14,203**	**24,432**	**1,050**	**89**
Direct subsidies (c)	**8,971**	**8,971**	600	210	**810**	-	-	8,161	**8,161**	**-**	**-**	**-**
Gain on changes in biological assets fair value (d)	**4,159**	**4,159**	(1,095)	184	**(911)**	-	-	5,070	**5,070**	**-**	**-**	**-**
Gross profit ((a)-(b)+(c)+(d))	**14,931**	**14,839**			**498**				**13,360**	**931**	**53**	**89**
Depreciation included in cost of sales	**5,301**	**5,301**	**977**	**199**	**1,176**	**-**	**-**	**2,433**	**2,433**	**1,692**		

(All amounts are in EUR thousand, unless otherwise stated)

21. Segment information (continued)

'Dairy' includes milk processing and cattle raising, whereas 'Crop-growing' includes growing of wheat, legumes, rapeseed, barley as well as other several agricultures, including grasses and corn for feed. 'Other segments' include accounting and management services provided by the Company to subsidiaries, also agricultural services, rent of land and equipment income (both inside and outside the Group).

The main intersegment transactions are the following:

a) The crop growing segment prepares feed for cows (corn silage, hay, haylage) and sells to dairy segment;
b) The dairy segment supply the crop growing segment with manure (organic fertilizer);
c) Other segments provide agricultural and land rent services to the main segments;
d) Other segments provide grain drying and storage services, rent land and equipment for the crop growing segment.

In 2018, 12.63 per cent of total revenues were received from ICA Sverige AB (mushrooms buyer), 8.21 per cent of total revenues were received from Rokiškio sūris, AB (milk buyer) and 5.02 per cent of total revenues were received from Dagab Inkop, AB (mushroom buyer). 12 largest by turnover clients accounted to around 50 per cent of total Group revenues. In 2017, 12.97 per cent of total revenues were received from ICA Sverige AB (mushrooms buyer), 8.89 per cent of total revenues were received from Vilkyškių pieninė, AB (milk buyer) and 5.71 per cent of total revenues were received from Scandagra, UAB (grain trader). 18 per cent of Group's sales are exported directly to off-takers in Sweden (22 per cent in 2017), 52 per cent of the total sales are exported to other countries (49 per cent in 2017), 9 per cent of the total sales are exported through commodity traders in Lithuania (17 per cent in 2017) and 21 per cent of the sales are sold to local markets (22 per cent in 2017). 100 per cent of the Group's total assets are geographically located in Lithuania (in 2017: 98 per cent in Lithuania, 2 per cent in Crimea).

The Company's sales breakdown by type was the following:

	2018	2017
Business consultations and financial accounting services	3,293	592
Other revenues	10	61
Total	**3,304**	**653**

22. Cost of sales by nature

As at 31 December the Group's cost of sales breakdown by type of expenses was the following:

	2018	2017
Services from contractors	7,235	6,713
Payroll expenses	8,976	7,649
Social security expenses	2,783	2,371
Property, plant and equipment depreciation	6,285	5,301
Raw materials	4,468	4,767
Organic fertilizers	1,912	1,503
Packaging	4,348	3,793
Feed for animals	2,753	2,415
Spare parts and inventory	1,087	1,021
Land rent	4,055	2,402
Fuel costs	2,062	1,372
Electricity	1,266	1,159
Seed	2,204	1,494
Realised gain (loss) on change in fair value of agricultural produce at point of harvest	899	598
Write-downs of inventory and crops	1,590	1,102
Medicine	316	339
Other expenses	3,365	2,984
Less: direct subsidies from State	(9,780)	(8,971)
Total	**45,824**	**38,012**

(All amounts are in EUR thousand, unless otherwise stated)

23. Operating expenses

As at 31 December the expenses consisted of the following:

	GROUP		COMPANY	
	2018	**2017**	**2018**	**2017**
Payroll expenses	3,206	3,054	1,559	1,350
Social security expenses	995	948	484	419
Fines and late payments	858	80	717	15
Depreciation of property, plant and equipment	1,106	876	69	55
Loss allowance of accounts receivable (note 12)	31	-	-	-
Consultations and business plan preparations	624	603	553	550
Insurance and tax expense	672	516	17	18
Selling expenses	555	585	462	439
Fuel costs	254	171	71	-
Real estate registration and notaries	152	180	54	54
Rent and utilities	326	272	204	164
Transportation costs	300	180	85	156
Office administration	418	440	-	-
Other expenses	857	680	548	535
Total	**10,354**	**8,585**	**4,823**	**3,755**

Expense for the Group's defined contribution plans amounts to EUR 3,774 thousand in 2018 (2017: EUR 3,576 thousand) and is accounted for in cost of sales and operating expenses and construction in progress. Defined contribution plan payments consist of payments to the State social security fund only, with the amount calculated equalling 31 per cent from the gross salary expense of all employees.

In March 2018 AUGA group, AB terminated the share purchase agreement of UAB Arginta Engineering. Increase in fines and late payments expenses are related to the costs incurred to termination of Arginta Engineering UAB purchase agreement (EUR 715 thousand).

All services provided by the audit firm to the Group and the Company in 2018:

	Group	**Company**
Audit of financial statements based on the contracts	72	48
Assurance and related services	-	-
Tax advice services	-	-
Other services	22	22
Total	**94**	**70**

24. Increase in shareholding, acquisitions and disposals of subsidiaries

Business combinations, acquisitions and disposals of 2018

Acquisition of shares of Raseinių Agra, UAB

On 28 February 2018 AUGA group, AB has completed the purchase of 100% share of UAB Raseinių agra for EUR 2.4 million. UAB Raseinių agra was established in October 2017 as a result of spin-off procedure from UAB Agra Corporation, shareholders of which decided to withdraw from agricultural business and to focus in the area of investment property management. UAB Raseinių agra manages around 5,200 ha of agricultural land.

(All amounts are in EUR thousand, unless otherwise stated)

24. Increase in shareholding, acquisitions and disposals of subsidiaries (continued)

Fair value estimation of UAB Raseinių agra is as follows:

Business combination	**Raseinių agra, UAB**
	Fair value as at 28 February 2018
Non-current assets	
Land-rent contracts	2,141
PPE	2,933
Current assets	
Inventory	833
Trade receivables and other current assets	245
Cash and cash equivalents	231
Long term liabilities	
Financial liabilities	(2,154)
Borrowings from AGRA companies	(1,273)
Deferred tax liability	(20)
Short term liabilities	
Other financial liabilities	(298)
Trade payables and other current liabilities	(214)
Net assets at acquisition date	**2,424**
Acquired share capital, %	100.0
Total value of the acquired investment	**2,424**
Cash paid for shares	2,424
Total purchase consideration	**2,424**
Goodwill	**-**

The Group has acquired Raseinių agra, UAB to expand its agricultural land area and increase efficiency of human and technical resources. The acquired company is located next to Group's cultivation areas in the Raseiniai region.

Outflow of cash to acquire Raseinių agra, UAB, net of cash acquired:

Purchase consideration settled in cash	2,424
Less: cash and cash equivalents acquired	231
Net cash outflow on acquisition	**2,193**

The fair value of acquired trade receivables is EUR 245 thousand. The gross contractual amount for trade receivables is EUR 337 thousand, of which none is expected to be uncollectible.

The acquired Raseinių agra, UAB companies contributed revenues of EUR 2,497 thousand and net loss of EUR 524 thousand to the Group for the period from 1 March 2018 to 31 December 2018.

If the acquisition of Raseinių agra, UAB had occurred on 1 January 2018, the Group's revenues would have been larger by EUR 808 thousand; net loss higher by EUR 901 thousand.

Raseinių agra, UAB cultivates 5,200 ha of land under long-term land rent contracts. The term of land rent contracts varies from 1 to 100 years with an average term of 10 years. The value of the land rent contracts in the balance sheet represent the value gained by the Group when purchasing the rights to these contracts with a company all at once instead of signing it separately one by one.

(All amounts are in EUR thousand, unless otherwise stated)

24. Increase in shareholding, acquisitions and disposals of subsidiaries (continued)

Disposal of subsidiaries

On 9 February 2018 the Group has sold two subsidiaries - Karakash, OOO and Karakash Agro, OOO which were operating in Crimea. The details of the result of the Group's subsidiaries disposal is as follows:

Sale of shares of Karakash Agro OOO	**Karakash Agro OOO**
	Carrying value of the investment as at 31 March 2018
Assets classified as held for sale	
Property plant and equipment	844
Biological assets	737
Inventory	144
Trade receivables and other current assets	629
Cash and cash equivalents	5
Liabilities directly associated with assets classified as held for sale	
Trade payables and other current liabilities	(1,352)
Net assets at disposal date	**1,005**
Sold share capital, %	100.00
Paid in cash	985
Deferred consideration to be paid in 2019 (note 12)	1,000
Deferred consideration to be paid in 2020 (note 13)	1,082
Total sales consideration	**3,067**
Total gain on transaction recognized as other income (note 26)	**2,062**

The gain on transaction disclosed in the table is the final impact based on the assessment of timing and amount of payment.

Business combinations, acquisitions and disposals of 2017

In December 2016, the Group started acquisition procedures of KTG AGRAR SE subsidiary companies, operating in Lithuania (KTG group companies) and managing around 7,700 ha of agricultural land. The formal acceptance was received on 13 January 2017, and the Group completed the acquisition procedures as defined in share purchase agreement on 31 January 2017.

Fair value estimation of acquired KTG group companies is provided below.

Business combination	**KTG group companies**
	Fair value of the group as at 31 January 2017
Non-current assets	
Intangible assets (land rent contracts) (note 8)	981
PPE (note 5)	5,239
Biological assets (current)	
Crops (note 9)	915
Current assets	
Trade receivables and other current assets	1,459
Inventory	192
Cash and cash equivalents (note 17)	44
Long term liabilities	
Grants (note 16)	(55)
Deferred tax liability (note 19)	(133)
Financial liabilities (note 17)	(1,869)
Short term liabilities	
Other financial liabilities (note 17)	(3,206)
Trade payables and other current liabilities	(2,202)
Net assets at acquisition date	**1,365**
Acquired share capital and receivables, %	100.0
Total value of acquired investment	1,365
	-
Total purchase consideration	**1,365**
Total goodwill	**-**

(All amounts are in EUR thousand, unless otherwise stated)

24. Increase in shareholding, acquisitions and disposals of subsidiaries (continued)

The Group has acquired KTG Group companies to expand its agricultural land area and increase efficiency of human and technical resources. The companies under acquisition are located next to Group's cultivation areas in the regions of Raseiniai, Jurbarkas and Šakiai.

Outflow of cash to acquire KTG AGRAR SE companies, net of cash acquired:

Purchase consideration settled in cash	1,365
Less: cash and cash equivalents acquired	44
Net cash outflow on acquisition	**1,321**

The fair value of acquired trade receivables is EUR 1,459 thousand. The gross contractual amount for trade receivables is EUR 1,459 thousand, of which none is expected to be uncollectible.

The acquired KTG Group companies contributed revenues of EUR 3,821 thousand and net loss of EUR 365 thousand to the Group for the period from 1 February 2017 to 31 December 2017.

If the acquisition of KTG Group companies had occurred on 1 January 2017, the Group's revenues would have been larger by EUR 219 thousand; net profit lower by EUR 432 thousand.

(All amounts are in EUR thousand, unless otherwise stated)

25. Dividends from subsidiaries

During the Annual General Meetings of Shareholders of AUGA group, AB subsidiaries: AUGA Želsvelė, ŽŪB, AUGA Mantviliškis, ŽŪB, AUGA Skėmiai, ŽŪB, AUGA Smilgiai, ŽŪB, AUGA Spindulys, ŽŪB, Traktorių nuomos paslaugos, UAB, Traktorių nuomos centras, UAB, AWG Investment 1, Agross, UAB, AVG Investment held in 2018, a decision was made to pay out dividends to shareholders. Due to this the Company has received EUR 5,656 thousand dividend income. In the table below the distribution of dividends of each subsidiary is provided. By 31 December 2018 there were no other subsidiaries which made a decision to pay out the dividends. In 2017 the Company received EUR 25,303 thousand dividend income from subsidiaries.

