AUGA GROUP, AB

Independent Auditor's Report, Consolidated Annual Report and Consolidated and Separate Financial Statements for the Year Ended 31 December 2019

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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 (together "the Group") as at 31 December 2019, 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 dated 10 April 2020.

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 2019;
- 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 statement of cash flows 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

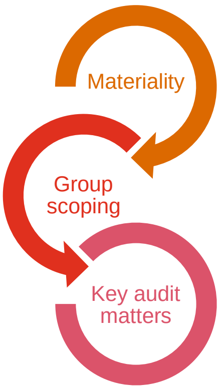
We are independent of the Company and the Group in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) and the Law of the Republic of Lithuania on the Audit of Financial Statements that are relevant to our audit of the separate 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 2019 to 31 December 2019, are disclosed in the Note 23 to the separate and consolidated financial statements.

Our audit approach

Overview



- Overall Company materiality is EUR 603 thousand (2018: EUR 470 thousand),
- Overall Group materiality is EUR 711 thousand (2018: EUR 548 thousand)

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

- Valuation of land
- Valuation biological assets and agricultural produce
- Completeness and accuracy of lease agreements and adoption of IFRS 16

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 603 thousand (2018: EUR 470 thousand)
Overall Group materiality	EUR 711 thousand (2018: EUR 548 thousand)
How we determined it	Overall Company materiality was determined as 0.7% 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 0.7% 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 60 thousand and EUR 36 thousand for the Company and the Group respectively, as well as misstatements below those amounts 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 2019 was EUR 60.6 million (including EUR 35.3 million right-of-use assets) (31 December 2018: EUR 21.6 million) and gain from fair value adjustments recognised in 2019	Our procedures in relation to the valuation of land by management's valuation expert included as follows: • evaluation of the independent external valuers' competence, capabilities and objectivity; • assessing the methodology that was used and the key assumptions for appropriateness based on our knowledge of the agricultural land market; • checking the input data for accuracy and relevance;

amounted to EUR 3.2 million (2018: EUR 1.4 million).

The valuation of all land was based on the independent external valuations. Valuations are performed by a licensed appraiser with sufficient regularity so that the carrying amounts do not differ materially from that which would be determined using the fair values at the end of each reporting period. The valuations took into account evidence of market transactions for properties and locations comparable to those of the Group.

We focused on this area given the materiality of the land and a significant impact of fair value change on the consolidated financial statements. We also focused on this area as the valuations involve significant judgements and the valuation results are highly sensitive to the assumptions underlying those valuations. In particular, key inputs used in valuation were price per hectare and adjustments for differences in key attributes such as land size and productivity.

For the above reason and due to existence of significant estimation uncertainty, we focused on this area during our audit.

• verifying the list of land plots, that were subject to valuation for completeness;

• examining the selected independent valuations by obtaining the market prices of agricultural land plots in the same geographical area from an independent source, adjusting them for productivity parameters, and comparing the price per hectare of the selected land plots to that used by the management's valuation expert.

As valuations of agricultural land plots involved subjectivity in relation to the assumptions and inputs used by the management, we determined a range of market prices per hectare that were considered to be reasonable and compared them to the market prices per hectare used by the management.

We also assessed the disclosures in Note 4 to the consolidated financial statement for appropriateness.

Valuation of biological assets and agricultural produce

(Refer to Note 2 *Summary of significant accounting policies*, Note 4 *Critical accounting estimates and assumptions*, Note 10 *Inventory* and Note 9 *Biological assets*)

The carrying amount of biological assets as at 31 December 2019 was EUR 25.4 million (31 December 2018: EUR 23.5 million) and gain from change in fair value recognised in 2019 amounted to EUR 3.1 million (2018 fair value loss amounted to: EUR 5.3 million).

As in previous year, we focused on this area because it involves the management's estimates in determining the fair value of biological assets and agricultural produce, and because of significance of gains from revaluation of harvested crops and livestock in 2019.

Biological assets consist of livestock (including milk cows, heifers and bulls), crops and

We obtained the valuation of livestock of the Group. We traced the input data to the independent market information and tested the key assumptions used in calculating the fair value of livestock.

We also involved our valuation expert 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 the Group's purchase process and allocation of costs to crops and mycelium cultivation seedbed.

For the assessment of the fair value of crops, we reviewed the expected crop yields and compared them to historical information on actual yields, as well as traced the expected sales prices of crops to the available market information.

We also performed a detailed testing over the calculation of the fair value of grain at the point of harvest, by comparing the available market mycelium cultivation seedbed growing in the Group's farms in Lithuania.

Livestock is measured at the fair value less estimated point-of-sale costs. The fair value of milk cows is determined using the future cash flow forecast model, including the 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.

In 2019, the Group changed the methodology for determining the fair values of winter crops, by measuring the fair value based on the expected harvested yield less costs to sell.

Agricultural produce is measured at the fair value at its point of harvest, which reflects the expected market price of the produce, eliminating the costs to sell.

The cost of mycelium cultivation seedbed and other crops approximated the fair value as at 31 December 2019 as only little biological transformation took place. The cost was estimated by allocating all direct and directly attributable indirect costs to the newly seeded other crops and newly cultivated mycelium seedbed.

information about the crop prices at the time of harvest and the sales prices agreed with customers, where available, to the prices used by the management.

We performed a detailed testing of the cost of mycelium cultivation seedbed at the balance sheet date.

Completeness and accuracy of lease agreements and adoption of IFRS 16 *Leases*

(Refer to Note 2 *Adoption of IFRS 16* and *Summary of significant accounting policies*, Note 4 *Critical accounting estimates and assumptions*, and Note 18 *Leases*)

The Group adopted IFRS 16 *Leases* from 1 January 2019, by applying a modified retrospective approach. On adoption of IFRS 16, the Group recognised lease liabilities in relation to leases that had previously been classified as 'operating leases' under the principles of IAS 17.

Those liabilities were measured at the present value of the remaining lease payments, discounted using the Group's incremental borrowing rate as of 1 January 2019. The Group has accounted for EUR 39 million of lease liabilities as at 1 January 2019.

Our audit approach consisted of assessing relevance of the methodology and compliance with the applicable accounting policies adopted by the Group to determine the main assumptions (lease term, extension and termination options, etc.).

Our audit procedures involved the evaluation of management's implementation process, including review of the updated accounting policies and selection of the accounting policies, completeness and accuracy of the lease agreements identified and recorded in the lease accounting system and calculation of the right-of-use asset and lease liability.

We considered completeness by testing the reconciliation to the Group's operating lease commitments (disclosed in Note 2 to the consolidated financial statements), and by

Assessment of the impact of adoption of IFRS 16 was significant to our audit for the following reasons: the reported balances of right-of-use assets and lease liabilities were material; the updating of the accounting policy required to select the accounting policy; the implementation process to identify and process all relevant data associated with the leases was complex and the measurement of right-of-use asset and lease liability was based on assumptions such as discount rates and lease terms, including termination and extension options.	investigating the key service agreements to assess whether they contained a lease under IFRS 16. We challenged the management's assumptions, in particular those used to determine the discount rates, application of a single discount rate for a portfolio of leases, and assessment of extension options. We performed an independent testing on a sample basis to check the lease contract inputs in the lease accounting system for accuracy, and the identified lease contracts for completeness. We also tested a sample of additions in right-of-use assets recognised during reporting period. We tested a sample of lease payments over the reporting period for accuracy. We recalculated on a sample basis the right-of-use asset and lease liability for the selected lease agreements. For the same sample, we recalculated interest and amortisation expenses recognised during the reporting period. We assessed adequacy of the disclosures of the impact of the new standard in Note 2 to the consolidated financial statements and challenged the management on the disclosure of the remaining uncertainty of the completeness and accuracy of the inputs and assumptions used to determine the opening balance. In addition, we assessed the disclosures in Note 5 and Note 18 to the consolidated financial statements for appropriateness.

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 the Company and 136 subsidiaries operating in Lithuania (refer to Note 1 *General information*). A full-scope audit was performed by PwC Lithuania for the following significant reporting units:

- 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.

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.

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, 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 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 of the financial statements that give a true and fair view 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 4 years.

The key audit partner 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
10 April 2020

(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 2019.

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 2019, the consolidated Group (hereinafter the Group) consists of the Company and one hundred thirty-six subsidiaries (31 December 2018: one hundred thirty-five subsidiaries). The subsidiaries included in the Group's consolidated financial statements for the both periods are indicated below.

No.	Name of subsidiary	Legal form	Legal entity code	Registered office	Profile	Group ownership interest, %	
						2019 12 31	**2018 12 31**
1.	Baltic Champs UAB	*4	302942064	Šiaulių region, Poviliškių v., 15	**A	100,00%	100,00%
2.	AVG Investment UAB	*4	300087691	Vilniaus mun., Vilnius, Konstitucijos av. 21C	**G	100,00%	100,00%
3.	AWG Investment 1 UAB	*4	301745765	Vilniaus mun., Vilnius, Konstitucijos av. 21C	**G	100,00%	100,00%
4.	AWG Investment 2 UAB	*4	301807590	Vilniaus mun., Vilnius, Konstitucijos av. 21C	**G	100,00%	100,00%
5.	Agross UAB	*4	301807601	Vilniaus mun., Vilnius, Konstitucijos av. 21C	**H	100,00%	100,00%
6.	Grain Lt UAB	*4	302489354	Vilniaus mun., Vilnius, Konstitucijos av. 21C	**H	97,41%	97,41%
7.	Ars Ingenii UAB	*4	302602713	Vilniaus mun., Vilnius, Konstitucijos av. 21C	**H	0,00%	100,00%
8.	AgroGis UAB	*4	302583978	Vilniaus mun., Vilnius, Konstitucijos av. 21C	**D	95,00%	95,00%
9.	Agro Management Team UAB	*4	302599498	Jonavos region, Bukonių v., Lankesos st. 2	**E	100,00%	100,00%
10.	Agrotechnikos centras UAB	*4	302589187	Jonavos region, Bukonių v., Lankesos st. 2	**F	100,00%	100,00%
11.	AUGA trade UAB	*4	302753875	Jonavos region, Bukonių v., Lankesos st. 2	**H	100,00%	100,00%
12.	Agricultural entity Žemės fondas	*1	300558595	Vilniaus mun., Vilnius, Konstitucijos av. 21C	**E	100,00%	100,00%
13.	Žemės vystymo fondas 6 UAB	*4	300589719	Vilniaus mun., Vilnius, Smolensko st. 10	**E	100,00%	100,00%
14.	Žemės vystymo fondas 9 UAB	*4	300547638	Jonavos region, Bukonių v., Lankesos st. 2	**E	100,00%	100,00%