2018

	Share-owners share of dividends (%)					Share-owners share of dividends (Eur)			
	AUGA group, AB	AVG investment, UAB (Subsidiary)	AUGA Eimučiai, ŽŪB (Subsidiary)	Non-controlling interest	**Dividends (EUR)**	AUGA group, AB	AVG investment (Subsidiary)	AUGA Eimučiai, ŽŪB (Subsidiary)	Non-controlling interest
AUGA Želsvelė, ŽŪB	98.64%	0.31%	-	1.05%	**300,000**	295,920	930	-	3,150
AUGA Mantviliškis, ŽŪB	98.77%	0.02%	-	1.21%	**500,000**	493,834	124	-	6,042
AUGA Skėmiai, ŽŪB	99.75%	0.12%	-	0.12%	**300,000**	299,262	369	-	369
AUGA Smilgiai, ŽŪB	97.84%	-	2.16%	-	**1,700,00**	1,663,304	-	36,696	-
AUGA Spindulys, ŽŪB	99.96%	-	-	0.04%	**500,000**	499,793	-	-	207
Traktorių nuomos paslaugos, UAB	100.00%	-	-	-	**150,000**	150,000	-	-	-
Traktorių nuomos centras, UAB	100.00%	-	-	-	**130,000**	130,000	-	-	-
AWG Investment 1, UAB	100.00%	-	-	-	**486,192**	486,192	-	-	-
Agross, UAB	100.00%	-	-	-	**90,000**	90,000	-	-	-
AVG Investment, UAB	100.00%	-	-	-	**1,548,000**	1,548,000	-	-	-
					5,704,192	**5,656,304**	**1,423**	**36,696**	**9,768**

(All amounts are in EUR thousand, unless otherwise stated)

25. Dividends from subsidiaries (continued)

2017

	Share-owners share of dividends (%)					Share-owners share of dividends (Eur)			
	AUGA group, AB	AVG investment, UAB (Subsidiary)	AUGA Eimučiai, ŽŪB (Subsidiary)	Non-controlling interest	**Dividends (EUR)**	AUGA group, AB	AVG investment (Subsidiary)	AUGA Eimučiai, ŽŪB (Subsidiary)	Non-controlling interest
AUGA Želsvelė, ŽŪB	98.64%	0.31%	-	1.05%	**2,560,000**	2,525,184	7,936	-	26,880
AUGA Dumšiškės, ŽŪB	99.25%	0.13%	-	0.62%	**980,000**	972,650	1,274	-	6,076
AUGA Mantviliškis, ŽŪB	98.77%	0.02%	-	1.21%	**1,600,000**	1,580,320	320	-	19,360
AUGA Skėmiai, ŽŪB	99.75%	0.12%	-	0.12%	**1,200,000**	1,197,000	1,440	-	1,440
AUGA Smilgiai, ŽŪB	97.84%	-	2.16%	-	**3,100,000**	3,033,040	-	66,960	-
AUGA Spindulys, ŽŪB	99.96%	-	-	0.04%	**3,600,000**	3,598,560	-	-	1,440
AWG Investment 1, UAB	100.00%	-	-	-	**3,000,000**	3,000,000	-	-	-
Baltic champs, UAB	100.00%	-	-	-	**4,800,000**	4,800,000	-	-	-
Žemės vystymo fondas 20, UAB	100.00%				**1,500,000**	1,500,000	-	-	-
Agroschool, OU	100.00%	-	-	-	**3,096,000**	3,096,000	-	-	-
					25,436,000	**25,302,754**	**10,970**	**66,960**	**55,196**

(All amounts are in EUR thousand, unless otherwise stated)

26. Other income

	GROUP		COMPANY	
	2018	**2017**	**2018**	**2017**
Gain (loss) on sale of subsidiaries (note 24)	2,062	-	-	-
Gain (loss) on sale of property, plant and equipment	15	(2)	(4)	-
Write-down of liabilities	-	-	30	1
Interest and fines income	521	93	212	60
Insurance benefits	109	78	2	-
Other income (expenses)	46	182	143	15
Total	**2,753**	**351**	**383**	**76**

Due to the fact that the Group sold its subsidiaries Karakash agro OOO and Karakash OOO, a gain of the sale EUR 2,062 thousand was recognized in other income. The sale transaction of Karakash agro OOO and Karakash OOO was completed in March 2018 and is disclosed in note 24.

27. Finance cost

For the year ended as at 31 December finance cost consisted of the following:

	GROUP		COMPANY	
	2018	**2017**	**2018**	**2017**
Bank interest expenses	1,304	941	675	86
Leasing and other financial expenses	378	266	4	-
Other borrowings interest expenses	490	456	68	8
Negative currency fluctuation effect	5	(13)	-	-
Fair value change of derivatives	80	80	-	-
Borrowings from subsidiaries interest expenses	-	-	231	757
Other financial expenses	38	174	52	36
Total	**2,295**	**1,904**	**1,030**	**887**

28. Basic and diluted earnings per share

	GROUP		COMPANY	
	2018	**2017**	**2018**	**2017**
Net profit (loss) attributable to equity holders of the Company	(5,957)	4,926	3,490	21,390
Weighted average number of shares	201,662,827	187,416,252	201,662,827	187,416,252
Earnings per share (EUR)	**(0.03)**	**0.03**	**0.02**	**0.11**

29. Related party transactions

Over the year ended 31 December 2018 the average number of members of the Management Board and the Key Executives of the Company was 6 people (2017: 6 people).

i) Payments to Management board

In 2018, salaries and other payments to Management board of the Company amounted to EUR 268 thousand (In 2017 the salaries amounted to EUR 309 thousand).

(ii) Other transactions with related parties

All the shareholders of AUGA group AB (note 1), owning, directly or indirectly, an interest in the voting power of the reporting enterprise that gives them significant influence over the enterprise, are considered to be related parties. Trading transactions with related parties were carried out on commercial terms and conditions and market prices.

(All amounts are in EUR thousand, unless otherwise stated)

29. Related party transactions (continued)

Transactions with related parties are as follows:

2018

Parties related to Group *(name, legal entity code, legal form, place of registration)*	**Loans receivable**	**Advance payment**	**Accounts receivable**	**Borrowings**	**Accounts payable**	**Purchases of goods**	**Sales of agricultural produce**
Grybai LT KB, 302765404, cooperative entity, Širvintos region, Zibalų st. 37	3,353	35	163	-	8	800	703
Parties related to ultimate shareholder Kęstutis Juščius Group *(name, legal entity code, legal form, place of registration)*							
Farmer Kęstutis Juščius	-	-	9	-	-	1	-
Baltic Champs Group UAB, 302942064, Private limited company, Šiaulių region, Poviliškių v., 15	-	-	7	4,027	-	83	6
Total	**3,353**	**35**	**179**	**4,027**	**8**	**884**	**708**

2017

Parties related to Group *(name, legal entity code, legal form, place of registration)*	**Loans receivable**	**Advance payment**	**Accounts receivable**	**Borrowings**	**Accounts payable**	**Purchases of goods**	**Sales of agricultural produce**
Grybai LT KB, 302765404, cooperative entity, Širvintos region, Zibalų st. 37	2,123	-	220	-	-	181	1,174
Parties related to ultimate shareholder Kęstutis Juščius *(name, legal entity code, legal form, place of registration)*							
Farmer Kęstutis Juščius	-	-	-	-	1	109	-
Šampinjonid OU, 10885488, Private limited company, Estonia, Tallinn Harjumaa, Retke st. 22-5	-	-	122	-	-	-	706
Baltic Champs Group UAB, 302942064, Private limited company, Šiaulių region, Poviliškių v., 15	-	-	-	-	-	18	25
Nacionalnaja grybnaja kompanija "Kashira" OOO, 5019019124, Private limited company, Russia, Moskovskaya area, Kashira 105 KM	-	-	590	-	-	-	1,226
Total	**2,123**		**932**	**-**	**1**	**308**	**3,131**

(All amounts are in EUR thousand, unless otherwise stated)

29. Related party transactions (continued)

Company's balances and transactions with the Group companies and other related parties are as follows:

2018

	Loans receivable	Accounts receivable and advances	Borrowings	Accounts payable	Interests for loans and other purchases	Sales and interest income
Subsidiaries						
Agricultural entities	-	3,327	-	19	62	3,372
Trade companies	-	-	-	-	-	-
Other subsidiaries	8,418	183	-	7	46	302
Baltic Champs Group UAB, 302942064, Private limited company, Šiaulių region, Poviliškių v., 15	-	7	4,027	-	68	6
Grybai LT KB, 302765404, cooperative entity, Širvintos region, Zibalų st. 37	-	-	-	8	31	-
Kęstutis Juščius	-	9	-	-	-	-
Total	**8,418**	**3,526**	**4,027**	**34**	**207**	**3,680**

2017

	Loans receivable	Accounts receivable and advances	Borrowings	Accounts payable	Interests for loans and other purchases	Sales and interest income
Subsidiaries						
Agricultural entities	-	87	-	10	13	687
Trade companies	-	-	-	-	-	-
Other subsidiaries	-	3,096	7,867	1,440	892	-
Baltic Champs Group UAB, 302942064, Private limited company, Šiaulių region, Poviliškių v., 15	-	-	-	-	36	-
Kęstutis Juščius	-	-	-	-	-	-
Total	**-**	**3,183**	**7,867**	**1,450**	**941**	**687**

On 3 October 2018 AUGA group, AB and Baltic Champs Group, UAB (code of legal entity 145798333, address Poviliškių village, Šiaulių county., Lithuania; holding 55.04 per cent of shares in AUGA group, AB) signed Agreement on extension of up to 4 mln. EUR loan. As at 31 December 2018 the loan was disbursed in full amount. Final repayment date of the loan 25 March 2020. The loan is provided with no collateral, there is no up front or similar fees, and with fixed interest rate that meets market conditions.

On 27 February 2018 AUGA group, AB and Baltic Champs Group, UAB (code of legal entity 145798333, address Poviliškių village, Šiaulių county., Lithuania; holding 88.13 per cent of shares in AUGA group, AB) signed Agreement on extension of up to 3 mln. EUR loan. The loan was provided with no collateral, there was no up front or similar fees, and with fixed interest rate that met market conditions. On 29 June 2018 AUGA group, AB agreed to prolong EUR 3 million loan by the shareholder Baltic Champs Group, UAB (code of legal entity 145798333, address Poviliškių village, Šiaulių county., Lithuania), term until 31 August 2018. On 24 August 2018 the loan was repaid in full.

30. Commitments and contingencies

The Group leases agricultural land, some passenger cars, and premises under operating lease agreements. The total amount of such payments included in the income statement for the year ended 31 December 2018 equals to EUR 6,299 thousand (2017: EUR 4,437 thousand).

Land rent contracts are with an average term of 1–22 years. All land rent contracts are registered in the State Registrar, so the lessor cannot terminate them before the original term expires. The Group can cancel the contracts with 1-year prior notice. The first hand right to buy the leased land belongs to the Group; however, if the Group does not wish to acquire the land, the rent contract stays valid until the original term expires.

The increase in future aggregate minimum lease payments in year 2018 compared to year 2017 is due to acquisition of Raseinių agra, UAB managing around 5,200 ha of agricultural land all of which are on long term land lease contracts.

(All amounts are in EUR thousand, unless otherwise stated)

30. Commitments and contingencies (continued)

The future aggregate minimum lease payments under non-cancellable operating leases are as follows:

	2018	**2017**
Not later than 1 year	6,138	4,864
Later than 1 year, but not later than 5 years	18,722	14,210
After 5 years	19,036	13,415
Total future lease payments	**43,896**	**32,489**

The carrying amount of financial assets represents the maximum credit exposure for on-balance sheet exposures. The Group has additionally guaranteed for a loan of Cooperative "Grybai Lt" which outstanding amount as at 31 December 2018 totalled EUR 2,565 thousand (2017: EUR 3,095 thousand).

As at 31 December 2018, the Company had issued guarantees to banks for loans taken by subsidiary entities (agricultural entities, Baltic Champs UAB) for total of EUR 22,122 thousand (24,612 thousand in 2017). Additionally the Company guaranteed for liabilities of subsidiary UAB Agronuoma for EUR 731 thousand as at 31 December 2018 (EUR 931 thousand in 2018).

No full tax investigation of the Company for the period from 2013 to 2018 has been performed by the tax authorities. According to effective tax legislation, the tax authorities may at any time perform investigation of the Company's accounting registers and records for the period of five years preceding the accounting tax period and calculate additional taxes and penalties. The Management of the Company is not aware of any circumstances which would cause calculation of additional tax liabilities.

Litigations

There are no ongoing legal cases that are material or could end-up in material losses.

31. Subsequent events

On 1 March 2019 AUGA group, AB and Baltic Champs Group, UAB (code of legal entity 145798333, address Poviliškių village, Šiaulių county., Lithuania; holding 55.04 per cent of shares in AUGA group, AB) signed Agreement on extension of up to 2 mln. EUR loan. Final repayment date of the loan 31 December 2019. The loan is provided with no collateral, there is no up front or similar fees, and with fixed interest rate that meets market conditions.

* * * *

AUGA GROUP AB DISCLOSURE CONCERNING THE COMPLIANCE WITH THE GOVERNANCE CODE FOR THE COMPANIES LISTED ON THE REGULATED MARKET IN 2018

The public company AUGA Group AB, following Article 22 paragraph 3 of the Law on Securities of the Republic of Lithuania and item 24.5 of the Trading Rules of the NASDAQ OMX Vilnius Stock Exchange, discloses its compliance with the Governance Code, approved by the VSE for the companies listed on the regulated market, and its specific provisions. In the event of non-compliance with the Code or with certain provisions thereof, it must be specified which provisions are not complied with and the reasons of non-compliance.