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

No.	Name of subsidiary	Legal form	Legal entity code	Registered office	Profile	Group ownership interest, %	
						2019 12 31	2018 12 31
15.	Žemės vystymo fondas 10 UAB	*4	301522723	Jonavos region, Bukonių v., Lankesos st. 2	**E	100,00%	100,00%
16.	Žemės vystymo fondas 20 UAB	*4	300887726	Jonavos region, Bukonių v., Lankesos st. 2	**B	100,00%	100,00%
17.	AUGA Grūduva UAB	*4	174401546	Šakių region, Gotlybiškių v.,	**A	98,97%	98,97%
18.	Agricultural entity AUGA Spindulys	*1	171330414	Radviliškio region, Vaitiekūnų v., Spindulio st. 13	**A	99,99%	99,99%
19.	Agricultural entity AUGA Smilgiai	*1	168548972	Panevėžio region, Smilgių mstl. Panevėžio st. 23-1	**A	100,00%	100,00%
20.	Agricultural entity AUGA Skėmiai	*1	171306071	Radviliškio region, Skėmių v., Kėdainių st. 36	**A	99,97%	99,97%
21.	Agricultural entity AUGA Nausodė	*1	154179675	Anykščių region, Kirmėlių v.,	**A	99,93%	99,93%
22.	Agricultural entity AUGA Dumšiškės	*1	172276179	Raseinių region, Paraseinio v.,	**A	99,88%	99,88%
23.	Agricultural entity AUGA Žadžiūnai	*1	175706853	Šiaulių region, Žadžiūnų v., Gudelių st. 30-2	**A	99,81%	99,81%
24.	Agricultural entity AUGA Mantviliškis	*1	161274230	Kėdainių region, Mantviliškio v.,	**A	99,94%	99,94%
25.	Agricultural entity AUGA Alanta	*1	167527719	Molėtų region, Kazlų v., Skiemonių st. 2A	**A	99,99%	99,99%
26.	Agricultural entity AUGA Eimučiai	*1	175705032	Šiaulių region, Žadžiūnų v., Gudelių st. 30-2	**A	99,24%	99,24%
27.	Agricultural entity AUGA Vėriškės	*1	171305165	Radviliškio region, Vėriškių v.,	**A	99,93%	99,93%
28.	Agricultural entity AUGA Želsvelė	*1	165666499	Marijampolės mun., Želsvos v.,	**A	99,86%	99,86%
29.	Agricultural entity AUGA Lankesa	*1	156913032	Jonavos region, Bukonių v.,	**A	96,91%	96,91%
30.	Agricultural entity AUGA Kairėnai	*1	171327432	Radviliškio region, Kairėnų v.,	**A	98,47%	98,47%
31.	Agricultural entity AUGA Jurbarkai	*1	158174818	Jurbarko region, Klišių v., Vytauto Didžiojo st. 99	**A	98,46%	98,46%
32.	Agricultural entity AUGA Gustoniai	*1	168565021	Panevėžio region, Gustonių v., M. Kriaučiūno st. 15	**A	100,00%	100,00%
33.	Cooperative entity Siesarčio ūkis	*3	302501098	Šakių region, Gotlybiškių v., Mokyklos st. 18	**A	99,44%	99,44%
34.	Cooperative entity Kašėta	*3	302501251	Jonavos region, Bukonių v., Lankesos st. 2	**A	99,44%	99,44%
35.	Agricultural entity Gustonys	*1	302520102	Panevėžio region, Gustonių v., M. Kriaučiūno st. 15	**E	100,00%	100,00%
36.	Agricultural entity Skėmių pienininkystės centras	*1	302737554	Radviliškio region, Skėmių v., Alyvų st. 1	**A	48,67%	48,67%
37.	Cooperative entity Agrobokštai	*3	302485217	Vilniaus mun., Vilnius, Konstitucijos av. 21C	**A	97,94%	97,94%
38.	Cooperative entity Dotnuvėlės valdos	*3	302618614	Šiaulių region, Žadžiūnų v., Gudelių st. 30-2	**A	99,22%	99,22%
39.	Cooperative entity Nevėžio lankos	*3	302618596	Kėdainių region, Mantviliškio v., Liepos 6-osios st. 60	**A	96,51%	96,51%
40.	Cooperative entity Radviliškio kraštas	*3	302618742	Radviliškio region, Skėmių v., Kėdainių st. 13	**A	98,67%	98,67%
41.	Cooperative entity Šventosios pievos	*3	302618201	Raseinių region, Kalnujų mstl. Žieveliškės st. 1	**A	96,36%	96,36%
42.	Cooperative entity Kairių ūkis	*3	302615194	Panevėžio region, Gustonių v., M. Kriaučiūno st. 15	**A	98,68%	98,68%
43.	Cooperative entity Šiaurinė valda	*3	302615187	Šiaulių region, Poviliškių v., 15	**A	96,15%	96,15%
44.	Cooperative entity Šušvės žemė	*3	302618767	Kelmės region, Pašiaušės v., Vilties st. 2	**A	98,43%	98,43%
45.	Cooperative entity Žalmargėlis	*3	303145954	Vilniaus mun., Vilnius, Smolensko st. 10-100	**A	98,32%	98,32%
46.	Cooperative entity Juodmargėlis	*3	303159014	Raseinių region, Kalnujų mstl. Žieveliškės st. 1	**A	99,35%	99,35%
47.	Cooperative entity Agromilk	*3	302332698	Raseinių region, Kalnujų mstl. Žieveliškės st. 1	**A	96,28%	96,28%
48.	Cooperative entity Purpurėja	*3	302542337	Širvintų region, Širvintų v., Zosinos st. 7	**A	99,53%	99,53%
49.	Bukonių ekologinis ūkis UAB	*4	302846621	Vilniaus mun., Vilnius, Konstitucijos av. 21C	**A	100,00%	100,00%
50.	Agrosaulė 8 UAB	*4	302846105	Vilniaus mun., Vilnius, Smolensko st. 10-100	**G	100,00%	100,00%
51.	Biržai distr., Rinkuškiai reclamation infrastructure users association	*2	302465556	Biržų region, Biržai, Vytauto st. 38	**A	48,67%	48,67%
52.	Pasvalys distr., Pušalotas reclamation infrastructure users association	*2	302465563	Pasvalio region, Diliauskų v., Diliauskų st. 23	**A	48,67%	48,67%

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

No.	Name of subsidiary	Legal form	Legal entity code	Registered office	Profile	Group ownership interest, %	
						2019 12 31	2018 12 31
53.	Skėmiai reclamation infrastructure users association	*2	303170256	Šiaulių region, Žadžiūnų v., Gudelių st. 30-2	**A	48,67%	48,67%
54.	Vaitiekūnai reclamation infrastructure users association	*2	303170306	Šiaulių region, Žadžiūnų v., Gudelių st. 30-2	**A	48,67%	48,67%
55.	Association Grūduvos melioracija	*2	302567116	Šakių region, Gotlybiškių v., Mokyklos st. 2	**A	65,81%	65,81%
56.	Pauliai reclamation infrastructure users association	*2	303169909	Raseinių region, Gėluvos v., Dvaro st. 30	**A	100,00%	100,00%
57.	Nausode reclamation infrastructure users association	*2	304219592	Vilniaus mun., Vilnius, Konstitucijos av. 21C	**A	70,74%	70,74%
58.	Traktorių nuomos centras UAB	*4	302820808	Jonavos region, Bukonių v., Lankesos st. 2	**A	100,00%	100,00%
59.	Traktorių nuomos paslaugos UAB	*4	302820797	Jonavos region, Bukonių v., Lankesos st. 2	**A	100,00%	100,00%
60.	Arnega UAB	*4	302661957	Jonavos region, Bukonių v., Lankesos st. 2	**A	100,00%	100,00%
61.	AgroSchool OU	*6	12491954	Harju maakond, Tallinn, Kesklinna linnaosa, Lai tn 32-8, 10133	**G	100,00%	100,00%
62.	Public institution AgroSchool	*5	303104797	Vilniaus mun., Vilnius, Smolensko st. 10-100	**C	50,00%	50,00%
63.	AUGA Ramučiai UAB	*4	302854479	Akmenės region, Ramučių v., Klevų st. 11	**A	100,00%	100,00%
64.	AUGA Luganta UAB	*4	300045023	Kelmės region, Pašiaušės v.,	**A	100,00%	100,00%
65.	eTime invest UAB	*4	300578676	Vilniaus mun., Vilnius, Saltoniškių st. 29	**G	100,00%	100,00%
66.	ŽVF Projektai UAB	*4	300137062	Jonavos region, Bukonių v., Lankesos st. 2	**E	52,62%	52,62%
67.	Agricultural entity Alantos ekologinis ūkis	*1	303324747	Molėtų region, Kazlų v., Skiemonių st. 2A	**A	100,00%	100,00%
68.	Agricultural entity Dumšiškių ekologinis ūkis	*1	303324722	Raseinių region, Paraseinio v., Paraseinio st. 2	**A	100,00%	100,00%
69.	Agricultural entity Eimučių ekologinis ūkis	*1	303324715	Šiaulių region, Žadžiūnų v., Gudelių st. 30-2	**A	100,00%	100,00%
70.	Agricultural entity Grūduvos ekologinis ūkis	*1	303324804	Šakių region, Gotlybiškių v., Mokyklos st. 2	**A	100,00%	100,00%
71.	Agricultural entity Jurbarkų ekologinis ūkis	*1	303325361	Jurbarko region, Klišių v., Vytauto Didžiojo st. 99	**A	100,00%	100,00%
72.	Agricultural entity Kairėnų ekologinis ūkis	*1	303325774	Radviliškio region, Vaitiekūnų v., Spindulio st. 13-2	**A	100,00%	100,00%
73.	Agricultural entity Lankesos ekologinis ūkis	*1	303325710	Jonavos region, Bukonių v., Lankesos st. 2	**A	100,00%	100,00%
74.	Agricultural entity Mantviliškio ekologinis ūkis	*1	303325703	Kėdainių region, Mantviliškio v., Liepos 6-osios st. 60	**A	100,00%	100,00%
75.	Agricultural entity Nausodės ekologinis ūkis	*1	303325781	Anykščių region, Nausodės v., Nausodės st. 55	**A	100,00%	100,00%
76.	Agricultural entity Skėmių ekologinis ūkis	*1	303325692	Radviliškio region, Skėmių v., Kėdainių st. 13	**A	100,00%	100,00%
77.	Agricultural entity Smilgių ekologinis ūkis	*1	303325824	Panevėžio region, Smilgiai, Panevėžio st. 23-1	**A	100,00%	100,00%
78.	Agricultural entity Spindulio ekologinis ūkis	*1	303325817	Radviliškio region, Vaitiekūnų v., Spindulio st. 13-2	**A	100,00%	100,00%
79.	Agricultural entity Vėriškių ekologinis ūkis	*1	303325849	Radviliškio region, Skėmių v., Kėdainių st. 13	**A	100,00%	100,00%
80.	Agricultural entity Žadžiūnų ekologinis ūkis	*1	303325870	Šiaulių region, Žadžiūnų v., Gudelių st. 30-2	**A	100,00%	100,00%
81.	Agricultural entity Želsvelės ekologinis ūkis	*1	303325856	Marijampolės mun., Želsvos v., Želsvelės st. 1	**A	100,00%	100,00%
82.	Prestviigi OU	*6	12654600	Harju maakond, Tallinn, Kesklinna linnaosa, Lai tn 32-8, 10133	**G	100,00%	100,00%
83.	Turvaste partners OU	*6	12655410	Harju maakond, Tallinn, Kesklinna linnaosa, Lai tn 32-8, 10133	**G	100,00%	100,00%
84.	Nakamaa Agro OU	*6	12655522	Harju maakond, Tallinn, Kesklinna linnaosa, Lai tn 32-8, 10113	**G	100,00%	100,00%
85.	Hindaste Invest OU	*6	12655384	Harju maakond, Tallinn, Kesklinna linnaosa, Lai tn 32-8, 10133	**G	100,00%	100,00%
86.	Tuudi River OU	*6	12655640	Harju maakond, Tallinn, Kesklinna linnaosa, Lai tn 32-8, 10133	**G	100,00%	100,00%
87.	Palderma Partners OU	*6	12654959	Harju maakond, Tallinn, Kesklinna linnaosa, Lai tn 32-8, 10133	**G	100,00%	100,00%
88.	Ave-Martna Capital OU	*6	12655155	Harju maakond, Tallinn, Kesklinna linnaosa, Lai tn 32-8, 10133	**G	100,00%	100,00%
89.	Hobring Invest OU	*6	12655427	Harju maakond, Tallinn, Kesklinna linnaosa, Lai tn 32-8, 10133	**G	100,00%	100,00%
90.	Rukkirahhu Capital OU	*6	12655232	Harju maakond, Tallinn, Kesklinna linnaosa, Lai tn 32-8, 10133	**G	100,00%	100,00%