PRINCIPLES/ RECOMMENDATIONS	YES/NO /NOT APPLICABLE	COMMENTARY
Principle I: Basic Provisions **The overriding objective of a company should be to operate in common interests of all the shareholders by optimizing over time shareholder value.**		
1.1. 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.	No	The Company has not adopted Company's strategy as a separate formal document. However, development planned for the nearest fiscal years are provided by the Company in the annual reports, which are provided on the Company's and through NASDAQ OMX Vilnius and Warsaw Stock Exchange information systems.
1.2. All management bodies of a company should act in furtherance of the declared strategic objectives in view of the need to optimize shareholder value.	Yes	The Company's Board members and chief executive officer attempt in their actions to increase shareholder equity and transparency of the Company by ensuring a high long-term financial rate of return, maintaining a small risk level and abiding by the ethical standards.
1.3. 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.	Yes	The Company's shareholders form the Supervisory Council, which represent the shareholders and elect the Board of Directors, which is responsible for the strategic management and supervises the work of the CEO. On Supervisory Council meetings the activities of the Board are reviewed. On regular Board meetings, the activities of Company's administration are reviewed and approved (in certain cases).
1.4. 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.	Yes	The Company respects rights and interests of persons other than the Company's shareholders participating in or connected with the Company's operation.
Principle II: The corporate governance framework **The corporate governance framework should ensure the strategic guidance of the company, the effective oversight of the company's management bodies, an appropriate balance and distribution of functions between the company's bodies, protection of the shareholders' interests.**		
2.1. 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.	Yes	The Company has a Supervisory Council and Board of Directors. Meetings of the Supervisory Council and Board of Directors ensure the effective supervision of company's activities. Duties of these collegial bodies are the same as those indicated in the legal acts of Lithuania. There are no separate rules adopted by the Company on the formation of these collegial bodies apart from the rules indicated in the respective legal acts. When electing collegial body, the shareholders or Supervisory Council respectively can access information about each

PRINCIPLES/ RECOMMENDATIONS	YES/NO /NOT APPLICABLE	COMMENTARY
		candidate before the shareholders or Supervisory Council meeting and during it.
2.2. 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.	Yes	The functions set forth in the recommendation are performed by the collegial management body – the Supervisory Council. Company's Supervisory Council, elects and revokes the members of the Board of Directors, supervises the activities of the Board of Directors and the CEO, makes recommendations to the Board and CEO on governance of the Company and its affairs.
2.3. 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.	N/A	The Company has a Supervisory Council and Board of Directors.
2.4. 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.	Yes	The relevant provisions set forth in III and IV principles are applicable to the formation of Company's Supervisory Council and activity assessment.
2.5. 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.	Yes	There are 3 (three) members of Supervisory Council and 5 (five) Board members in the Company. All members of the Supervisory council are independent. Board of Directors is constituted mostly from executives of the Company.
2.6. 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.	Yes	All members of the Supervisory Council are independent. Members of Supervisory Council and the Board are elected for 2-years term. Right to revoke the members of the Supervisory Council is granted to the shareholders' general meeting; this procedure is not easier than the procedure for dismissal of a member of the Board of Directors or a CEO.
2.7. Chairman of the collegial body elected by the general shareholders' meeting may be a person whose current or past office constitutes no obstacle to conduct independent and impartial supervision. Where a company should decide not to set up a supervisory board but rather the board, it is recommended that the chairman of the board and chief executive officer of the company should be a different person. Former company's chief executive officer should not be immediately nominated as the chairman of the collegial body elected by the general shareholders' meeting. When a company chooses to departure from these recommendations, it should furnish information on the measures it has taken to ensure impartiality of the supervision.	Yes	Performance of an impartial supervisory function is ensured through a Supervisory Council consisting of 3 members. The Supervisory Council elects the Chairman of the Supervisory Council from its members. As all members of the Supervisory Council are independent, there is no obstacle for them to carry out independent and impartial supervision.
Principle III: The order of the formation of a collegial body to be elected by a general shareholders' meeting **The order of the formation a collegial body to be elected by a general shareholders' meeting should ensure representation of non-controlling shareholders, accountability of this body to the shareholders and objective monitoring of the company's operation and its management bodies**		
3.1. 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	Yes	When electing collegial body, the shareholders can access information about each candidate before the shareholders meeting and during it.

PRINCIPLES/ RECOMMENDATIONS	YES/NO /NOT APPLICABLE	COMMENTARY
monitoring of the company's management bodies as well as representation of non-controlling shareholders.		Company's Supervisory Council operates impartially, objectively and represents the interests of all shareholders equally.
3.2. 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.	Yes	Information about the members of the Supervisory Council of the Company, their education, qualification, professional experience, participation in the activity of other companies is released in the reports of the Company. The information about the Supervisory Council members is constantly updated.
3.3. 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.	Yes	When electing Supervisory Council, the shareholders can access the thorough information about each candidate before the shareholders meeting and during it. Information about the composition of the Company's collegial bodies and particular competences of individual members is publicly displayed in the Annual Report of the Company which are provided in the internet sites of the Company www.auga.lt and Nasdaq Baltic www.nasdaqbaltic.com.
3.4. In order to maintain a proper balance in terms of the current qualifications possessed by its members, the collegial body should determine its desired composition 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.	Yes	The composition of the Supervisory Council is regularly assessed in the Company with consideration to the type and structure of activity pursued by the Company.
3.5. 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.	No	Presently, members of the Supervisory Council do not perform the assessment of skills and knowledge. The members of the Supervisory Council are regularly informed about changes in the legal acts and other circumstances influencing the operations of the company.
3.6. 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 number of independent members.	Yes	No shareholders have majority of the votes in the Supervisory Council, as the majority of the Council is independent. So the possible conflicts of interests are solved appropriately.
3.7. 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	Yes	All members of the Supervisory Council elected at the general shareholders meeting meet recommendations of this code regarding their independency.

PRINCIPLES/ RECOMMENDATIONS	YES/NO /NOT APPLICABLE	COMMENTARY
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, counselling 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.		
3.8. The determination of what constitutes independence is fundamentally an issue for the	No	Supervisory Council members' independency assessment is not practiced in the Company. The

PRINCIPLES/ RECOMMENDATIONS	YES/NO /NOT APPLICABLE	COMMENTARY
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 is willing to adopt independency criteria in the future.
3.9. 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.	No	See comment for 3.8
3.10. 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.	No	See comment for 3.8
3.11. In order to remunerate members of a collegial body for their work and participation in the meetings of the collegial body, they may be remunerated from the company's funds. The general shareholders' meeting should approve the amount of such remuneration.	Yes	The Supervisory Council members can be remunerated from the resources of the Company.
Principle IV: The duties and liabilities of a collegial body elected by the general shareholders' meeting **The corporate governance framework should ensure proper and effective functioning of the collegial body elected by the general shareholders' meeting, and the powers granted to the collegial body should ensure effective monitoring of the company's management bodies and protection of interests of all the company's shareholders.**		
4.1. 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 statements 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.	Yes	The company's Supervisory Council performs all supervision functions set forth in the legal acts of the Republic of Lithuania. The detailed information about the management of the financial risks is provided in Remark No 3 of the Explanatory Notes of Financial Statements.
4.2. 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, and (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	Yes	According to the data held by the Company, all Supervisory Council members act in good will with respect to the Company, are guided by the interests of the Company, and not personal or third parties' interests, seeking to preserve their independency while adopting the decisions.

PRINCIPLES/ RECOMMENDATIONS	YES/NO /NOT APPLICABLE	COMMENTARY
audit committee and, if necessary, respective company-not-pertaining body (institution).		
4.3. 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 of the meetings of the collegial body throughout the financial year of the company, shareholders of the company should be notified.	Yes	The Company's Supervisory Council properly performed the functions assigned.
4.4. 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.	Yes	Supervisory Council has approved its work regulations, which clearly define the role of the Council members in their relations with shareholders and their commitment to shareholders.
4.5. 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.	Yes	All significant transactions by the Company with its shareholders, are approved by the Supervisory Council. Detailed information about such transactions is provided in Paragraph 31 of the Explanatory Notes of Financial Statements. There are no agreements concluded between the shareholders of the Company.
4.6. The collegial body should be independent in passing decisions that are significant for the company's operations and strategy. Taken separately, the collegial body should be independent of the company's management bodies. Members of the collegial body should act and pass decisions without an outside influence from the persons who have elected it. Companies should ensure that the collegial body and its committees are provided with sufficient administrative and financial resources to discharge their duties, including the right to obtain, in particular from employees of the company, all the necessary information or to seek independent legal, accounting or any other advice on issues pertaining to the competence of the collegial body and its committees. When using the services of a consultant with a view to obtaining information on market standards for remuneration systems, the remuneration committee should ensure that the consultant concerned does not at the same time advice the human resources department, executive directors or collegial management organs of the company concerned.	Yes	The Company's Supervisory Council is independent while adopting decisions which are significant for the activity and strategy of the Company.
4.7. 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	Yes	In 2017 the Audit committee has been elected. Since the Company's Supervisory Council is made up of a small number of members, as stated in this recommendation, the nomination and remuneration committees are not formed and the functions assigned to them are performed by the Supervisory Council itself.

PRINCIPLES/ RECOMMENDATIONS	YES/NO /NOT APPLICABLE	COMMENTARY
of company's audit. Therefore when the mentioned issues are attributable to the competence of the collegial body, it is recommended that the collegial body should establish nomination, remuneration, and audit committees. 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 be comprised of a 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.		
4.8. 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 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.	Yes	Committees cannot replace the Supervisory Council. The Committees shall, within the limits of their competence, make suggestions, recommendations and opinions to the Supervisory Council.
4.9. 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.	Yes	Audit committee has 3 members.
4.10. 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	Yes	Supervisory Board has approved the regulations of the audit committee. Audit Committee is constituted of the same persons as the Supervisory Council hence it is deemed that the Audit Committee duly interacts with/reports to the Supervisory Council. Company does not currently publish information about the number of meetings and attendance.

PRINCIPLES/ RECOMMENDATIONS	YES/NO /NOT APPLICABLE	COMMENTARY
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.		
4.11. 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.	N/A	All members of the Supervisory Council are members of the Audit Committee.
4.12. 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.	N/A	In the Company, this committee is not formed, the functions provided for in this recommendation are made by the Supervisory Council.
4.13. 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	N/A	In the Company, this committee is not formed, the functions provided for in this recommendation are made by the Supervisory Council.

PRINCIPLES/ RECOMMENDATIONS	YES/NO /NOT APPLICABLE	COMMENTARY
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.		
4.14. 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	Yes	Company's Audit Committee's functions vested to it by the Supervisory Council in regulations of the Audit Committee correspond to the functions listed in the recommendation.

PRINCIPLES/ RECOMMENDATIONS	YES/NO /NOT APPLICABLE	COMMENTARY
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 centres 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		

PRINCIPLES/ RECOMMENDATIONS	YES/NO /NOT APPLICABLE	COMMENTARY
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 Audit Committee's functions vested to it by the Supervisory Council in regulations of the Audit Committee correspond to the functions listed in the recommendation.
4.15. 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.	No	Given that the Company has contracted Baltic Institute of Corporate Governance to undertake external Company's corporate governance review and evaluation, and that 2018 was last year of the tenure of the current Supervisory Council, the Supervisory Council has not undertaken review of their activities.
Principle V: The working procedure of the company's collegial bodies **The working procedure of supervisory and management bodies established in the company should ensure efficient operation of these bodies and decision-making and encourage active co-operation between the company's bodies.**		
5.1. 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	Yes	

PRINCIPLES/ RECOMMENDATIONS	YES/NO /NOT APPLICABLE	COMMENTARY
collegial body. The chairperson should ensure order and working atmosphere during the meeting.		
5.2. 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.	Yes	The Board of Directors meetings are held at least once per month and when prompt decisions are required - the decisions are made by voting in writing.
5.3. 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.	Yes	The members of the collegial bodies are informed in advance about the meeting.
5.4. 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.	Yes	The chairperson of the Company's collegial bodies of supervision and management do closely co-operate.
Principle VI: The equitable treatment of shareholders and shareholder rights **Corporate governance governance framework should ensure the equitable treatment of all shareholders, including non-controlling and foreign shareholders. The corporate governance framework should protect the rights of the shareholders.**		
6.1. 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.	Yes	The ordinary registered shares which compose the Company's authorized capital grant equal rights to all shareholders of the Company's shares.
6.2. 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.	Yes	The company publicly informs about the rights granted by the newly issued shares.
6.3. Transactions that are important to the company and its shareholders, such as transfer, investment, and pledge of the company's assets or any other type of encumbrance should be subject to approval of the general shareholders' meeting. 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.	Yes	All shareholders of the Company have equal opportunities to get familiarized and participate in adopting decisions important to the Company. Approval of the shareholder's meeting is also necessary in cases stipulated in the Company Law of the Republic of Lithuania.
6.4. Procedures of convening and conducting a general shareholders' meeting should ensure equal opportunities for the shareholders to effectively	Yes	The shareholders meetings are held in Vilnius, in conference rooms or in the office of the Company

PRINCIPLES/ RECOMMENDATIONS	YES/NO /NOT APPLICABLE	COMMENTARY
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. Prior to the shareholders' meeting, the company's supervisory and management bodies should enable the shareholders to lodge questions on issues on the agenda of the general shareholders' meeting and receive answers to them.		in the office building where Company's headquarters are located. Procedures for convocation and conduct of the general shareholders' meeting comply with the provisions of legal acts and provide the shareholders with equal opportunities to participate in the meeting, get familiarized with the draft resolutions and materials necessary for adopting the decision in advance, also give questions to the Board members.
6.5. It is recommended that documents on the course of the general shareholders' meeting, including draft resolutions of the meeting, should be placed on the publicly accessible website of the company 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 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.	Yes	All information dedicated to the shareholders and investors is announced on the company's website and through NASDAQ OMX Vilnius and Warsaw Stock Exchange information systems in Lithuanian and English.
6.6. 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.	Yes	The Company's shareholders may exercise their rights to participate in the general shareholders' meeting both personally and via an attorney, if such person has a proper authorization. They may also vote in writing in advance.
6.7. With a view to increasing the shareholders' opportunities to participate effectively at shareholders' meetings, the companies are recommended to expand use of modern technologies in voting processes by allowing the shareholders to vote in general meetings via terminal equipment of telecommunications. In such cases security of telecommunication equipment, text protection and a possibility to identify the signature of the voting person should be guaranteed. Moreover, companies could furnish its shareholders, especially foreigners, with the opportunity to watch shareholder meetings by means of modern technologies.	No	The Company does not follow this recommendation because it is difficult to ensure the security of transferred information and it is difficult to verify the identification of the person participating and voting in the meeting In the future, the Company will seek to implement such possibility.
Principle VII: The avoidance of conflicts of interest and their disclosure **The corporate governance framework should encourage members of the corporate bodies to avoid conflicts of interest and assure transparent and effective mechanism of disclosure of conflicts of interest regarding members of the corporate bodies.**		
7.1. 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.	Yes	The Supervisory Council and Board members act according to the following recommendations.
7.2. 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	Yes	

PRINCIPLES/ RECOMMENDATIONS	YES/NO /NOT APPLICABLE	COMMENTARY
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.		
7.3. 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.	Yes	
7.4. 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.	Yes	
Principle VIII: Company's remuneration policy **Remuneration policy and procedure for approval, revision and disclosure of directors' remuneration established in the company should prevent potential conflicts of interest and abuse in determining remuneration of directors, in addition it should ensure publicity and transparency both of company's remuneration policy and remuneration of directors.**		
8.1. A company should make a public statement of the company's remuneration policy (hereinafter the remuneration statement). This statement should be part of the company's annual accounts. Remuneration statement should also be posted on the company's website.	No	There is general non-management specific remuneration policy in the Company; it is not publicly disclosed yet. The Company expects to renew its website in 2019 and make dedicated space for disclosure of various corporate governance policies and practices. Information about the benefits and loans for the members of the management bodies is provided in the annual reports, financial accounts.
8.2. 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.	No	Given that company's management remuneration for 2018 was constituted mostly from fixed salary, there is no extensive explanation thereon.
8.3. 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;	No	Given that company's management remuneration for 2018 was constituted mostly from fixed salary, there is no extensive explanation thereon.