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

No.	Name of subsidiary	Legal form	Legal entity code	Registered office	Profile	Group ownership interest, %	
						2019 12 31	**2018 12 31**
91.	Pahasoo OU	*6	12655367	Harju maakond, Tallinn, Kesklinna linnaosa, Lai tn 32-8, 10133	**G	100,00%	100,00%
92.	Cooperative entity Ganiklis	*3	303429417	Radviliškio region, Skėmių v., Alyvų st. 1-3	**A	98,09%	98,09%
93.	Cooperative entity Ganiavos gėrybės	*3	303429431	Radviliškio region, Skėmių v., Alyvų st. 1-3	**A	98,09%	98,09%
94.	Cooperative entity Žemėpačio pieno ūkis	*3	303432388	Raseinių region, Ariogalos sen. Gėluvos v., Dvaro st. 30	**A	98,09%	98,09%
95.	Cooperative entity Žemynos pienelis	*3	303427989	Raseinių region, Ariogalos sen. Gėluvos v., Dvaro st. 30	**A	98,09%	98,09%
96.	Cooperative entity Lygiadienio ūkis	*3	303428087	Radviliškio region, Skėmių v., Alyvų st. 1-3	**A	98,09%	98,09%
97.	Cooperative entity Laumės pieno ūkis	*3	303427996	Raseinių region, Ariogalos sen. Gėluvos v., Dvaro st. 30	**A	98,09%	98,09%
98.	Cooperative entity Medeinos pienas	*3	303428112	Raseinių region, Ariogalos sen. Gėluvos v., Dvaro st. 30	**A	98,09%	98,09%
99.	Cooperative entity Gardaitis	*3	303429381	Radviliškio region, Skėmių v., Alyvų st. 1-3	**A	98,09%	98,09%
100.	Cooperative entity Dimstipatis	*3	303429424	Mažeikių aplinkl. 9, Naikių v., Mažeikių apylinkės sen., Mažeikių region,	**A	98,09%	98,09%
101.	Cooperative entity Aušlavis	*3	303429456	Radviliškio region, Skėmių v., Alyvų st. 1-3	**A	98,09%	98,09%
102.	Cooperative entity Austėjos pieno ūkis	*3	303428094	Mažeikių aplinkl. 9, Naikių v., Mažeikių apylinkės sen., Mažeikių region,	**A	98,09%	98,09%
103.	Cooperative entity Aitvaro ūkis	*3	303429374	Radviliškio region, Skėmių v., Alyvų st. 1-3	**A	98,09%	98,09%
104.	Cooperative entity Giraičio pieno ūkis	*3	303429399	Mažeikių aplinkl. 9, Naikių v., Mažeikių apylinkės sen., Mažeikių region,	**A	98,09%	98,09%
105.	Fentus 10 GmbH	*6	HRB106477	StraBe des 17 Juni 10b 10623 Berlin, Germany	**G	100,00%	100,00%
106.	Norus 26 AG	*6	HRB109356B	StraBe des 17 Juni 10b 10623 Berlin, Germany	**G	100,00%	100,00%
107.	LT Holding AG	*6	HRB109265B	StraBe des 17 Juni 10b 10623 Berlin, Germany	**G	100,00%	100,00%
108.	KTG Agrar UAB	*4	300127919	Vilniaus mun., Vilnius, Konstitucijos av. 21C	**A	100,00%	100,00%
109.	Agrar Raseiniai UAB	*4	300610316	Raseinių region, Ariogalos sen. Gėluvos v., Dvaro st. 30	**A	100,00%	100,00%
110.	AUGA Mažeikiai UAB	*4	300610348	Mažeikių av. 9, Naikių v., Mažeikių region,	**A	100,00%	100,00%
111.	PAE Agrar UAB	*4	300867691	Raseinių region, Gėluvos v., Dvaro st. 30	**A	100,00%	100,00%
112.	Delta Agrar UAB	*4	300868875	Raseinių region, Gėluvos v., Dvaro st. 30	**A	100,00%	100,00%
113.	KTG Grūdai UAB	*4	302637486	Raseinių region, Gėluvos v., Dvaro st. 30	**A	100,00%	100,00%
114.	KTG Eko Agrar UAB	*4	300510650	Raseinių region, Gėluvos v., Dvaro st. 30	**A	100,00%	100,00%
115.	Agronita UAB	*4	300132574	Raseinių region, Gėluvos v., Dvaro st. 30	**A	100,00%	100,00%
116.	Agronuoma UAB	*4	303204954	Raseinių region, Gėluvos v., Dvaro st. 30	**A	100,00%	100,00%
117.	VL Investment Vilnius 12 UAB	*4	303205611	Raseinių region, Gėluvos v., Dvaro st. 30	**A	100,00%	100,00%
118.	Agrar Ašva UAB	*4	301608542	Raseinių region, Gėluvos v., Dvaro st. 30	**A	100,00%	100,00%
119.	Agrar Varduva UAB	*4	301608791	Raseinių region, Gėluvos v., Dvaro st. 30	**A	100,00%	100,00%
120.	Agrar Seda UAB	*4	301608777	Raseinių region, Gėluvos v., Dvaro st. 30	**A	100,00%	100,00%
121.	Agrar Kvistė UAB	*4	302308067	Raseinių region, Gėluvos v., Dvaro st. 30	**A	100,00%	100,00%
122.	Agrar Luoba UAB	*4	302308035	Raseinių region, Gėluvos v., Dvaro st. 30	**A	100,00%	100,00%
123.	Agrar Gaja UAB	*4	302594412	Raseinių region, Gėluvos v., Dvaro st. 30	**A	100,00%	100,00%
124.	Agrar Ariogala UAB	*4	301626540	Raseinių region, Gėluvos v., Dvaro st. 30	**A	100,00%	100,00%
125.	Agrar Girdžiai UAB	*4	301621568	Raseinių region, Gėluvos v., Dvaro st. 30	**A	100,00%	100,00%
126.	Agrar Vidauja UAB	*4	301622531	Raseinių region, Gėluvos v., Dvaro st. 30	**A	100,00%	100,00%
127.	Agrar Raudonė UAB	*4	302309532	Raseinių region, Gėluvos v., Dvaro st. 30	**A	100,00%	100,00%
128.	Agrar Venta UAB	*4	302307855	Raseinių region, Gėluvos v., Dvaro st. 30	**A	100,00%	100,00%

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

No.	Name of subsidiary	Legal form	Legal entity code	Registered office	Profile	Group ownership interest, %	
						2019 12 31	2018 12 31
129.	Agrar Nerys UAB	*4	302594063	Raseinių region, Gėluvos v., Dvaro st. 30	**A	100,00%	100,00%
130.	Agrar Gėluva UAB	*4	302312133	Raseinių region, Gėluvos v., Dvaro st. 30	**A	100,00%	100,00%
131.	Agrar Betygala UAB	*4	302312222	Raseinių region, Gėluvos v., Dvaro st. 30	**A	100,00%	100,00%
132.	Agrar Dubysa UAB	*4	302312215	Raseinių region, Gėluvos v., Dvaro st. 30	**A	100,00%	100,00%
133.	Agrar Pauliai UAB	*4	302312165	Raseinių region, Gėluvos v., Dvaro st. 30	**A	100,00%	100,00%
134.	Agrar Mituva UAB	*4	302312172	Raseinių region, Gėluvos v., Dvaro st. 30	**A	100,00%	100,00%
135.	AUGA Raseiniai UAB	*4	304704364	Raseinių region, Kalnujai, Žieveliškės st. 1	**A	100,00%	100,00%
136.	Tėvynės žemelė UAB	*4	303301428	Antano Tumėno st. 4, Vilniaus mun., Vilnius	**G	100,00%	0,00%
137.	Tėviškės žemelė UAB	*4	303207199	Antano Tumėno st. 4, Vilniaus mun., Vilnius	**E	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
2019 I quarter	0.398	0.352	0.362	2019-03-29	**1,814,224**	**0.683**
2019 II quarter	0.412	0.358	0.388	2019-06-28	**6,628,718**	**2.213**
2019 III quarter	0.406	0.351	0.367	2019-09-30	**1,334,237**	**0.506**
2019 VI quarter	0.384	0.354	0.364	2019-12-30	**1,289,610**	**0.476**

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 2019.

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 2019 is provided as Annex No. 2 to the Company's consolidated annual report for the year ended 31 December 2019.