PRINCIPLES/ RECOMMENDATIONS	YES/NO /NOT APPLICABLE	COMMENTARY
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.		
8.4. 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.	No	Not currently in place a separate remuneration statement, should be reviewed by the newly appointed board as part of corporate governance action plan creation and implementation process.
8.5. 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	No	General Shareholders' meeting that has approved 2017 financial reports has also approved employee share (option) scheme (ESOS) rules and delegated to the board to establish more detailed terms, conditions and procedures of ESOS. Due to the fact that in 2018 the Company was raising capital; no share options have been granted during 2018. The Board of Directors has approved more detailed ESOS rules and has started allocation of options in 2019 only, so this will be reported next year together with the financial statements for 2019.

PRINCIPLES/ RECOMMENDATIONS	YES/NO /NOT APPLICABLE	COMMENTARY
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.		
8.6. 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.	No	There is no separate remuneration policy for management, should be reviewed by the newly appointed board as part of corporate governance action plan creation and implementation process. General Shareholders' meeting that has approved 2017 financial reports has also approved employee share (option) scheme (ESOS) rules and delegated to the board to establish more detailed terms, conditions and procedures of ESOS. It should be noted that granting of shares (options) is a discretionary bonus type as stipulating mean and is not consider to be a part of remuneration.
8.7. Award of variable components of remuneration should be subject to predetermined and measurable performance criteria.	No	
8.8. 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.	No	
8.9. 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.	No	
8.10. 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.	No	
8.11. Termination payments should not be paid if the termination is due to inadequate performance.	No	
8.12. The information on preparatory and decision-making processes, during which a policy of	No	

PRINCIPLES/ RECOMMENDATIONS	YES/NO /NOT APPLICABLE	COMMENTARY
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.		
8.13. Shares should not vest for at least three years after their award.	No	
8.14. 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.	No	
8.15. 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).	No	
8.16. Remuneration of non-executive or supervisory directors should not include share options.	No	
8.17. Shareholders, in particular institutional shareholders, should be encouraged to attend general meetings where appropriate and make considered use of their votes regarding directors' remuneration.	No	
8.18. 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.	No	
8.19. 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.	Yes	General Shareholders' meeting that has approved 2017 financial reports has also approved employee share (option) scheme (ESOS) rules and delegated to the board to establish more detailed terms, conditions and procedures of ESOS.
8.20. 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;	Yes	See 8.19

PRINCIPLES/ RECOMMENDATIONS	YES/NO /NOT APPLICABLE	COMMENTARY
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.		
8.21. 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.	Yes	See 8.19
8.22. 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.	Yes	ESOS rules do not differentiate between managers and employees generally. Given that granting of shares (options) is a discretionary bonus type, it depends mostly on the body vested with the right to take decisions on whether to grant shares (options) to specific employees/managers and what number.
8.23. 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.	No	Annual General Meeting that has approved 2017 financial statements has approved the ESOS rules, which contained main but not all information indicated in 8.23 principle requirement. More detailed terms and conditions, yet not overstepping the main rules approved by the General Meeting, has been approved by the Board of Directors of the Company.
Principle IX: The role of stakeholders in corporate governance **The corporate governance framework should recognize the rights of stakeholders as established by law and encourage active co-operation between companies and stakeholders in creating the company value, jobs and financial sustainability. For the purposes of this Principle, the concept "stakeholders" includes investors, employees, creditors, suppliers, clients, local community and other persons having certain interest in the company concerned.**		
9.1. The corporate governance framework should assure that the rights of stakeholders that are protected by law are respected.	Yes	The Company respects the rights of stakeholders which are protected by the laws and which authorize the stakeholders to participate in the management of the Company in the manner set forth in the laws.
9.2. The corporate governance framework should create conditions for the stakeholders to participate in corporate governance in the manner prescribed	Yes	See 9.1

PRINCIPLES/ RECOMMENDATIONS	YES/NO /NOT APPLICABLE	COMMENTARY
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.		
9.3. Where stakeholders participate in the corporate governance process, they should have access to relevant information.	Yes	See 9.1
Principle X: Information disclosure and transparency **The corporate governance framework should ensure that timely and accurate disclosure is made on all material information regarding the company, including the financial situation, performance and governance of the company.**		
10.1. 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	Yes	Information set forth in this recommendation is disclosed in the periodic financial reports, annual report, website, and through NASDAQ OMX Vilnius and Warsaw Stock Exchange information systems.
10.2. It is recommended 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. 10.3. 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. 10.4. 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.	Yes	See 10.1

PRINCIPLES/ RECOMMENDATIONS	YES/NO /NOT APPLICABLE	COMMENTARY
10.5. 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 Vilnius Stock Exchange, so that all the company's shareholders and investors should have equal access to the information and make informed investing decisions	Yes	Information is provided by the Company and through NASDAQ OMX Vilnius and Warsaw Stock Exchange information systems in the Lithuanian (only via NASDAQ OMX Vilnius) and English languages at the same time, as much as it is possible. The exchange announces the information received in their website and trade system, this way ensuring simultaneous provision of information to everyone. The Company does not disclose information that may have an effect on the price of securities issued by the Company in the commentaries, interview or other ways as long as such information is publicly announced via the information system of the Stock Exchange.
10.6. Channels for disseminating information should provide for fair, timely and cost-efficient 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.	Yes	Information is provided by the Company and through NASDAQ OMX Vilnius and Warsaw Stock Exchange information systems in the Lithuanian (only via NASDAQ OMX Vilnius) and English languages at the same time, as much as it is possible. The exchange announces the information received in their website and trade system, this way ensuring simultaneous, timely and cheap provision of information to everyone.
10.7. 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.	Yes	
Principle XI: The selection of the company's auditor **The mechanism of the selection of the company's auditor should ensure independence of the firm of auditor's conclusion and opinion.**		
11.1. An annual audit of the company's financial statements and report should be conducted by an independent firm of auditors in order to provide an external and objective opinion on the company's financial statements.	Yes	
11.2. 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.	Yes	The candidature of the audit company is suggested to the general shareholders meeting by the Company's Supervisory Board.
11.3. 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.	Yes	Fees for audit services are approved by the shareholders' meeting. During 2018 the Company (its group companies) received from the auditors following services: (a) attendance of accounting seminar – EUR 909; (b) review of prospectus – EUR 21,000 The latter non-audit services provided by the auditors do not have material effect on the audit/independence of the auditors and are in compliance with the requirements of on specific requirements regarding statutory audit of public-interest entities and repealing Commission Decision 2005/909/EC

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SUSTAINABILITY REPORT

2018

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The Sustainability Report of AUGA group is prepared in accordance with the Nasdaq ESG Reporting Guide for Nordic and Baltic listed companies.

ABBREVIATIONS

GHG	(greenhouse gas) – a gas that absorbs and radiates energy within the thermal infrared range due to its molecular structure.
CF	(carbon footprint) – a measure which shows all the emitted greenhouse gases from direct and indirect activities of an organization.
CO_2 eq.	(CO_2 equivalent) is a measure used to compare the emissions from various greenhouse gases based upon their global warming potential over 100 years. For example, the global warming potential for CO_2 is 1, for CH_4 is 28, for N_2O is 265, and for SF_6 is 23500, etc.
ECM	(energy corrected milk) – a relative unit of measurement is 1 kg of corrected milk. The raw milk production is converted to 4.0% fat and 3.3% protein of corrected milk quantity.
GJ	(gigajoules) – a unit of energy.
LPG	liquefied petroleum gas.
EGS	(Environmental, Social and Governance) – the three central factors in measuring the sustainability and ethical impact of a company.

FRESH VEGETABLES

PRESERVED VEGETABLES AND MUSHROOMS

READY-TO-EAT SOUPS

RAPESEED OIL

FLOUR

FRESH MUSHROOMS

DAIRY PRODUCTS

CHICKEN AND EGGS

The first Sustainability Report of AUGA group last year focused on who we were, what were our goals and strategic objectives. Our second Sustainability Report is about our achievements in the pursuit of our goals for 2018.

Last year we started implementing our numerous environmental goals. Our Supervisory Council approved the Environmental Policy, we came up with a strategic environmental plan and we estimated cumulated CO_2 emissions of our group of companies for the first time. We also made a systemic assessment of our energy and water consumption as well as waste production. Thus, next year we will be able to monitor our performance indicators, to measure the change rates and set specific energy consumption targets as well.

We paid much attention to our social policy as we increased the number of skilled workers and improved their working conditions, revised our remuneration and incentive systems. Today we are proud to be one of the largest employers of agriculture sector not only in Lithuania but also throughout the whole region.

To improve our management, we ordered the AUGA group's governance assessment at the Baltic Institute of Corporate Governance in 2018. Upon its results, the newly elected board shall develop and approve an actual action plan in 2019. In our pursuit of continuous improvement, AUGA group joined the Baltic Institute of Corporate Governance and became a member of Responsible Business Association of Lithuania (LAVA), seeking to align the governance of our company with global best corporate governance practices and principles of sustainable business.

Sustainability is an integral part of the vision and business model of the AUGA group. We seek to develop a sustainable farming system and to produce organic products in a sustainable production chain. Herewith we strive to create value and to meet expectations of our key stakeholders like shareholders, consumers, employees, and communities.

Kęstutis Juščius

AUGA group Chairman of the Board

I. SUSTAINABILITY IS AN INTEGRAL PART OF THE VISION AND BUSINESS MODEL OF THE AUGA GROUP

I.1 THE MAIN FACTS ABOUT THE AUGA GROUP

On 31 December 2018, the consolidated group of companies (hereinafter the Group) consists of AUGA group, AB (hereinafter the AUGA group or the Company)

- AUGA group is one of the largest vertically integrated organic food companies in Europe with
- 1200 employees
- 38 000 ha of farmland
- Turnover of 54.749 million
- Company shares are traded on Nasdaq Vilnius and Warsaw stock exchanges

ADMINISTRATION, PARENT COMPANY

auga Group

MUSHROOM GROWING

UAB „BALTIC CHAMPS“

CROP GROWING

ŽŪB „AUGA SPINDULYS“
ŽŪB „AUGA DUMŠIŠKĖS“
UAB „AUGA RAMUČIAI“
ŽŪB „AUGA MANTVILIŠKIS“
ŽŪB „AUGA GUSTONIAI“
KB „AGROMILK“
KB „JUODMARGĖLIS“
KB „ŠVENTOSIOS PIEVOS“
UAB „AUGA RASEINIAI“
UAB „KTG AGRAR“
UAB „AUGA LUGANTA“
ŽŪB „AUGA SMILGIAI“
ŽŪB „AUGA KAIRĖNAI“
ŽŪB „AUGA VĖRIŠKĖS“
ŽŪB „AUGA NAUSODĖ“
ŽŪB „AUGA JURBARKAI“
ŽŪB „AUGA SKĖMIAI“
ŽŪB „AUGA ŽELSVELĖ“
UAB „AUGA GRŪDUVA“
ŽŪB „AUGA ALANTA“
ŽŪB „AUGA ŽADŽIŪNAI“
ŽŪB „AUGA LANKESA“

COMMODITY TRADE: UAB „GRAIN LT“

STORAGE AND PACKAGING SERVICES: ŽŪK „AGROBOKŠTAI“, ŽŪK „PURPURĖJA“

DAIRY AND POULTRY

ŽŪB „AUGA SMILGIAI“
ŽŪB „AUGA KAIRĖNAI“
ŽŪB „AUGA VĖRIŠKĖS“
ŽŪB „AUGA NAUSODĖ“
ŽŪB „AUGA JURBARKAI“
ŽŪB „AUGA SKĖMIAI“
ŽŪB „AUGA ŽELSVELĖ“
UAB „AUGA GRŪDUVA“
ŽŪB „AUGA ALANTA“
ŽŪB „AUGA ŽADŽIŪNAI“
ŽŪB „AUGA LANKESA“

END-USER PRODUCTS

UAB „BALTIC CHAMPS“

I.2 VALUES

Our daily activities are based on three core values – we strive to be reliable, innovative and sustainable.

REALIABILITY

We are experts in our field down to the smallest detail. The consumer has our best guarantees for quality, efficiency and open communication. We made up our mind to become a socially responsible group of companies – to engage only in organic and environmentally sustainable farming and food production business.