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 2019. See note 30 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.

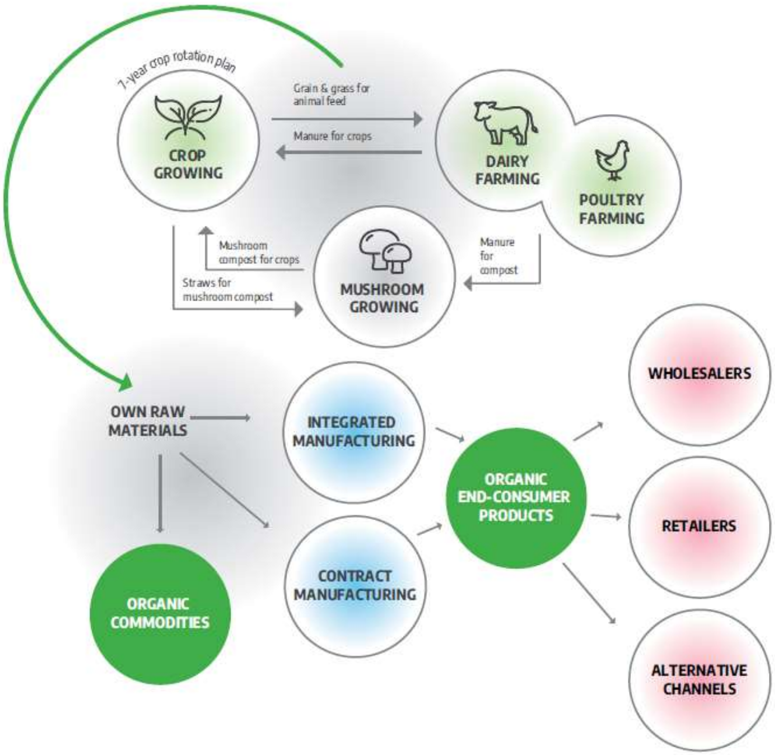
Since 2015 the Group has shifted towards an integrated sustainable farming model. This means that there is synergy among different branches of agriculture with focus on sustainability, resulting in each part of its business being interrelated:

- 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.

Group's business model

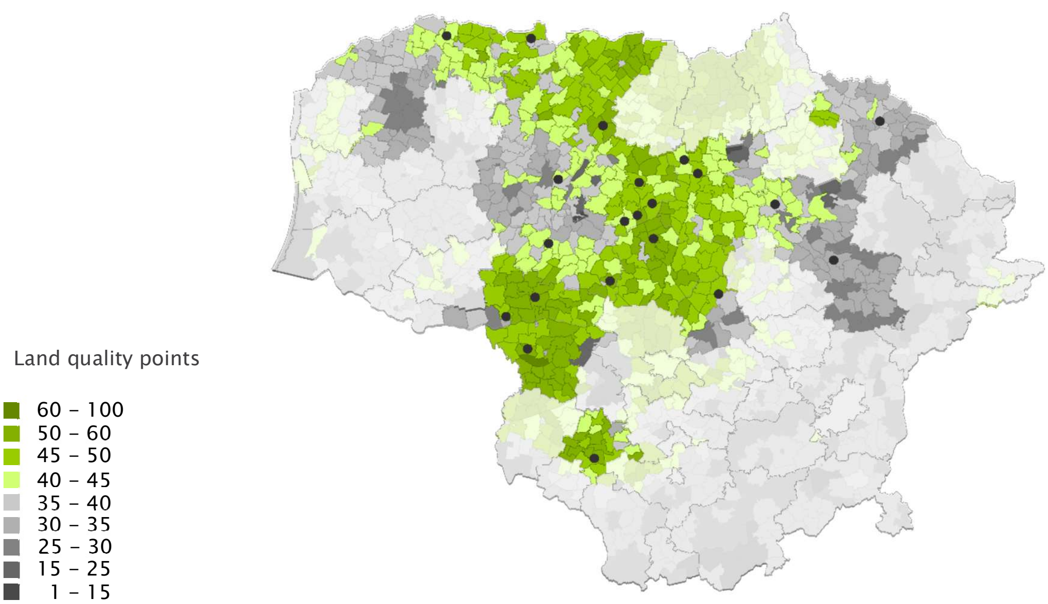
The Group cultivates 38 thousand hectares of high quality and fertile agricultural land. Land plots are consolidated around the individual agricultural companies, which allow to use the modern and efficient agricultural technologies, achieve economies of scale and have efficient logistics and storage 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.

2. Business and financial results overview (continued)



Source: the Company

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



Source: the Company

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.

2. Business and financial results overview (continued)

The Group gains efficiency of returns through leasing of land rather than low returns as an owner. 11% 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 ca. 73% of 2019 sales being generated from exports. In 2019, 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 pleasel see the Company´s Sustainability Report for 2019 (see Annex No. 2).

2.1. Main performance indicators

In the table below the main financial figures of the Group are provided for the three-year period from 2017 to 2019. 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 of the Group	2019	2018	2017
Revenues	71,134	54,749	48,784
Direct subsidies	7,234	9,780	8,971
Gross profit (loss)	9,847	3,663	14,931
Operating profit (loss)	1,009	(3,938)	6,697
Finance costs	(5,000)	(2,295)	(1,904)
Net profit (loss) (including IFRS 16 effect)	(3,218)	(5,980)	5,015
Net profit (loss) (excluding IFRS 16 effect)	(2,223)	-	-
EBITDA (excluding IFRS 16 effect)	10,979	3,546	14,193
EBITDA (including IFRS 16 effect)	17,119	-	-
Net cash flow from operating activities	5,415	(11,486)	4,365
Net cash flow from operating activities before changes in working capital	9,653	6,346	8,232
Total non-current assets	144,676	111,938	99,131
Total current assets	62,047	59,952	49,417
Total equity	90,075	91,715	79,015
Total non-current liabilities	61,321	26,034	26,835
Total current liabilities	55,327	54,141	42,698
Long-term and short-term financial debt (including IFRS 16 effect)	93,993	-	-
Long-term and short-term financial debt (excluding IFRS 16 effect)	59,034	55,862	43,590
Adjusted working capital	40,161	37,674	26,101
Ratios			
EBITDA margin, % (excluding IFRS 16 effect)	15.42	6.48	29.09
EBITDA margin, % (including IFRS 16 effect)	24.05	-	-
ROE, %	(3.57)	(7.01)	6.54
Debt/EBITDA (excluding IFRS 16 effect)	5.38	15.75	3.07
Debt/EBITDA (including IFRS 16 effect)	5.49	-	-
Equity ratio	0.44	0.53	0.53
Liquidity ratio	1.12	1.11	1.16

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. Given that the application of new IFRS 16 requirements had a significant impact on the Group's EBITDA, the Group is publishing two EBITDA calculations for the 2019 that will serve as a comparative basis: (a) without elimination of IFRS 16 effect and; (b) eliminating IFRS 16 effect to EBITDA. Due to the fact that new IFRS 16 requirements were applied only from the beginning of 2019, EBITDA data with IFRS 16 effect is not and will not be available for previous year.

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 lease + current portion of non-current borrowings + current portion of non-current obligations under 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.

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

2.1. Main performance indicators (continued)

During the twelve months of 2019, the Group **sales revenue** amounted to EUR 71.13 million, a 30% increase compared to the same period of 2018, when it was EUR 54.75 million.

The **total amount of subsidies** was EUR 7.23 million in the year 2019 compared to EUR 9.78 million prior year. The decrease in the total amount of subsidies is related with a termination of organic agriculture program in several companies and sanctions applied by the National Payment Agency (NPA). In 2019 Group has made a provision of EUR 2,07 million due to NPA sanctions that were applied in March 2020. Respective provision was accounted as per Lithuanian Rural Development Program of 2014-2020 measure "Organic Farming" the Group failed to sow perennial grass crops in each of declared fields for at least 1-year but not more than two years per 5- year period of the program. Total amount of sanctions was included in the COGS in 2019.

The Group's **gross profit** for the year 2019 amounted to EUR 9.85 million and was higher by EUR 6.19 million compared to the same period of 2018 (gross profit for the year 2018 - EUR 3.66 million). Moreover, the Group's **operating profit** amounted to EUR 1.01 million compared to operating loss of EUR 3.94 million in 2018.

Finance costs increased from EUR 2.30 million in 2018 to EUR 5.00 million in 2019 due to the application of IFRS 16 and recognized interest expenses (excluding IFRS 16 effect finance cost of 2019 was equal to EUR 2.91 million).

During the year of 2019, the Group incurred EUR 3.22 million **net loss** (EUR 5.98 million net loss was incurred in the same period last year). It should be noted that due to implementation of IFRS 16 the net loss in 2019 increased by EUR 0.99 million.

The Group's **EBITDA** for the twelve months of 2019, eliminating IFRS 16 effect, amounted to EUR 10.98 million. During the same period in 2018, the Group's EBITDA after elimination of one-time transactions, in particular, the one-off costs related to the termination of the acquisition of shares of UAB Arginta Engineering, amounted to EUR 3.55 million.

The Group's **net cash flow from operating activities** was positive in the year of 2019 and amounted to EUR 5.42 million, compared to negative net cash flow from operating activities in the amount of EUR 11.49 million in the year of 2018. The increase in net cash flow from operating activities mainly relates to improved harvest in 2019. In 2019 the Group recognized a gain of EUR 3.08 million related with changes in fair value of biological assets compared to a EUR 5.26 million loss in 2018. In addition, worse harvest in 2018 had direct negative effect on biological assets value changes in balance sheet and to net operating cash flows through changes in working capital. 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. Due to better harvest in 2019, the changes in fair value of biological assets even improved the result of changes in working capital and the net cash flows from operating activities overall.

The Group's **adjusted working capital** in the year of 2019 amounted to EUR 40.16 million compared to EUR 37.67 million in the year of 2018. As the organic agriculture is very working capital intensive business, the increase in adjusted working capital mainly results from higher inputs into the biological assets (not yet harvested crops) and inventory (harvested crops).

The Group's **financial liabilities** in 2019 increased mainly due to implementation of IFRS 16. As depicted in the table below, total financial liabilities of the Group in 2019, due to implementation of IFRS 16 effect increased by 59%. Eliminating IFRS 16 effect, financial liabilities as at 31 December 2019 were EUR 3.1 million higher compared to the ones in 2018.