INNOVATION

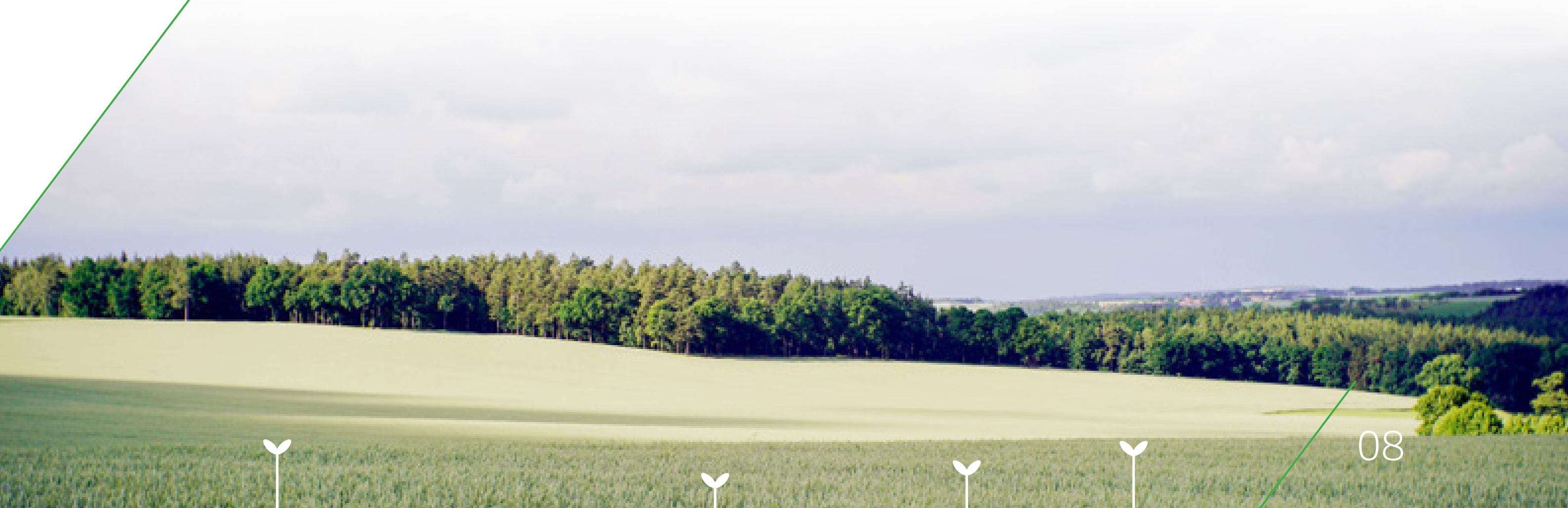
A new generation of machinery and innovative solutions help us nurture natural and organic farming methods. We know how to produce organic products at a fair price, using the latest technologies, economies of scale and synergies between different branches of agriculture.

SUSTAINABILITY

We find it important to maintain the right balance between business and environmental responsibility, ecology and modern technology, production and consumption. Therefore, AUGA foods are produced with care about the environment – using the modern organic farming technologies.

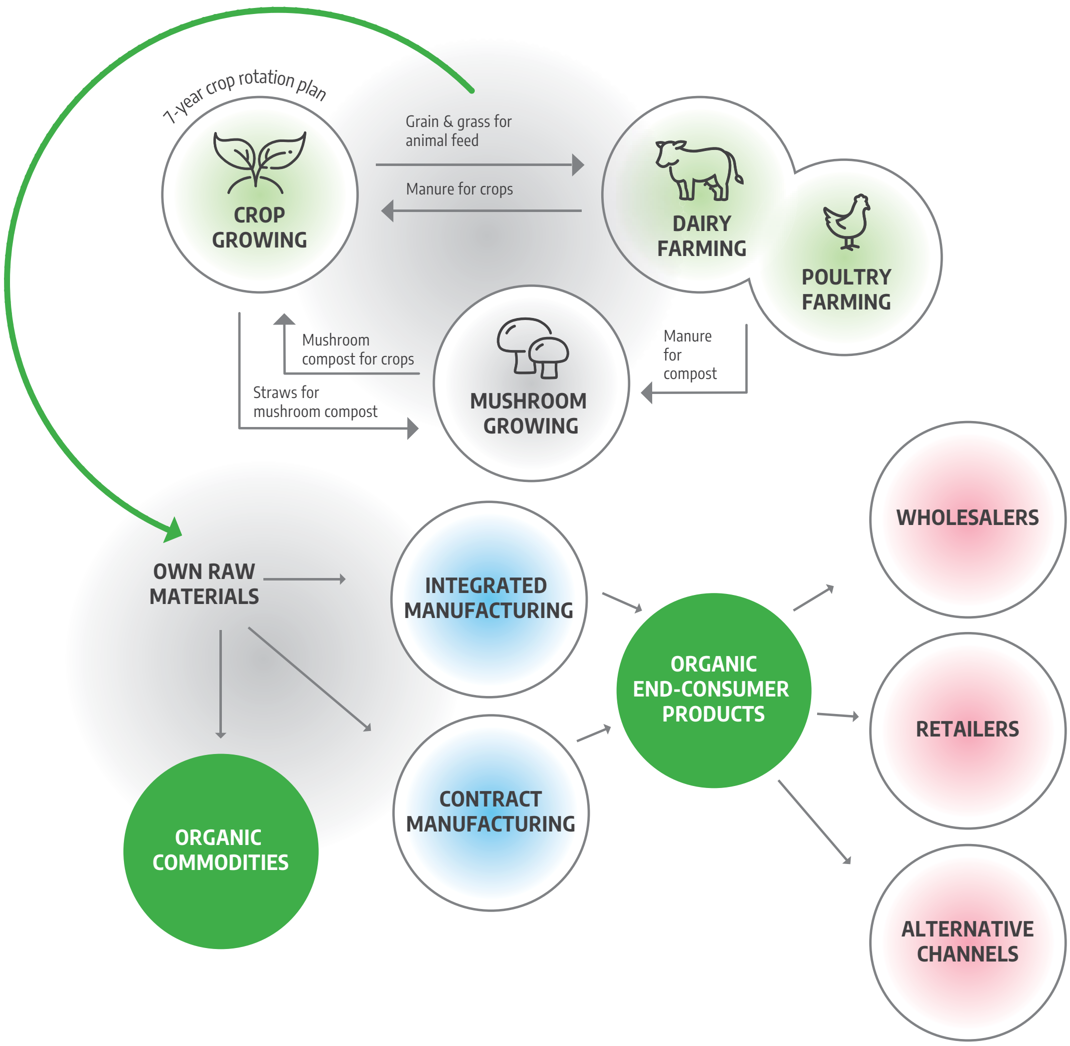
I.3 SUSTAINABLE BUSINESS PRINCIPLES

The Company follows these basic principles of sustainable business:



I.4 SUSTAINABLE BUSINESS MODEL

The Group's business model is unique because it encompasses crop cultivation, processing and supply to end-users. Such system of business processes ensures high organic, qualitative and product safety standards of our production as well as a systematic sustainability of business processes within the Group.



I.5 SUSTAINABLE FARMING METHODS

One of the core parts of the Group's business model is sustainable farming. Our model of sustainable organic farming relies on three key tools:

Min-till Preserving Agriculture

- Reduction of soil erosion;
- Water retention in the soil;
- Preservation of biodiversity and ecosystem;
- Preservation of soil fertility;
- CO_2 return to the soil;
- CO_2 capturing.

Closed-Loop Farming

- Synergy among different branches of agriculture: crop production, dairy farming and mushroom growing;
- Assurance of organic production standards;
- Secondary use of organic waste in our farms.

Biogas Production (future)

- Secondary use of organic waste for biogas production;
- Investment in the development of biogas production and purification;
- Replacement of fossil fuels with biogas;
- Reduced GHG emissions.

I.5.1 MIN-TILL AGRICULTURE

We seek to use the most environmentally friendly methods for our farming. One of the core techniques is min-till farming. Min-till farming is a type of farming which preserves the microflora of soil. The soil is prepared for crops without tilling, just the surface of the soil is minimally disturbed. Min-till farming enables us to reduce CO_2 emissions in comparison with the arable farming due to, reduced agricultural machinery fuel consumption, preservation of organic substances of the upper layer of the soil, as these do not emit into the air in the form of CO_2 and remain in the soil, improving its quality and reducing erosion.

We increased the area of land cultivated by min-till almost twice within 2018. Currently, min-till farming is applied in 85% of the whole cultivated land.

I.5.2 CLOSED-LOOP FARMING

Closed-loop organic farming is a farming method in which the inputs for the growing process are found in secondary products or the waste of other processes in the loop. For example, the cattle manure produced in the livestock farming processes is used to fertilize the fields and grow grains to produce feed. This closed-loop production model can be fully self-sustainable when the quantities of livestock, birds, legumes and other crops are well balanced within the loop.

So far the Group has insufficient quantities of cattle and poultry to ensure the self-sustaining functioning of the closed-loop model, therefore it is forced to purchase a part of the organic fertilisers on the market.

For the closed-loop model to function properly, we invested in the third hennery of laying hens, increasing the total number of our poultry by 15%. Poultry manure is one of the main fertilisers on farms, it is also used to produce mushroom compost.

More on min-till and closed-loop farming see our Sustainability Report of 2017.

I.5.3 BIOGAS PRODUCTION AND BIOGAS TRACTOR PROTOTYPE

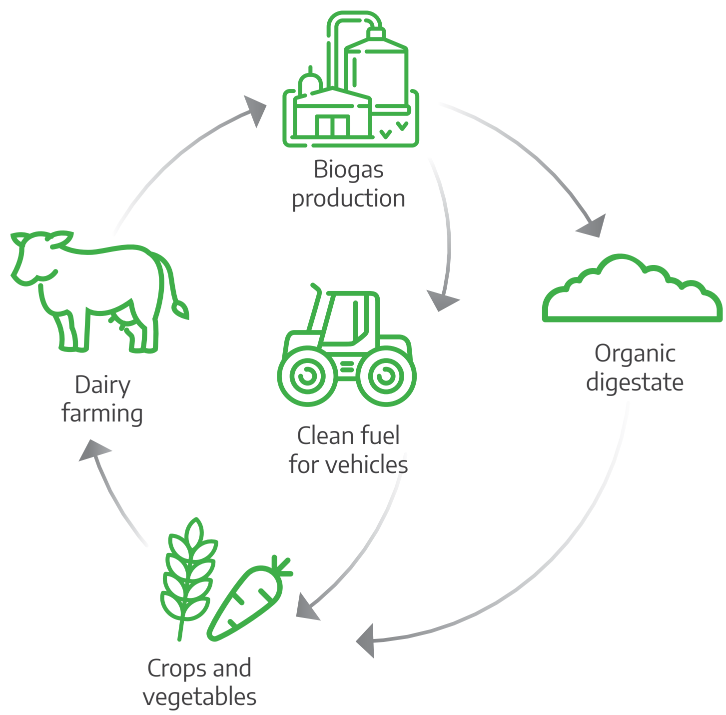
The long-term objective of AUGA group is neutral CO_2 balance. It can be achieved by replacing fossil fuels used in tractors and machinery in the farmsby biogas produced from waste andby-products emerging in other stages of the Groups's activities. Therefore, AUGA group invests in the extraction of biogas from the cattle manure produced in Group's farms as well as the development of a tractor powered by biogas.

Most agricultural tractors are powered by diesel engines.

Diesel (with some exceptions) is produced from non-renewable energy sources, therefore its use is not compatible with sustainability principles. Meanwhile, biogas may be considered as one of the cleanest fuels provided it is produced from agricultural waste.

Many global agricultural machinery companies are creating biogas-powered tractor prototypes by now, but the functional tractors are still absent on the agriculture market. To fill this gap, AUGA group has started the development of a tractor powered by an alternative fuel. We hope for a successful field test of the first prototype at the end of 2019 or at the beginning of 2020.

In 2017, the Company joined a Biopower development cluster working on innovative technology of biogas purification and methane enrichment with zero methane emission to the atmosphere. Currently, the Company focuses on the development of a biogas powered tractor's prototype, however in the future it will seek to produce the fuel for the tractor by itself or in partnership with companies investing in renewable energy.



I.6 SUSTAINABLE DEVELOPMENT GOALS: OUR CONTRIBUTION

We understand all the sustainable development objectives of the United Nations and see them as integral goals aiming to create a sustainable and harmonious world.

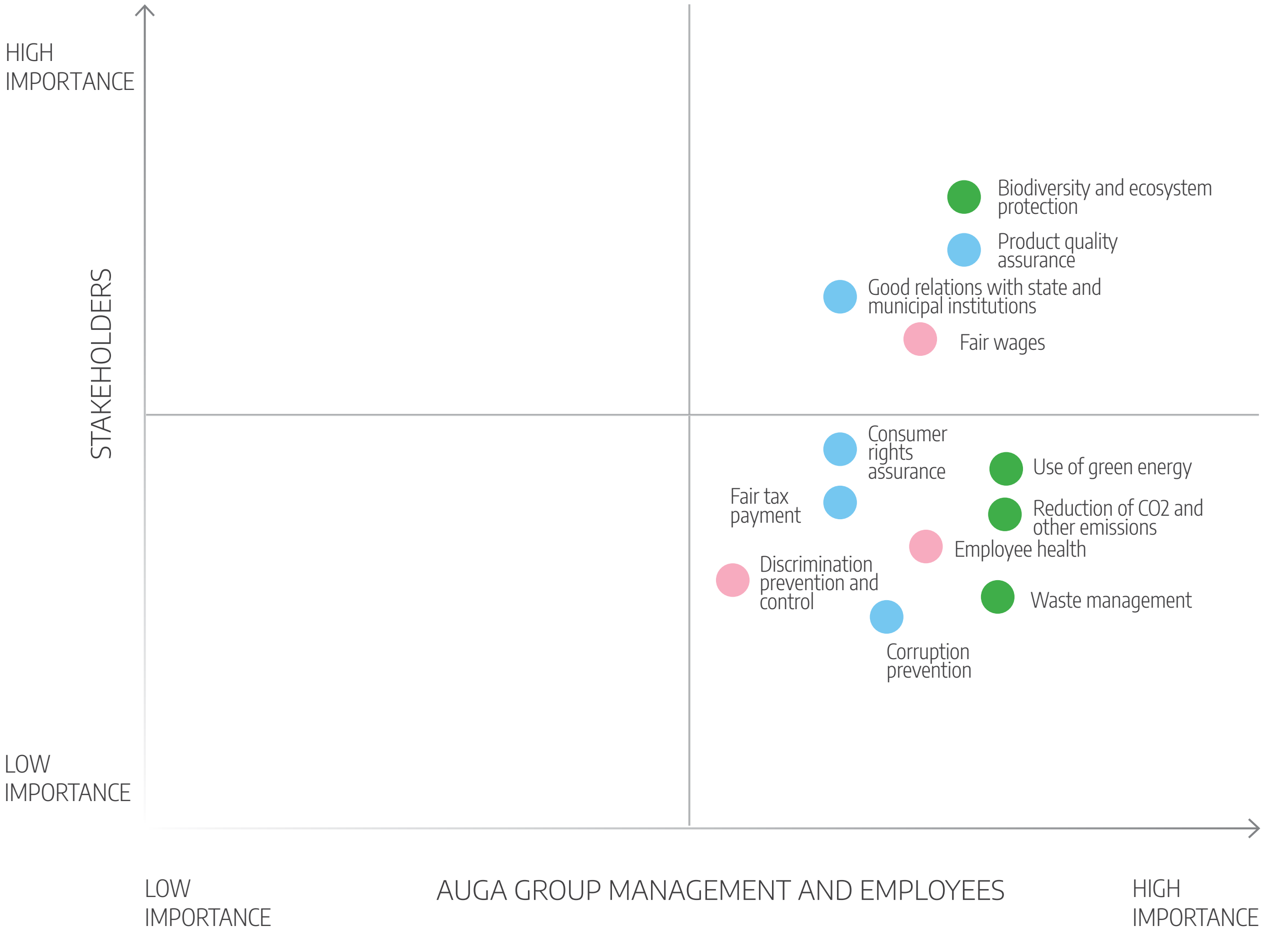
After having estimated the Groups activity processes and their impact on the environment and society, we highlighted those with the greatest and most meaningful potential of our contribution.