Financial liabilities	31 December 2019	31 December 2018
Current and non-current financial liabilities	93,993	55,862
Current and non-current financial liabilities (excl. IFRS 16 effect)	59,034	55,862
Cash and cash equivalents	3,732	2,281
Adjusted working capital	40,161	37,674
Current and non-current financial liabilities (excl. IFRS 16 effect) – cash and cash equivalents - adjusted working capital	15,141	15,907

Management of the Group believes that another important factor evaluating financial liabilities level of the Group is the adjusted working capital level. Organic agriculture is very working capital-intensive business and working capital changes have significant impact on cash flows of the Group and inevitably financial liabilities level. As it can be seen from the table above adjusted working capital of the Group has increased by EUR 2.49 million since the end of 2018 due to inputs into the biological assets (not yet harvested crops) and inventory (harvested crops). Deducting cash and cash equivalents and adjusted working capital from the level of financial liabilities more clearly indicates the financial liabilities that are not covered by working capital and cash operated by the Group. Financial liabilities of the Group excluding IFRS 16 effect minus cash and cash equivalents minus adjusted working capital as at 31 December 2019 were EUR 15.14 million or EUR 0.77 million lower than at the end of 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.

2.2. Business segments results (continued)

- 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.

- 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 results

Crop growing segment sales revenue for the four quarters of 2019 amounted to EUR 29.49 million compared to EUR 17.48 million for the same period in 2018 (with a 69% increase). The cost of sales of Crop growing segment for the four quarters of 2019 were EUR 30.45 million versus EUR 17.42 million in 2018. Total agricultural produce inventory write-offs and impairment during the twelve months of 2019 amounted to EUR 1.54 million compared to EUR 1.40 million during the twelve months of 2018. The gross profit of sales of agricultural produce for the twelve months of 2019 resulted in a loss of EUR 2.50 million (a loss of EUR 1.34 million was incurred for the same period in 2018). The Group incurred a loss in sales of agricultural produce due to highly unprofitable grain sales in second and third quarter of 2019 due to decreased market prices (in 2018 sales were unprofitable in second quarter only due to the same reason).

a) Sales of agricultural produce	*12-month period ended 31 December 2019*	*12-month period ended 31 December 2018*
Total revenue of sold agricultural produce, EUR'000	29,490	17,475
Total cost of sold agricultural produce*, EUR'000	(30,449)	(17,416)
Total inventory write-offs and impairment, EUR'000	(1,540)	(1,402)
Result of sales of agricultural produce, EUR'000	**(2,499)**	**(1,343)**

Harvest of the season 2018/2019

The total cultivated land area by the Group amounts to around 38.56 thousand hectares in the season of 2018/2019 and remains at the same level as in the season of 2017/2018. In the season of 2018/2019, 28.67 thousand hectares were seeded with cash crops (28.5 thousand in the season of 2017/2018), out of which 11.50 thousand ha were dedicated to wheat, 8.04 thousand ha to legumes and 9.13 thousand ha to other cash crops. Forage crops comprise 8.98 thousand ha in the season of 2018/2019, compared to 9.0 thousand ha in 2017/2018 season.

By the end of reporting period (31 December 2019), all crops of 2018/2019 season were fully harvested. Gain (loss) for all crops harvested in 2019 was valued by the recognition of fair value at the point of harvest. The estimated fair value of the harvested crops as at 31 December 2019 is higher than the costs incurred by EUR 3.83 million and this difference was accounted as gain and disclosed within the changes in the fair value of biological assets in the financial statements. For comparison, a EUR 3.45 million loss was recognized from fair value of agricultural produce at point of harvest in 2018. Thus, the overall harvest results of 2018/2019 season are significantly better (by EUR 7.28 million) compared to previous year.

As at 31 December 2019 the winter crops prepared for 2020 harvest were in a good condition and there were no signs of winterkill effects. Due to that the Group is available to estimate the fair value of winter crops (winter wheat, rapeseed, barley and rye) as at 31 December 2019 using following formula and assumptions:

Fair value of the crop = Costs incurred + (Cultivated area in ha * forecasted average yield in tons per ha * forecasted grain price per ton – cultivated area in ha * forecasted total cost per ha) * T * (1 - X), where:

- Cost incurred is cost actually incurred for particular crop during as at 31 December 2019.
- Cultivated area in ha is the area of particular crop seeded and expected to be harvested.
- Forecasted average yield in tons per ha.
- Forecasted grain price per ton – average sales prices in contracts for 2018/2019 season harvest.
- Forecasted total cost per ha.
- T is a portion of time in percentage already passed from sowing date until the forecasted harvest date (as at 31 December 2019 the completion was estimated to around 30% depending on the crop).
- X is the adjustment parameter for possible unexpected negative effects to the harvest. 20% was used in fair value estimations as at 31 December 2019.

The estimated fair value of the 2019/2020 season's winter crops as at 31 December 2019 is higher than the costs incurred by EUR 1.45 million and this difference is accounted as gain on changes in the fair value of biological assets and on recognition at fair value of agricultural produce at point of harvest in financial statements.

2.3. Crop growing segment overview (continued)

It should be noted that agricultural produce harvested from forage crops is accounted for at production cost. In other words, forage crop production cost is used as a measure of the fair value of the produce since there is no active market for forage crops and there is no reliable data to calculate market price of the forage crops. Therefore, the net result on revaluation of forage crops is equal to zero.

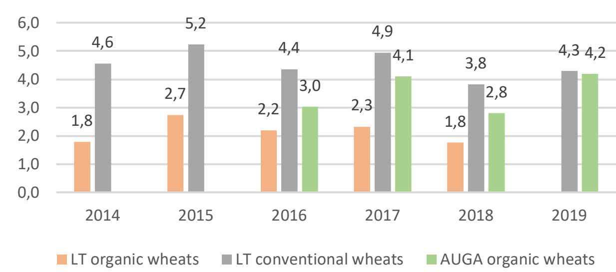
Harvest of agricultural produce		*12-month period ended 31 December 2019*	*12-month period ended 31 December 2018*
Total cultivated land, ha		**38,564**	**38,474**
	Wheat	11,503	8,854
	Legumes	8,039	10,684
	Other cash crops	9,129	8,950
	Forage Crops	8,984	9,009
	Fallow	910	977
Average harvest yield, t/ha			
	Wheat	4.21	2.83
	Legumes	1.67	1.41
	Other cash crops	8.24	5.10
	Forage Crops	6.10	4.93
Total fair value of harvest, EUR'000		**38,258**	**27,883**
	Wheat	12,663	6,415
	Legumes	4,798	5,576
	Other cash crops	13,641	10,099
	Forage Crops	7,156	5,793
Total production cost of harvest, EUR'000		**(34,426)**	**(31,332)**
	Wheat	(10,168)	(7,803)
	Legumes	(6,369)	(8,444)
	Other cash crops	(10,733)	(9,292)
	Forage Crops	(7,156)	(5,793)
Gain (loss) on revaluation of agricultural produce at point of harvest, EUR'000		**3,831**	**(3,449)**
Gain (loss) on revaluation of agricultural produce (winter crops of season 2019/2020), EUR'000		**1,450**	**-**
Total gain (loss) on revaluation of agricultural produce, EUR'000		**5,281**	**(3,449)**

Shortage of rain in spring and beginning of summer of 2019 (April was declared to be one of the driest months in the last decade by Lithuanian Hydrometeorological Service) as well as unusually hot June of 2019, had a negative impact on the yield of most cash crops, especially legumes.

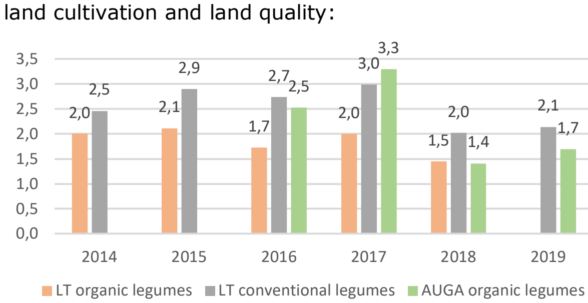
As it can be seen from the graph below, the average wheat yield was 4.2 t/ha in 2019, compared to only 2.8 t/ha in 2018 and 4.1 t/ha in 2017. Despite the fact that average wheat yield this year was better compared to previous year, the Group believes that the potential was around 15% higher if weather conditions would have been more typical for the season.

On the other hand, unfavorable weather conditions had a more negative impact on the expected legumes yield. It was slightly better than in 2018, but significantly lower than in 2017. Although, results from legumes were disappointing for two years in a row, the Group constantly improves technology base used in growing these crops and believes that upside yield potential is very significant for these crops should weather conditions correspond to the climate zone.

As can be seen from the data presented, the Group average wheat and legumes yields are getting closer to the average yields generated in non-organic farms in Lithuania. The list of reasons behind increasing yields include annual technology improvements, gained experience in organic farming, improved land cultivation and land quality:



Wheat yield in Lithuania, t/ha



Legumes yield in Lithuania, t/ha

NOTE: The data of LT organic farms in 2019 has not yet been published.
Reference: 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 2018/2019 compared to the season of 2017/2018 were mixed. The yields of sugar beets, oats, rye, barley, rapeseed, corn were higher, while the yield of soy was lower. Due to increased yields of most of the cash crops the overall average harvest yield of other cash crops amounted to 8.24 t/ha compared to 5.10 t/ha in the season of 2017/2018.

Table below depicts comparison of wheat, legumes and other cash crops prices at which the harvest was evaluated (at point of harvest) in the seasons of 2017/2018 and 2018/2019. It should be noted that at the time of the publication of the financial statements for the twelve months of 2019, significant part of the 2018/2019 season harvest has already been sold or contracted at fixed prices for the sale of the crops, so the fair value of the majority of crops was estimated based on actual contract prices.

Average price of 1 tonne of crop, eliminating sales costs, EUR	2018/2019	2017/2018	Comparison 2018/2019 with 2017/2018, %
Wheat	243	256	(5%)
Legumes	357	371	(4%)
Other cash crops	181	221	(18%)

As can be seen from the data above, the price of 1 tonne of wheat in the season of 2018/2019 was 5% lower compared to the season of 2017/2018, price of legumes – also 4% lower. Average price of other cash-crops was significantly lower due to a different crop mix.

It should be noted that average price of other cash crops is very dependent on the actual mix of cultivated crops as both yields and prices of cash crops vary significantly. In the season of 2018/2019 the yield of sugar beets increased by almost 15% compared to previous period, while the price of the sugar beets remained more than twice lower compared to other cash crops. In general, prices of cultures included in the other cash crops group in the season of 2018/2019 remained similar compared to the prices used in the season of 2017/2018.

Costs comparison per hectare of land for wheat, legumes and other cash crops for the seasons of 2017/2018 and 2018/2019 is presented in the table below.

Cost per 1 ha cultivated land, EUR	2018/2019	2017/2018	Comparison 2018/2019 with 2017/2018, %
Wheat	884	881	0%
Legumes	792	790	0%
Other cash crops	1,176	1,038	13%

As can be seen from the table above the costs per 1 ha of cultivated land of wheat and legumes remained the same comparing the seasons of 2017/2018 and 2018/2019 and other cash crops cost per ha increased by 13%. It is important to mention, that adoption of IFRS 16 in 2019 had positive impact on the costs side of around 28 EUR/ha since part of lease payments costs (interest part) are excluded from production costs and included in financial costs. As a result the actual cost per ha of wheat and legume increased slightly higher – around 4% while the cost per ha of other cash crops increased around 16%. The cost increase is mainly related to better land preparation and more inputs to the land during the season to have better yield potential. However, the full potential for some cultures was not achieved in 2018/2019 season due to unfavorable weather conditions already discussed.

Comparison of the gain (loss) on revaluation of agricultural produce at point of harvest for wheat, legumes and other cash crops during the seasons of 2017/2018 and 2018/2019 is provided in the table below. In case of wheat and other cash crops the results significantly improved. The gain of wheat was 217 EUR/ha in 2018/2019 season compared to 157 EUR/ha loss in 2017/2018 season, while the gain of other cash crops was 324 EUR/ha compared to 90 EUR/ha. On the other hand, legumes were loss making during the season of 2018/2019 as well as in the previous season although the loss per ha reduced. Loss on revaluation at the point of harvest from legumes was 195 EUR/ha in 2018/2019 season compared to 268 EUR/ha a year earlier. As it was already discussed, despite the fact that results from legumes were disappointing for two years in a row the Group constantly improves the technologies used in growing these crops and believes that upside yield potential is very significant for these crops should weather conditions been more favorable. For instance, during 2016/2017 season the yield of legumes was almost double as high and these crops were among the most profitable that season.

Gain (loss) on revaluation of agricultural produce at point of harvest, EUR/ha	2018/2019	2017/2018
Wheat	217	(157)
Legumes	(195)	(268)
Other cash crops	324	90

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

2.3. Crop growing segment overview (continued)

Forage crop harvest results in the season of 2018/2019

Evaluating harvest results of forage crops it should be noted that the produce of forage crops at point of harvest is measured at production cost. In other words, forage crops production cost is used as a measure of the fair value of the produce 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 7.16 million in the season of 2018/2019 compared to EUR 5.79 million in the season of 2017/2018. Average cost per 1 ha of cultivated land of forage crop was 797 EUR/ha in the season of 2017/2018 or 24% higher than in the season of 2017/2018 when it was 643 EUR/ha. The increase in production cost directly relates to increased spending mainly related with land preparation.

Cost per 1 ha cultivated land, EUR	2018/2019	2017/2018
Forage crops	797	643

Average forage crops yield was 6.10 tonne/ha in 2018/2019 season while 4.93 tonne/ha were harvested the season earlier. However unfavourable weather in 2019 negatively impacted forage crops yields and the actual yield was lower than expected.

Agricultural subsidies and gross profit of the crop growing segment

The total amount of agricultural subsidies accrued during the four quarters of 2019 was EUR 6.46 million compared to EUR 9.08 million during the same period in 2018.

Agricultural subsidies, EUR	2019	2018
Direct subsidies	5,420	5 677
Organic farming subsidies	3,113	3 405
Less: sanctions from NPA	(2,073)	-
Total agricultural subsidies	**6,460**	**9 082**

The decrease in organic farming subsidies is related with a termination of organic agriculture program in some of the companies and sanctions applied by the National Payment Agency (NPA) due to unfulfilled criteria established in organic farming program. In 2019 the group has accounted for provision of EUR 2,073 thousand for sanctions imposed by the National Payment Agency in March 2020. Respective sanctions were implemented as per Lithuanian Rural Development Program of 2014-2020 measure "Organic Farming" the Group failed to sow perennial grass crops in each of declared fields for at least 1-year but not more than two years per 5-year period of the program.

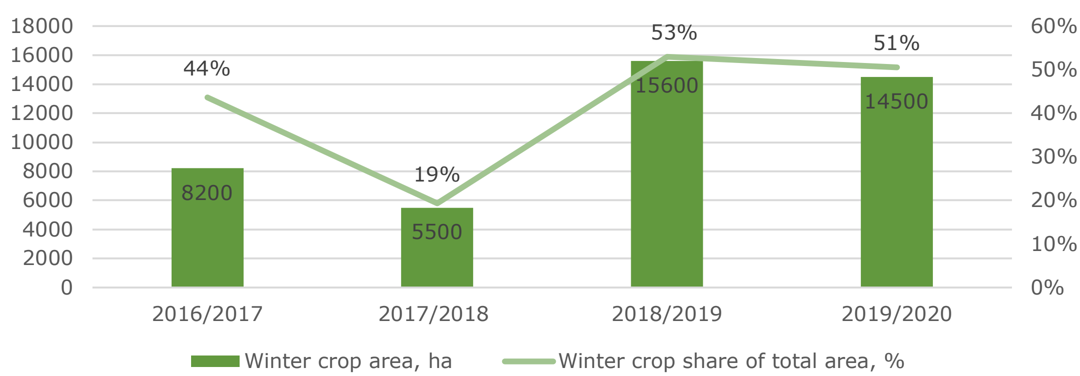
Gross profit of crop growing segment including result of sales of agricultural produce, gain (loss) on changes on recognition at fair value of agricultural produce at point of harvest and agricultural subsidies, amounted to EUR 9.24 million at the end of the year of 2019 compared to EUR 4.29 million the year earlier.

Preparation for the season of 2019/2020

Weather conditions in the fall of 2019 were favourable for autumn sowing and other preparatory land works for the season of 2019/2020. As a result, the seeding of winter crops and land preparation works were completed on time. During the autumn of 2019 the Group had sowed around 14.5 thousand ha of winter crops, which represent around half of the total cash crops

area to be planted in the season of 2019/2020. For comparison, in the season of 2018/2019 around 15.6 thousand of winter cash crops were seeded. The condition of the winter crops as at reporting date is good. Favourable 2019 autumn weather also allowed for proper cultivation of the land and preparation for summer crop sowing in the spring 2020. As a result, the Group is well prepared for the season of 2019/2020 and positive about next year harvest potential.

Winter cash crops area share in total cash crops area, %



Source: the Company

2.4. Mushroom segment overview

The revenue of the mushroom growing segment was EUR 28.71 million for the twelve months of 2019, around EUR 2.25 million or 9% higher compared to the same period in 2018 when revenue was EUR 26.46 million. Revenue from mushroom sales increased by EUR 2.44 million while revenue from mushroom seedbed sales decreased by EUR 0.19 million.

Mushroom sales revenue increase relates to increased average sales prices of non-organic mushrooms. Serving fresh market is priority for the Group due to better prices and the purpose of keeping strong relations with the clients. Since prices of fresh mushrooms are higher than those sold to processors, increased volume share of fresh mushrooms also had impact on average prices. The average price of 1 tonne of mushrooms sold during the twelve-month period of 2019 was 2,147 EUR (1,966 EUR/tonne during the twelve months of 2018).

The total cost of sales of the mushroom growing segment accounted for EUR 26.22 million in the four quarters of 2019 and was EUR 1.49 million higher compared to the same period in 2018 when it was EUR 24.73 million. Average cost of 1 tonne of mushrooms sold increased from 1,838 EUR/tonne to 1,936 EUR/tonne.

The average sales price of mushrooms and the average cost of sales of mushrooms increase is mostly related to the increase of sales of fresh mushrooms with packaging (the cost and sales price of packaged mushrooms is higher than that of weighed mushrooms sold in reusable containers).

The gross profit of mushroom growing segment for the twelve-month period of 2019 amounted to EUR 2.49 million and was higher by EUR 0.76 million compared to 2018 (the gross profit of mushroom growing segment in 2018 amounted to EUR 1.73 million).

MUSHROOM SEGMENT	*12-month period ended 31 December 2019*	*12-month period ended 31 December 2018*
Total tonnage sold, tons	**12,256**	**12,147**
Non-organic mushrooms, tons	11,335	11,271
Organic mushrooms, tons	921	876
Total revenues from mushroom sales, EUR'000	**26,319**	**23,875**
Non-organic mushrooms, EUR'000	23,609	21,296
Organic mushrooms, EUR'000	2,710	2,579
Total cost of mushrooms sold, EUR'000	**(23,733)**	**(22,331)**
Non-organic mushrooms, EUR'000	(21,808)	(20,720)
Organic mushrooms, EUR'000	(1,925)	(1,611)
Total revenues from sales of mushroom seedbed, EUR'000	**2,388**	**2,581**
Total cost from sales of mushroom seedbed, EUR'000	**(2,488)**	**(2,400)**
Gross profit of mushroom growing segment, EUR'000	**2,486**	**1,725**

2.5. Dairy segment overview

Dairy segment sales revenue for the four quarters of 2019 amounted to EUR 10.14 million and was around 13% higher comparing to the same period a year earlier. Dairy segment sales comprise of sales of milk and cattle. Sales of milk increased due to both - increase in volume of produced milk (by 8%) and increase in average price of milk sold (by 7%), while sales of cattle decreased by EUR 0.11 million due to lower quantity and price of sold cattle.

Total amount of milk sold per twelve months of 2019 amounted to 24.49 thousand tonnes (or 19.73 kg per cow per day) compared to 22.63 thousand tonnes (or 18.43 kg per cow per day) during the same period of 2018 (8% increase). Average price of milk sold was around EUR 385 per tonne during the four quarters of 2019 or 7% higher compared to the same period last year when it was EUR 359 per tonne.

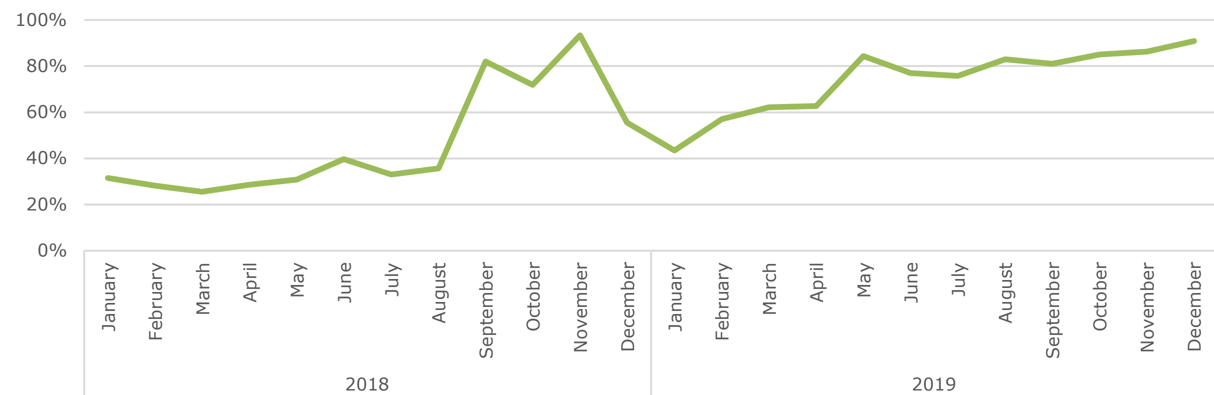
The volume share of milk sold at organic production prices was around 76% in the first four quarters of 2019 comparing to 46% in the same period of 2018. Moreover, the total amount of organic milk sales increased from 10.39 thousand tonnes during the four quarters in 2018 to 18.07 thousand tonnes during the four quarters in 2019 (74% increase year on year basis).