I.7 IDENTIFICATION OF SIGNIFICANT SUSTAINABILITY CRITERIA

In our first Sustainability Report, we tried to identify the most relevant environmental, social and governance (ESG) risks in the AUGA group's priority areas. We did this in accordance with the Nasdaq ESG Reporting Guide for Nordic & Baltic Markets (Nasdaq ESG guide)[1]. We have also considered criteria of the publicly available SASB Materiality Map for sustainability of agricultural products, meat, chicken, milk and processed foods[2].

Further, we selected the most relevant criteria by surveying AUGA group managers and based on monitoring of stakeholder communication. The relevance of the sustainability criteria was assessed in two steps. Firstly, we surveyed managers of the main AUGA group companies. In the second step, we estimated stakeholders' opinions on AUGA group compliance with the sustainability criteria by media monitoring over the period of 2017.

SUSTAINABILITY CRITERIA MATERIALITY MATRIX



1 https://business.nasdaq.com/esg-guide/
2 https://materiality.sasb.org/

AUGA GROUP'S LIST OF SUSTAINABILITY CRITERIA

Environmental protection criteria	Social responsibility criteria	Governance criteria
Reduction of CO_2 and other emissions	Fair wages	Product quality assurance
Energy saving	Employee health	Consumer rights assurance
Use of green energy	Discrimination prevention and control	Good relations with state and municipal institutions
Biodiversity and ecosystem protection	Good working conditions	Corruption prevention
Waste management	Employee trainings	Fair tax payment
Fuel management	Employee safety	Good relationships with business partners
Water management	Compensation for accidents and injuries at work	Good relations with the media
Biogas production from waste	Human rights protection	Good relationships with local business communities
	Gender equality protection	Good relationship with the academic community

II. ENVIRONMENT

II.1 OUR WORKS AND ACHIEVEMENTS IN 2018

II.1.1 WE HAVE CALCULATED OUR CARBON FOOTPRINT

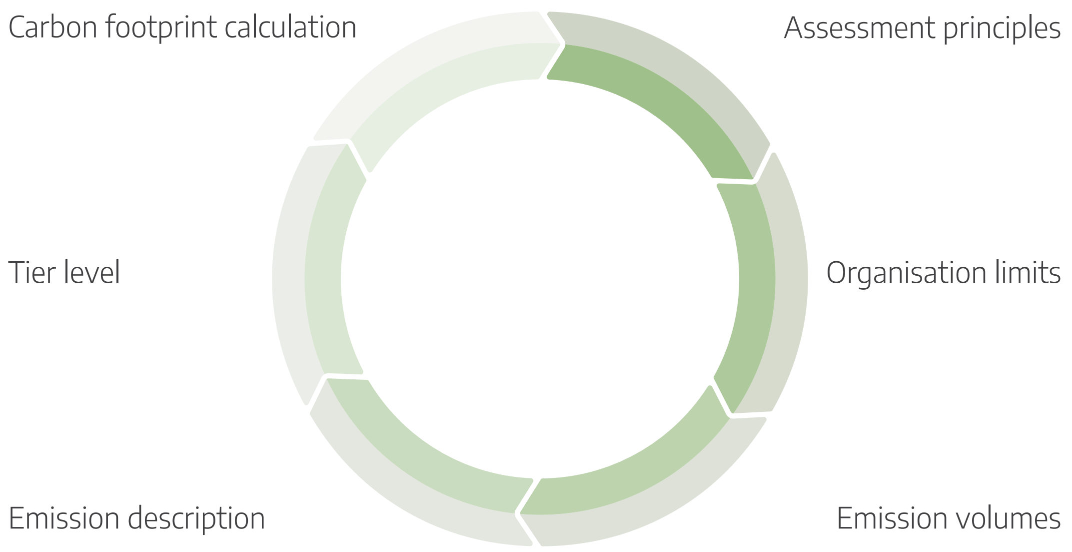
The Group's businesses of agriculture and especially animal husbandry are industries with the major impact on the GHG emission. Despite our current contribution to the reduction of GHG emissions as we implement environment-friendly innovations in organic farming, we also seek to assess all possibilities to do even more in the future[3]. Today we are already using exclusively green energy, we are implementing electricity production from renewable energy sources in holdings of rearing laying hens, we are developing technologies to use biogas and we will strive to apply them widely in the future.

In our ESG Report for 2017, we set the goal to calculate the cumulated carbon footprint of the Group in 2018, and we did it. More on calculation results and applied methodologies see Report Chapter II.2 A1 Direct and Indirect GHG Emissions.

To determine GHG emissions from the Company's activities, we used the following methodologies and best practices:

- International standard ISO 14064, 2006 for GHG at the organisation level;
- Greenhouse Gas Protocol of World Resources Institute and World Business Council for Sustainable Development, 2004;
- Guidelines for National Greenhouse Gas Inventories, Intergovernmental Panel on Climate Change, 2006;
- Guidelines to GHG Conversion Factors of Department of Environment, Food and Rural Affairs of the United Kingdom, 2018;

CARBON FOOTPRINT CALCULATION SCHEME:



3 Henceforth, the terms **GHG**, converted to CO_2 equivalents, and **CO_2 footprint** are used synonymously and interchangeably.

The Objectives for 2019

We will further seek to reduce our carbon footprint for 2019 and subsequent years, to recalculate the cumulated carbon footprint of the Group at least once a year, and to assess our progress in the carbon footprint reduction.

II.1.2 WE HAVE CALCULATED OUR INDICATORS ON ENERGY, NATURAL RESOURCES, AND WASTE

We have calculated for the first time cumulated Group indicators on energy, natural resources, and waste over 2018. For detailed information on these indicators see Report Chapter II.2.

The Objectives for 2019

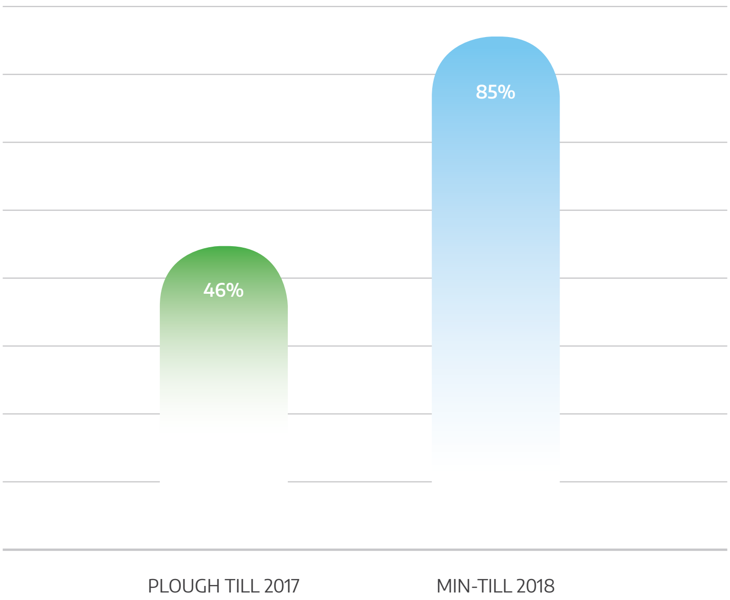
We aim to set targets for 2019 and the subsequent years to reduce energy and natural resources consumption as well as waste production, to revise the targets at least once a year and to monitor the achievement of objectives.

II.1.3 WE INCREASED THE AREA OF MIN-TILL FARMING

To reduce our GHG emissions, we increased the area of min-till farming almost twice over 2018. Currently, 85% of the whole land undergo min-till cultivation.

In 2018[4] we assessed the environmental impact of our min-till farming using international methodology.

Compared to a traditional arable farm of the same size, our GHG emission using the min-till approach is considerably smaller, as is our diesel consumption.



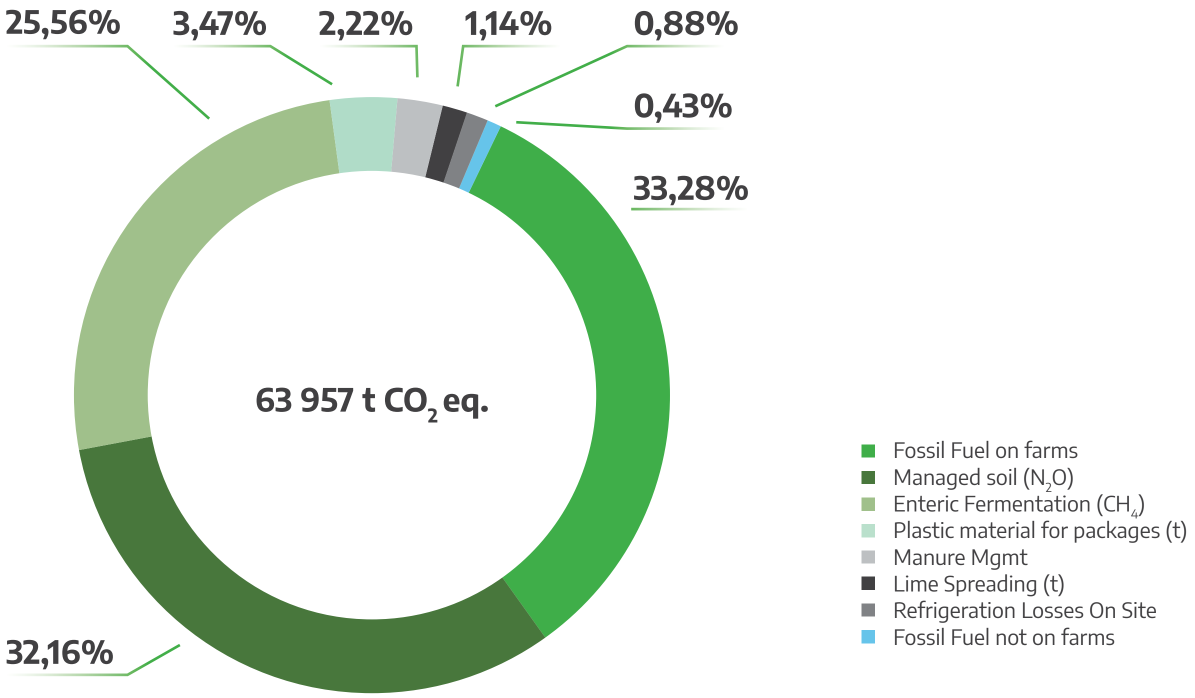
4 Kriščiukaitienė I, Srebutienienė I, Malūnavičienė V., 2018. Mechanizuotų žemės ūkio paslaugų¸ įkainiai. Lithuanian Institute of Agrarian Economics.
https://www.laei.lt/x_file_download.php?pid=3064
UK Government Conversion Factors for greenhouse gas (GHG) reporting, 2018 (https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/715425/Conversion_Factors_2018_-_Condensed_set__for_most_users__v01-01.xls)

II.2 COMPLIANCE WITH NASDAQ ESG REPORTING GUIDELINES

E1. Direct and Indirect GHG Emissions

The Carbon footprint of the Group amounted to 63 957 t CO_2 eq. in 2018.

The calculations were based on actual resource consumptions. Calculations were made in accordance with the approved Intergovernmental Panel on Climate Change methodology.



E2. Carbon Intensity

Carbon intensity shows how much carbon the Group's companies emit per activity unit, e. g. per every Euro of revenue produced, per every ha of cultivated land etc. The cumulated carbon intensity indicators of the Group for 2018 are given below.

Performance indicators	Units of measurement	Value
Cattle farming	t CO_2 / 1 cattle	4.71
Milk production	Kg CO_2 / 1 kg of ECM	0.74
Growing of crops	t CO_2 / ha	1.12
Crop production	t CO_2 / t of crop production	0.38
Mushroom production	t CO_2 / t mushroom production	0.31
Employees	t CO_2 / 1 employee	55.52
Turnover	t CO_2 / 1 Eur of turnover	0.00117

While calculating the carbon intensity of different sectors, the allocation of emissions was aligned with the accounted costs in each sector. This method was chosen in order to reflect the impact of activities of each sector with more precision and to be able to estimate the investments into each sector according to cost centres in the future.

E3. Direct & Indirect Energy Consumption

The cumulated energy consumption of the Group in 2018 was 372 878,20 gigajoules.

Energy type	Value	Energy (gigajoules)
Natural gas	3 932 000 kWh	14155.20 GJ
Liquefied petroleum gas (LPG)	276 993 l	6924.83 GJ
Petroleum	62 189 l	2 142.27 GJ
Diesel for farm machinery	7 343 250 l	280 300.23 GJ
Diesel for production drying	375 263 l	14 300.22 GJ
Electricity	15 246 773 kWh	54 888.38 GJ
Heat	46 408 kWh	167.07 GJ
		TOTAL: 372 878.20 GJ

Skaičiuojant skirtingų sektorių emisijų intensyvumą buvo remtasi prielaidomis iš savikainos rodiklių. Šiuo atveju tai buvo patikimiausias rodiklis, kuris atvaizduoja skirtingų ūkio šakų CO_2 emisiją.

E4. Energy Intensity

Energy intensity expresses the energy required per unit of activity, output, or any other organization-specific metric. The cumulated Energy Intensity indicators of the Group for 2018 are given below.

Performance indicators	Units of measurement	Value
Cattle farming	GJ / 1 cattle	4.48
Milk production	GJ / 1 kg of ECM	0.71
Growing of crops	GJ / 1 ha	7.24
Crop production	GJ / t	2.43
Mushroom production	GJ / t	7.57
Employees	GJ / 1 employee	323,68
Turnover	GJ / 1 Eur	0.00681

While calculating the energy intensity of different sectors, the allocation of energy consumption was aligned with the accounted costs in each sector. This method was chosen in order to reflect the impact of activities of each sector with more precision and to be able to estimate the investments into each sector according to cost centres in the future.

E5. Primary Energy Source

The primary energy source of the Group is electric power. All the Group companies producing crops, livestock, mushrooms, and the Company headquarters use only certified green electric power, partialy produced by the Group's companies themselves from renewable energy sources. The subsidiaries produced 92 445.7 kWh electric power in 2018.

E6. Renewable Energy Intensity

The renewable energhy intensity metric is calculated by dividing annual energy sourced by renewables (in AUGA group's case it is almost all of the Group's consumed electricity) over non-renewables (total energy consumption minus electricity). In 2018, renewable energy intensity of the Group was 17.3%.

E7. Water Management

This indicator measures the valuation and efficiency of water consumption. The cumulated water consumption of the Group was 205097.05 m^3 in 2018.

Almost all water comes from our own boreholes. Only small quantities of water are being purchased from other suppliers for agricultural purposes or as drinking water for administration. Vegetable irrigation uses a surface pond water with an average annual volume of 4 500 m^3.

E8. Waste Management

This metric measures the Group's performance and commitment as it relates to trash generation, recycling, and resource usage. The cumulated amount of waste produced by the Group in 2018 is given in the table below.

Waste materials, such as paper, plastic or metal are prepared (sorted) and transferred to the licensed waste managers. In 2018, 25,14 t of paper waste and 37,40 t of plastic waste handed over to the waste managers was used for recycling, and plastic for both recycling and secondary use as fuel in energy production.

The companies of the Group handle their waste according to the Unified Product, Packaging and Waste Record Keeping Information System (GPAIS). GPAIS is designed for collection, analysis, and control of the accounting data. This system is mandatory for manufacturers and importers, their organisations, waste processors, producers and other participants of the waste sector. This year GPAIS was applied by us for the first time, therefore some data inaccuracies are possible. More accurate calculations of waste and packaging materials will be presented in our Report next year.

Waste	**Amount in t**	**CO2 eq., t**
Office paper	3.67	0.08
Paper waste (reused for our own purposes)	25.14	21.93
Plastic waste	37.39	0.80
Packaging		
Packaging paper and paperboard	384.94	335.77
Packaging plastic	710.54	2 216.20
Packaging PET	7.64	30.97
Packaging glass	4.91	4.39
Packaging metal	0.04	0.12
Packaging wood	105.30	88.92

E9. Environmental Policy

AUGA group's Environmental Policy was approved by the Company's supervisory council at the beginning of 2019. The policy is published on the Company's website[5].

The aim of this policy is to provide strategic guidelines and principles for ensuring appropriate management of the environmental impact across the entire business cycle.

AUGA group seeks to reduce its negative environmental impact and develops environment-friendly organic farming technologies.

We aim to reduce its adverse effects on the environment by adopting the following measures:

- To operate in accordance with all environmental requirements and legislation;
- To collaborate on environmental issues with business partners, authorities and other stakeholders;
- To monitor the environmental impact of its business by tracking its carbon footprint and taking steps to reduce it;
- To save energy and natural resources by using renewable energy sources as well as boosting the production of biogas and its use for organic farming;
- To manage the operational waste by the Reduce, Reuse, and Recycle principle;
- To foster employees' competencies and responsible attitude towards their work and environment;
- Evaluate the processes in the food chain through the sustainability point of view, identify the flaws in the chain and find organizational forms and technologies to address them. In case there are no available technologies on the market, initiate their research and development programs involving both internal and external resources and partners.

To ensure that the Environmental Policy becomes more than just a declaratory document, the Company's management board is about to adopt the Strategic Plan for Environmental Accounting and Management. The Plan shall identify specific measures, their implementation deadlines and shall be communicated across the organization.

E10. Environmental Impacts

The Company and its subsidiaries had no litigations on negative environmental impacts. The Group complies with environmental protection laws and seriously responds to any comments of regulatory authorities in its pursuit to comply with all the environmental rules.

5 http://auga.lt/en/for-auga-investors/

III. SOCIAL ISSUES

In 2018, the Group preserved its position as one of the biggest employers of the agricultural sector in Lithuania, especially in the regions of Šiauliai, Radviliškis, Joniškis, Širvintos, Raseiniai, and Kelmė. In 2018 the Group employed 1207 people in different regions of Lithuania and was joined by 55 new specialists. Our ambition is to be the most attractive employer in the Lithuanian agricultural sector.

To be able to attract, enhance and retain qualified and talented employees, the Group aims to be a socially responsible employer and to maintain close links with local communities.

GOALS OF A SOCIAL EMPLOYER AUGA GROUP

Competitive wages and talent attraction

- Fair and competitive wages;
- Attraction and retention of qualified employees;
- Attraction and retention of young talents.

Fair and responsible labour conditions

- Safe and healthy work environment;
- Assurance of employee rights and employee well-fare;
- Violation prevention and control.

Human rights protection

- Human rights protection;
- Assurance of gender equality;
- Discrimination prevention;
- Assurance of diversity;
- Violation prevention and control.

III.1 OUR WORKS AND ACHIEVEMENTS IN 2018

III.1.1 IMPROVEMENT OF REMUNERATION SYSTEM AND WORKING CONDITIONS

In 2018 we continued to improve our remuneration system to make it more clear, transparent and to ensure consistent growth of pay and motivation of the employees. In 2018 our focus was the revision of the remuneration of farm workers.

Employee remuneration change in 2018:

17,4%	0,6%	- 2,4%*
Farm workers	Farm managers	Administration staff

*The decrease of remuneration was caused by the shift in numbers of employees with different qualifications. The change resulted from the average salary of the administrative staff.

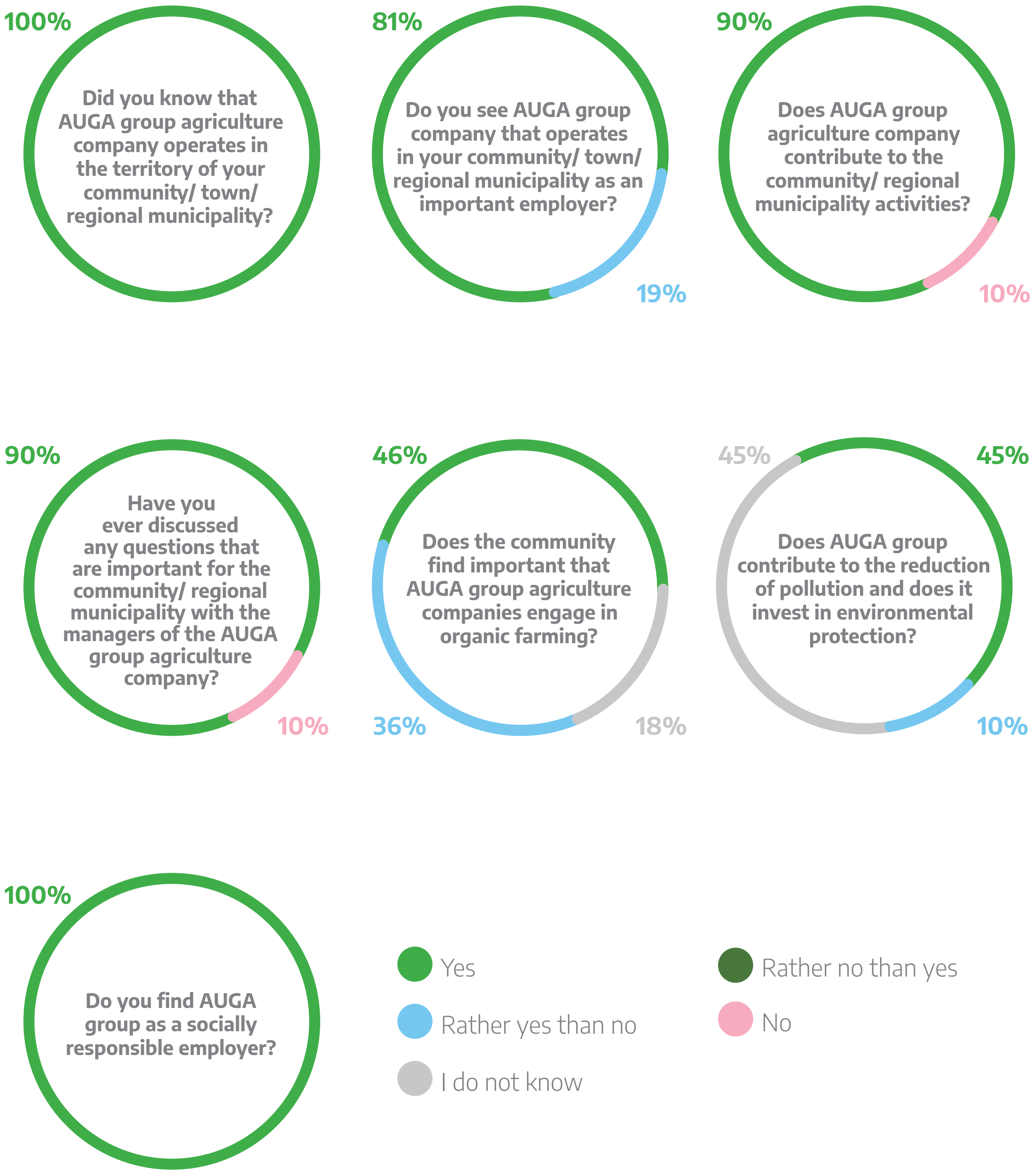
In 2018 the general meeting of shareholders made a reserve from the profit of 2017 for future stock options. The reserve will provide with the possibility for an additional incentive for the employees of the Group – they can be awarded with Company shares under the conditions and procedures drawn by the general meeting the shareholders and the management of the Company.

III.1.2 DIALOGUE WITH LOCAL COMMUNITIES, SURVEY OF NEEDS AND OPINIONS

The Group‘s businesses have an impact not only on our employees and business partners; they also impact interests and the future of local communities therefore we pay close attention to their needs. We seek for a long-term dialogue and a common ground with each community hosting our subsidiaries. While actively expanding our businesses in the regions of Lithuania, we aim to strengthen the local businesses and maintain our reputation of an attractive employer.

To ensure a long-term sustainable dialogue with local communities, we have been heavily investing in meetings with representatives of communities and municipalities in 2018. To better understand the needs and expectations of local communities, we have surveyed their representatives. The survey was carried out among representatives of 15 communities and municipalities, which entail 70% of communities and municipalities hosting the subsidiaries of AUGA group.

The survey revealed that the Group’s collaboration with most local communities is a success – companies of the Group and communities jointly discuss and solve arising issues and problems. Moreover, the communities see AUGA group as a positive employer and appreciate its social responsibility.


100%
Did you know that AUGA group agriculture company operates in the territory of your community/ town/ regional municipality?
81%
Do you see AUGA group company that operates in your community/ town/ regional municipality as an important employer?
19%
90%
Does AUGA group agriculture company contribute to the community/ regional municipality activities?
10%
90%
Have you ever discussed any questions that are important for the community/ regional municipality with the managers of the AUGA group agriculture company?
10%
46%
Does the community find important that AUGA group agriculture companies engage in organic farming?
36%
18%
45%
45%
Does AUGA group contribute to the reduction of pollution and does it invest in environmental protection?
10%
100%
Do you find AUGA group as a socially responsible employer?
Yes
Rather yes than no
I do not know
Rather no than yes
No

III.2 COMPLIANCE WITH NASDAQ ESG REPORTING GUIDELINES

S1. CEO Pay Ratio

The AUGA group CEO pay ratio versus the Group's full-time employee median salary was 6.36 in 2018.

S2. Gender Pay Ratio

The median salary of male employees in the Group was 1.2 times higher than the median salary of female employees. As in previous year, the difference arose due to the specific job positions and level of qualification, not the type of gender.

S3. Employee Turnover Ratio

The average overall employee turnover ratio resembled that of the previous year and amounted to 20% in 2018.

S4. Gender Diversity

Women accounted for 43.1% of the the Group's employees in 2018. In the management positions women accounted for 22.4%, at the skilled employee level 48.4% were women, and among the unskilled workers women ratio was 43.2%.

S5. Temporary Worker Ratio

In 2018, the Group temporarily employed 4,6% workers, which is two times less than the previous year, when fixed-term workers accounted for 10% of the Group's employees.