2.5. Dairy segment overview (continued)

DAIRY SEGMENT	*12-month period ended 31 December 2019*	*12-month period ended 31 December 2018*
Total tonnage sold, tons	**25,224**	**23,397**
Non-organic milk, tons	6,425	12,245
Organic milk, tons	18,067	10,389
Cattle, tons	732	763
Total revenues of dairy segment, EUR'000	**10,140**	**8,954**
Non-organic milk, EUR'000	2,052	3,882
Organic milk, EUR'000	7,372	4,246
Cattle, EUR'000	716	827
Total cost of dairy segment, EUR'000	**(10,641)**	**(10,261)**
Milk, EUR'000	(9,925)	(9,434)
Cattle, EUR'000	(716)	(827)
Revaluation of biological assets, EUR'000	**(2,199)**	**(1,813)**
Total subsidies, EUR'000	**774**	**698**
Gross profit of dairy segment, EUR'000	**(1,926)**	**(2,422)**

As it can be seen from the graph since May 2019 the share of milk sold at organic prices was around 80% and fluctuations in the share percentage were significantly lower compared to earlier periods. Thus, the Group managed to stabilize milk sold at organic prices share. However, the Group is further aiming to have a more diversified client portfolio in order to further increase organic milk share of sales. The Group is still in the process of getting its organic milk production certified according to China requirements which require the whole chain of production: from the farm till the processors to be certified. These certificates will widen potential to sell all the milk with organic price premium. The certification project is falling behind the schedule, but the Group plans to complete the certification during the first half of 2020.

Share of milk sold at organic prices, %



Source: the Company

Dairy segment cost of sales amounted to EUR 10.64 million during the twelve months of 2019 compared to EUR 10.26 million during the same period last year (4% increase). Despite of increase of the total dairy segment cost of sales which was mainly driven by an increase in cost of feed, cost of milk per kg went down by 3% due to the increase in milk yields.

During the four quarters of 2019 the Group has incurred a loss of EUR 2.19 million on revaluation of biological assets (animal herd) comparing to EUR 1.81 million loss during the same period last year. The loss occurs when dairy animals which are sold for meat are revaluated to their fair value based on the price of meat as well as animal write-offs.

Despite increased loss from revaluation of biological assets, the result from milk sales improved and the total gross loss of diary segment lowered to EUR 1.93 million during the twelve-month period ended 31 December 2019 (gross loss of EUR 2.42 million was reported for twelve-month period ended 31 December 2018).

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

2.6. End-consumer packaged goods segment

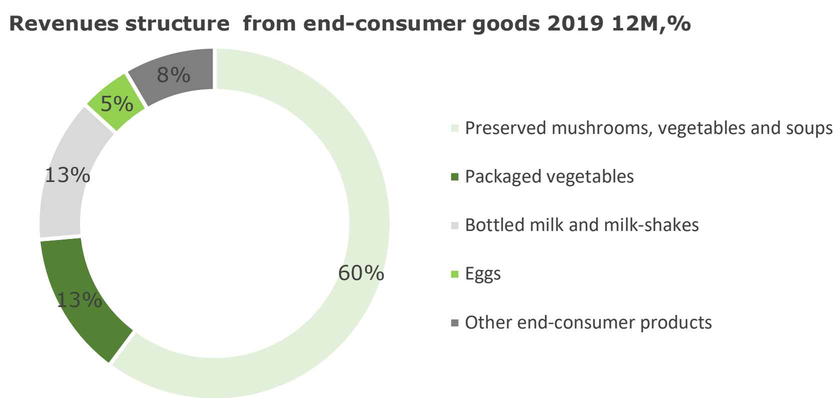
Total revenues of end-consumer packaged goods segment amounted to EUR 2.79 million during the twelve months of 2019 compared to EUR 1.86 million a year earlier.

END-CONSUMER PACKAGED GOODS	*12-month period ended 31 December 2019*	*12-month period ended 31 December 2018*
Total revenue from end-consumer packaged goods sales	2,798	1,864
Total cost of sales of end-consumer packaged goods	(2,752)	(1,793)
Gross profit of sales of end-consumer packaged goods	**45**	**70**

In 2019, the Group has entered into an agreement with a retailer to begin supplying the US market. Negotiations with retailers in the US and other export market chains continue. A stronger position in the Swedish market for private label soups and other canned goods was established.

Preserved products, especially ready-to-eat organic soups, remain the main export product in the segment.

Revenues structure from the sale of the end consumer goods as at 31 December 2019 is depicted in the chart below.



Cost of sales were EUR 2.75 million for the twelve months of 2019 compared to EUR 1.79 million for the same period in 2018.

For the first four quarters of 2019 gross profit of EUR 0.05 million was recorded (gross profit of EUR 0.07 million reported for the same period in 2018).

2.7. Operating expenses

The Group's operating expenses for the twelve months of 2019 amounted to EUR 9.58 million, while operating expenses in 2018 amounted to EUR 10.35 in 2018. In 2019 the Group started accounting for share-based payments for employees which affected the operating expenses by EUR 0.24. These expenses are equity-settled only and does not have any influence on the Group's cash-flows.

Operating expenses of 2018 were negatively impacted by one-off expenses related to the termination of the acquisition of shares of UAB Arginta Engineering in the first quarter of 2018 (negative effect of EUR 0.72 million).

Taking into consideration all aforementioned one-off effects, operating expenses of the Group slightly decreased in 2019 compared to the same period in 2018 and amounted to EUR 9.33 million and EUR 9.63 respectively.

2.8. Capital expenditures

Total amount of capital expenditures (additions) in 2019 were highly impacted by the capital expenditures limits set by major creditors (banks). 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 3.5 million. Having such a limited capital expenditures budget, the Group's key capital expenditure projects for the year 2019 were 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 could proceed as Group's financial situation improves.

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 2019.

2.8. Capital expenditures (continued)

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
2018	1,390	565	7,890	896	380	**11,121**
2019	482	6	1,488	324	1,655	**3,955**

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

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 CO_2 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.

2.9. Research and Development activities (continued)

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.

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 2019, the aggregate debt of the Group amounted to EUR 59.03 million (31 December 2018: EUR 55.86 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 2019, the Group's short-term credit line borrowing amounted to EUR 19.30 million (2018: EUR 21.27 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 84 % as at 31 December 2019) 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.

However, the Group's target is to move from short-term financing to long term financing. On 13 December 2019 the Group issued 20,000 units of Green Bonds (hereinafter – Bonds) with a nominal value of EUR 1,000 and an annual interest rate of 6%. The maturity date of Bonds is as at 17 December 2024. Interest payment dates are set at 17 December of each year until 2024. The Bonds were introduced to trading on regulated market in AB Nasdaq Vilnius Bond list. The Group anticipates attracting more funds from investors in the near future in order to reduce dependency from financial institutions and finance its activities more by long-term borrowings rather than short-term financing sources.

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.

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

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.

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 2019.

For the analysis of COVID-19 impact on the Group's operations refer to Note 30.

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.

The Group is planning to expand its managed land from approximately 38 thousand hectares to more than 39 thousand hectares in 2020. 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 2019 was very favourable for autumn sowing and other preparatory land works for the season of 2019/2020. Winter of 2019/2020 season was favourable for winter crops as well and at the date of publishing this report the Group management is very positive about 2019/2020 season harvest potential. At the beginning of 2018 the Group signed 3 years agreement with Nordic Sugar Kėdainiai, AB for growing and selling organic sugar beets. As a result the Group has steadily increased growing area of sugar-beets since then from 800 ha in 2018 to 1,320 ha in 2019 and 1,789 ha in 2020. Sugar beets were one of the most profitable crops in the last two seasons.

It is planned that the number of livestock will remain stable. The amount of milk sold at organic prices in 2019 increased to 74% compared to 46% in 2018. The Group aims to further increase the percentage of milk sold with organic price premium during 2020. 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 is currently in the process of organic milk production certification according to China's organic farming requirements. It is expected to finalize certification by the first half of 2020. This certificate 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.

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

2.11. Planned and forecasted activities of the Group (continued)

The Group expects that revenues of end-consumer packaged goods segment will retain its growing pace in 2020. Segment is of strategic importance for the Group due to diversification of current business lines as well as higher value added to existing products. The Groups has expended variety of products offered with *AUGA* brand and increased distribution in local retail chains in Baltic countries during 2019. Further progress was achieved in the export markets as well with new contracts signed with partners in the US and the United Arab Emirates. This gives solid base for further sales increase in 2020.

At the end of 2019, the Company issued green bonds for Eur 20 million nominal value. It was the first fully privately-owned listed entity in the Baltic states to issue green bonds and one of the largest bond issues on the Nasdaq Baltic in terms of value and number of investors. The Group is planning to continue diversify its loan portfolio from short-term to a long-term liabilities.

3. Corporate governance and personnel

3.1. Share capital structure of the Company

The share capital of AUGA group AB as at 31 December 2019 is EUR 65.95 million (31 December 2018: EUR 65.95 million). The share capital is divided into 227,416,252 ordinary shares (2018: 227,416,252 ordinary shares). Each issued share has a EUR 0.29 nominal value and fully paid.

3.2. Employee share option plan

The establishment of the AUGA group, AB Employee Option Plan was approved by shareholders at the annual general shareholders' meeting which took place on 30 April, 2019. The Employee Option Plan is designed to provide long-term benefits for the employees, increase their performance and motivation to remain in the entity's employment.

Under the plan, participants are granted options to receive the Company's shares which only vest if service conditions are met. The service condition for the Option receiver is to complete a 3-year term of service to the Group. After the condition is met employee is eligible to exercise the option. There are no other vesting or performance conditions for the receiver. If the receiver does not fulfill the service condition – the option does not come into force and he is not eligible to exercise the option.