S6. Non-Discrimination Policy

The Company has no formal non-discrimination policy. However, the Group complies with domestic and international regulatory obligations of non-discrimination. The Group does not tolerate discrimination, humiliation, harassment or insulting behaviour on grounds of employee's gender, nationality, race, religious and political beliefs or other personal traits.

We establish a level playing field for all workers irrespective of their age. Although most of the Group's employees are older than 45 years of age – due to the historical circumstances of the Company subsidiaries and demographics in rural areas – we do our best to attract younger workers as well as to put them in favourable working conditions. This is our attempt to contribute to the policy of the EU to attract young people to work in smaller towns and rural areas.

In the second part of 2018, agricultural companies of the Group had 57 employees between 18 and 25 years of age. Quite a few such employees – 32 – were employed in 2018. There were 165 employees between 26 and 35 years of age. 44 of them were employed in 2018. Another 140 employees are 36–45 years of age.

Distribution of Young Workers

Age of employees	18-25 m.	26-35 m.
Number of employees	57	165

S7. Injury Rate

Our goal is zero injury rate. To achieve it we train our employees, constantly assess and improve their working conditions to comply with the mandatory requirements.

Nevertheless, we had 7 occupational accidents in 2018 (in 2017 there was 1 accident at work). Absolute majority of them was a mild health injury, mostly caused by the negligence of the employees. In 2018 there was 0,0058 accident per 1 employee.

S8. Global Health & Safety Policy

The Company has an internal policy on health and safety at work. Every new employee of the Group is instructed on work safety requirements before starting the job and is encouraged to regularly renew his or her knowledge on safety.

The Company will review its internal regulations on health and safety at work in 2019. It will update the regulations and adopt missing elements to ensure not only minimal legal requirements but also good practices.

S9. Child & Forced Labour Policy

The Company has no formal policy governing child and prohibiting forced labour. However, the Company complies with prohibitions and restrictions on child and forced labour, set by national and international legislation.

S10. Human Rights Policy

The Company has no separate formal human rights policy. The Company's Principles Ethics declare that respect for human rights is an integral part of the Company key values. The Company is guided by corporate practices and principles conforming to the principles of Universal Declaration of Human Rights and international labour conventions.

S11. Human Rights Violations

The Company and the Group have no recorded cases of employees' rights infringement or conflicts at work in 2018.

We take seriously any reports of human rights violations, which the employees can report directly to their immediate superior, to Human Resources manager, Company manager or by e-mail etika@auga.lt.

S12. Board Diversity

The Management Board of AUGA group includes one woman and one independent member. This accounts for 40% of all Board members. The Company's Supervisory Council consists of three members – they are all men and independent members.

IV. GOVERNANCE OF THE COMPANY

IV.1 OUR WORKS AND ACHIEVEMENTS IN 2018

IV.1.1 ASSESSMENT OF CORPORATIVE GOVERNANCE

To improve its corporate governance practices, the Company ordered an assessment at the Baltic Institute of Corporate Governance (BICG). After the assessment the Company was given a report, comparing the level of the Company's practices with the good international corporate governance practices, followed by recommendations.

This evaluation was intended to:

carry out a detailed analysis of the existing Company's corporate governance practices;

assess the compliance of the existing Company's practices with good international corporate governance practices and principles;

identify the good existing practices and areas of improvement, so the Company would match the international principles and good practices as closely as possible.

The assessment was based on analysis and evaluation of 58 indicators in 5 areas:

- shareholders' rights and their protection (10 indicators);
- the activities of supervisory bodies (20 indicators);
- transparency and reporting (15 indicators);
- control systems (7 indicators);
- interest groups (6 indicators).

The Objectives for 2019

One of the recommendations of BICG was to simplify the structure of management and supervisory bodies, to allocate and separate their functions and accountability to improve their efficiency and clarity. The recommendation resulted in the following proposal of the Company's Board to the general meeting of shareholders in 2019:

to have only one body instead of the existing two in the form of the Supervisory Council and the Management Board. It is advisable to keep just the Management Board, which also shall perform certain statutorily supervisory functions stipulated by the Law on Companies of the Republic of Lithuania;

to approve the Board members' independence criteria;

1/3 of the Board members shall be independent candidates;

the Company statute should establish a more precise separation of functions and accountability of the Board and the CEO;

One of the objectives for 2019 is the development and adoption of a plan aimed at the improvement of corporate governance practices, the establishment of implementation deadlines and reporting.

IV.1.2 NEW MEMBERSHIPS AT NGOS

in 2018 the Company became a member of the following non-governmental organizations (NGOs) promoting knowledge and practices of corporate governance and sustainable businesses:

- Baltic Institute of Corporate Governance;
- Responsible Business Association of Lithuania.

IV.1.3 INDEPENDENT THIRD-PARTY ASSESSMENTS OF ESG ACHIEVEMENTS

In 2018 the Company was awarded the Prime status and rated with B (good) by ISS-oekom. To do that ISS-oekom assessed the Company's corporate governance, social policy and environmental practices. ISS-oekom assessed the Company on its own and at its own expense.

The Company did not initiate the assessment; it neither paid for the study, nor influenced its results. The Company participated in the study just to answer the research questions and to provide its comments.

The Company was best scored for its responsible attitude towards production, product safety, towards consumers and preservation of biodiversity. The ratings of AUGA group significantly exceed the industry average in the most assessed areas.

The report of ISS-oekom emphasizes that Company's sustainable governance, environmental attitude and a wide portfolio of organic foods makes AUGA group less susceptible to different business risks in comparison to other companies of the same sector.

Institutional Shareholder Services Inc. (ISS) is the world's leading provider of corporate governance and responsible investment (RI) solutions for asset owners, asset managers, hedge funds, and asset service providers. ISS' RI research covers more than 20,000 companies across the globe.

ISS-oekom is the division of ISS, giving the companies and states ESG assessment and ratings, allowing its clients to identify core social and environmental risks and opportunities, including advisory services.

ISS environmental, social and governance (ESG) assessment is based on analysis and evaluation of 100 criteria, most of which are adapted to the specific sector. The criteria are constantly reviewed and improved to meet the findings of the latest research, results of technological developments, regulatory changes and social debates. The assessment relies on information received from the media, other public sources, stakeholders' surveys, and the information about the company's policies and applicable practices collected by ISS. ISS argues that the detailed dialogue of the assessed companies and their stakeholders together with the verified information ensures objective and deep analysis and assessment.

Prime status is awarded to the companies that meet the minimal criteria of corporative rating and reach the highest ESG rating points among the assessed companies of the same sector.

(The above on the ISS was taken from the ISS website, the Company did not verify, nor did it assess the information and is not liable for its correctness and accuracy).

IV.1.4 SUSTAINABILITY POLICY

Although sustainable business principles are an integral part of the Company's long-term vision, the Company has no approved sustainability policy yet. This will be one of the tasks of the new Board of the Company.

IV.2 COMPLIANCE WITH NASDAQ ESG REPORTING GUIDELINES

G1. Board-Separation of Powers

The Company has separated functions of the CEO and his/her supervisory body.

The Company has two collegial bodies – the Supervisory Council and the Management Board. All members of the Supervisory Board are independent, having no other position in the Company. The CEO of the Company is also a member of the Management Board however, he is not the chairman. Considering that the Company has two collegial bodies and the board has no supervisory power over the Company's management, the separation of management and supervisory functions is ensured properly.

G2. Board-Transparent Practices

Considering that the legislation does not impose an obligation to publish decisions of the Supervisory Council, and due to the confidential nature of the information, the Company does not publish decisions of its Supervisory Council. All the events and decisions considered as corporate actions and being subject to disclosure are published. The publications can be found in the websites of the Company and[6] Nasdaq Baltic[7].

The new Board will consider the amount and nature of the Board's activities to be published as one of the corporate governance improvement factors; thus, the Company's practices will be reassessed and adjusted if necessary.

Nevertheless, the Company's corporate governance assessment by BICG found the Company's practices of openness and transparency as welcome. The management of the Company in line with the mandatory legislation requirements continuously provides the shareholders with the information by publishing the most important news, regularly informing about the interim and annual financial results. The management of the Company also organizes meetings with investors to present activities of the Company. in 2018 the CEO and the Finance Director held two webinars, presenting financial results of the Company. Since the Company launched a public secondary offering of shares in 2018, the Company published quite a lot of information in its presentations to investors[8] and meetings with them.

G3. Incentivized Pay

The Company has no specific incentive system for employees, management and members of supervisory bodies for the implementation of long-term environmental, social and corporate strategy. However, these aspects and results of employees as well as their contribution in this respect are regarded during the overall employee performance assessment and are incentivized.

G4. Fair Labour Practices

The Company has no collective agreement. The Company does not restrict the rights of employees to implement social partnership as provided by the law.

6 http://auga.lt/http://auga.lt/en/for-auga-investors

7 https://www.nasdaqbaltic.com/market/?instrument=LT0000127466&list=3&currency=EUR&date=2018-08-24&pg=details&tab=news 8 e.g.

8 https://cns.omxgroup.com/cdsPublic/viewDisclosure.action?disclosureId=842968&messageId=1060107, https://cns.omxgroup.com/cdsPublic/viewDisclosure.action?disclosureId=849202&messageId=1068117

G5. Supplier Code of Conduct

The Company has a non-approved draft of the supplier code of conduct. The new Board is expected to consider and to approve the draft (with amendments if necessary).

G6. Ethics-Code of Conduct

The Company has a non-approved draft of ethics-code of conduct. The draft and the approval will be considered by the new Board of the Company as a part of the Company's corporative activities improvement plan.

Meanwhile, the draft is published on the Company's website as principles of ethics of the Company[9].

G7. Anti-Bribery / Anti-Corruption Policy

In 2018 the Company's Supervisory Council approved the Company's Policy on the Prevention of Corruption and Conflicts of Interest. The policy is published on the Company's website[10].

G8. Tax Transparency

The Company has no formal tax planning and payment policies. However, due to the fact that the Company's and the Group's principal activities are carried out in the Republic of Lithuania, that all its undertakings file tax declarations in their country of residency, and that the Company does not use complex tax planning instruments and benefits of off-shores, the Company finds a formal tax transparency policy unnecessary for now.

G9. Sustainability Report

Legislation[11] requires all public-interest entities, including companies, publicly traded in the multilateral trading system, to draw and publish non-financial information reports starting from the financial year 2018.

Upon it, the Company started drawing and publishing its Sustainability Reports. The first Company's Sustainability Report was drawn for the year 2017 and published in 2018. The first Company's Sustainability Report is published on the Company's[12] and Nasdaq Baltic[13] websites.

The current Sustainability Report is the Company's second Sustainability Report.

Currently, the Company draws its Sustainability Reports in accordance with the Nasdaq ESG Reporting Guide for Nordic & Baltic Markets[14].

9 http://auga.lt/en/for-auga-investors/management/principles-of-business-ethics

10 http://auga.lt/en/for-auga-investors

11 Directive 2014/95/EU of the European Parliament and of the Council of 22 October 2014 amending Directive 2013/34/EU regarding disclosure of non-financial and diversity information by certain large undertakings and groups Text with EEA relevance; Law of the Republic of Lithuania on Financial Reporting by Undertakings IX-575

12 http://auga.lt/en/for-auga-investors/management/sustainability-report/#tabs

13 https://cns.omxgroup.com/cdsPublic/viewdisclosure.action?disclosureid=832738&messageid=1047054 14 esG reporting Guide for Narodic and baltic Markets;

14 https://business.nasdaq.com/esg-guide

G10. Sustainability Reports acc. to Different ESG Reporting Guidelines

The Company draws and publishes its Sustainability Report following Nasdaq ESG Reporting Guidelines and draws no reports according to the GRI, SASB or other ESG disclosure guidelines.

G11. External Validation & Assurance

So far, the Company's Sustainability Reports are not audited or assessed by third parties.

This metrics provides the consolidated information on the compliance of the Company's main activities to the indicators of environmental, sustainability and corporate governance (ESG) standards according to the Nasdaq ESG Reporting Guide for Nordic & Baltic Markets.

Nasdaq ESG Reporting Guide for Nordic & Baltic Markets

ENVIRONMENTAL INDICATORS	COMPLIANCE	PAGES
E1. Direct and Indirect GHG Emissions	YES	19
E2. Carbon Intensity	YES	19
E3. Direct & Indirect Energy Consumption	YES	20
E4. Energy Intensity	YES	20
E5. Primary Energy Source	YES	20
E6. Renewable Energy Intensity	YES	21
E7. Water Management	YES	21
E8. Waste Management	YES	21
E9. Environmental Policy	PARTLY	22
E10. Environmental Impacts	YES	22

SOCIAL INDICATORS	COMPLIANCE	PAGES
S1. CEO Pay Ratio	YES	27
S2. Gender Pay Ratio	YES	27
S3. Employee Turnover Ratio	YES	27
S4. Gender Diversity	YES	27
S5. Temporary Worker Ratio	YES	27
S6. Non-Discrimination Policy	PARTLY	27
S7. Injury Rate	YES	28
S8. Global Health & Safety Policy	YES	28
S9. Child & Forced Labour Policy	PARTLY	28
S10. Human Rights Policy	PARTLY	28
S11. Human Rights Violations	YES	28
S12. Board—Diversity	YES	28

GOVERNANCE INDICATORS	COMPLIANCE	PAGES
G1. Board—Separation of Powers	YES	32
G2. Board—Transparent Practices	PARTLY	32
G3. Incentivized Pay	PARTLY	32
G4. Fair Labour Practices	YES	32
G5. Supplier Code of Conduct	NO	33
G6. Ethics-Code of Conduct	NO	33
G7. Anti-Bribery / Anti-Corruption Policy	YES	33
G8. Tax Transparency	PARTLY	33
G9. Sustainability Report	YES	33
G10. Sustainability Reports acc. to Different ESG Reporting Guidelines.	NO	34
G11. External Validation & Assurance	NO	34

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