The option losses force if any restructuring, bankruptcy, liquidation or similar proceedings of the Company are commenced, and such proceedings continue and / or end with liquidation of the Company; Also if both parties (the Company and the receiver) agree to terminate the option agreement and if the receiver has caused damage to the Company through his actions or omissions.

These share-based payments for employees are equity-settled only. When exercisable, each option is convertible into one ordinary fully-fledged share. The shares will be issued from the Reserve to provide shares for employees (formed and approved by the shareholders) at the nominal value of 0.29 and will increase the Company's share capital.

Options are granted under the plan for no consideration. There are no social security contributions or income tax which would be payable by the Company at the time of the exercise (or any other time during the vesting period) and which should be accrued in the liabilities. Employees who shall exercise the option and receive the shares of the company will need to pay the income tax on their own at the time of exercise.

3.3. Shareholders of the Company

Total number of shareholders on 31 December 2019 was 1,330 (one thousand three hundred thirty) and on 31 December 2018 it was 1,149 (one thousand one hundred forty-nine). The shareholders owning more than 5% of shares in the Company are the following:

Entity / person	31 December 2019		31 December 2018	
	Number of shares	**% owned**	**Number of shares**	**% owned**
Baltic Champs Group UAB (identification code: 145798333; address: Poviliškiai v., Šiauliai region mun., Lithuania)	125,167,939	55.04	125,167,939	55.04
European Bank for Reconstruction and Development (identification code: EBRDGB2LXXXX; address: One Exchange Square, London EC2A 2JN, UK)	19,810,636	8.71	19,810,636	8.71
ME Investicija UAB (identification code: 302489393; address: Račių st. 1, Vilnius, Lithuania)	19,082,801	8.39	19,030,801	8.37
Žilvinas Marcinkevičius	15,919,138	7.00	15,919,138	7.00
Other shareholders	47,435,738	20.86	47,487,738	20.88
Total	**227,416,252**	**100.00**	**227,416,252**	**100.00**

No shareholder has special voting rights.

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

3.3. Shareholders of the Company (continued)

Information on the shares of the Company held by the members of the Board and the top executives as of 31 December 2019:

Name, Surname	Position	Owned shares in the Company, units	Owned shares in the Company, %
Kęstutis Juščius*	CEO	1,392	0.0006%
Tomas Krakauskas**	Member of the Board	119,000	0.052%

* Kęstutis Juščius, CEO, is the ultimate owner of Baltic Champs Group UAB, controlling 55.04% of the Company's shares.
** Tomas Krakauskas is an employee of UAB ME Investicijos, which holds 8.39% of the Company's shares.

3.4. Information on own shares

The Company has not acquired any own shares.

3.5. 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.

3.6. 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.

3.7. Agreements between the shareholders

As at the date of 31 December 2019 the Company is not aware/was not advised of any agreements between the shareholders.

On 19 July 2018 the Company, its major shareholder Baltic Champs Group, UAB (Shareholder), Kestutis Juščius and European Bank for Reconstruction and Development (EBRD) entered into a framework agreement (Framework Agreement). Although in its nature it is not a shareholder agreement, it provides for undertaking of the Shareholder to vote in favour of EBRD nominee to be elected to the board of the Company, as long as EBRD holds at least 3% of the Company's shares; Company also undertook to comply with certain environment and social compliance and corporate governance recommendations and requirements of the EBRD.

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

General

There are three corporate bodies in the Company – the general shareholders' meeting, the Board and the Chief Executive Officer (CEO).

Annual general meeting of shareholders of the Company that has taken place on 30 April 2019 (2019 AGM) approved amended articles of association of the Company (Amended Articles) that changed corporate governance structure of the Company. Namely, the Company changed to one tier board structure, instead of two tiers, which means:

(a) there is currently only one board at the Company – Management Board, the Company no longer has Supervisory Council;

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

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

(b) Management Board is vested with the functions and powers of strategic management decisions (as per Article 34 sections 1-10 and 12-13 of the Law on Companies of Republic of Lithuania) and supervisory functions (as per section 11 of Article 34 of the Law on Companies of Republic of Lithuania); previously, supervisory functions were carried out by the Supervisory Council.

In compliance with the best corporate governance practices the Amended Articles also explicitly vested the following functions and responsibilities with the Board:

(a) approval of Company's strategy;
(b) approval of annual budget and business plan;
(c) approval of risk appetite and risk management policies;
(d) approval of annual financial and non-financial targets for CEO;
(e) responsibility of overseeing and leading Company's compliance with the best corporate governance practices.

The Board appoints, removes and supervises activities of CEO. CEO is in charge of daily management of the Company and has authority to represent the Company. Amended Articles also provided that CEO is entitled to take decisions on transactions value of which does not exceed 1/20 of authorised capital of the Company; for transactions exceeding the latter threshold Board's approval is required.

Board and its committees

Amended Articles provided that at least 1/3 of the Board members must be independent. 2019 AGM approved independency criteria of members of the Company's collegiate bodies, which by and large comply with the independency criteria established by the Law on Companies of Republic of Lithuania, namely, that to be independent, member must not be related with the Company and/or its controlling shareholder[1].

All current Board members are not related to the Company and/or its controlling shareholder; 4 of them are independent according to self-evaluation of the Board conducted at the first board meeting.

Information about the **Board members** of the Company as at 31 December 2019:

Name, Surname	Position	Status	Appointment date
Dalius Misiūnas	Chairman	Independent	30.04.2019
Andrej Cyba	Member	Independent	17.06.2019
Tomas Kučinskas	Member	Independent	30.04.2019
Murray Steele*	Member	Independent	30.04.2019
Tomas Krakauskas**	Member	Non-executive	30.04.2019

* Board member Murray Steele has been nominated by European Bank of Reconstruction and Development (EBRD), which holds 8.71% of the Company's shares, and receives top up remuneration from EBRD for conduct of board member functions; however, (i) EBRD is not a controlling shareholder; and (ii) he advised the Board that he acts independently on his own discretion as an independent board member, therefore he is deemed to be an independent board member.

** Although according to the independency criteria established in the Law on Companies of the Republic of Lithuania and approved by the 2019 AGM Tomas Krakauskas should be deemed independent, on his request he is not considered independent due to his employment relationship with Company's minority shareholder UAB ME Investicija (holds 8.39% of shares) and of his own minor shareholding (0.052%) in the Company.

Current Board's tenure is until the annual general geeting of shareholders of the Company in 2021.

The Board decided to create audit committee. Information about **Audit Committee of the Company** as at 31 December 2019:

Name, Surname	Position	Status
Andrej Cyba	Chair	Independent
Tomas Kučinskas	Member	Independent
Murray Steele	Member	Independent

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.

[1] Independency criteria for board members are set out in Article 33 section 7 of the Law on Companies of the Republic of Lithuania; independency criteria approved by the 2019 AGM may be accessed by following this link https://cns.omxgroup.com/cdsPublic/viewDisclosure.action?disclosureId=887602&messageId=1117217

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

Members of the Board

Dalius Misiūnas (chairman of the Board)

Education, qualification: Lund University (Sweden), PhD in Technology Science; Kaunas University of Technology, Electrical Engineering, Bachelor degree.
Miscellaneous: President at ISM University of Management and Economics (2019 – present).

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) (2019 – present).

Murray Steele

Education, qualification: Glasgow university (United Kingdom), Mechanical Engineering, Bachelor degree; Glasgow university (United Kingdom), Aeronautical Thermodynamics, Master degree; Cranfield university (United Kingdom), Business Administration, Master degree.

Activity: Member of the Board of AUGA group, AB (legal form: Public Limited Liability Company, code: 126264360, registered address: Vilnius municipality, Vilnius, Konstitucijos ave. 21C) (2019 – present).

Miscellaneous: Board member of James Walker Group (2004 – present); Chairman of Octopus Apollo VCT (2008 – present); Chairman of Surface Generation (2008 – present); Programme Director for NED Training Programmes for the Financial Times (2011 – present); Programme Director of the European Bank of Reconstruction and Development (2001 – present); Programme Director of the British Private Equity and Venture Capital Association (2002 – present).

Tomas Kučinskas

Education, qualification: Baltic Institute of Corporate Governance, Certification in Board Chairmanship; Baltic Institute of Corporate Governance, Certification in Board Management; Baltic Management Institute, International EMBA; Lomonosov State University (Russia), Physics, Master degree.

Activity: Member of the Board of AUGA group, AB (legal form: Public Limited Liability Company, code: 126264360, registered address: Vilnius municipality, Vilnius, Konstitucijos ave. 21C) (2019 – present).

Miscellaneous: Director of UAB „Provestum" (2012 – present); Board member of UAB „Biseris" (2011 – present); Chairman of UAB „Parket Trade" (2014 – present); Supervisory board member of Lords LB special Fund V (2017 – present).

Tomas Krakauskas

Education, qualification: Vilnius University, Management and Business Administration, Bachelor degree; ISM University of Management and Economics, ISM executive school, Master degree.

Activity: Member of the Board of AUGA group, AB (legal form: Public Limited Liability Company, code: 126264360, registered address: Vilnius municipality, Vilnius, Konstitucijos ave. 21C) (2019 – present).

Miscellaneous: Chief investment Officer of UAB „ME investicija" (2016 – present); Chairman, working as independent board member, of State owned company „Lithuanian Airports" (2016 – present); Chairman of UAB „Viena sąskaita" (2017 – present).

Andrej Cyba

Education, qualification: Vilnius University, Management and Business Administration, Bachelor degree.

Activity: Member of the Board of AUGA group, AB (legal form: Public Limited Liability Company, code: 126264360, registered address: Vilnius municipality, Vilnius, Konstitucijos ave. 21C) (2019 – present).

Miscellaneous: Chief Business Development Officer of UAB "INVL Asset Management" (2016 – present); Chairman of the Board of UAB FMĮ "INVL Finasta" (2016 – present); Chairman of Supervisory Board of IPAS "INVL Asset Management" (2016 – present); Chairman of the Supervisory Board of AS "INVL ATKLĀTAIS PENSIJU FONDS"(2016 - present); Chairman of the Management Board of UAB "Mundus" (2018 – present); Board Member of AB "Vilkyškių pieninė" (2008 - present); CEO of UAB "Piola" (2009 – present); CEO of UAB "GP1" (dormant entity) (2012 – present); CEO of UAB "GP2" (dormant entity) (2012 – present).

Key Executives

Kęstutis Juščius, CEO

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

Activity: CEO of AUGA group, AB (legal form: Public Limited Liability Company, code: 126264360, registered address: Vilnius municipality, Vilnius, Konstitucijos ave. 21C) (30.04.2019 – present).

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

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

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.).

Mindaugas Ambrasas, CFO

Education, qualification: Vilnius University, Master‘s degree in Economics.

Activity: CFO of AUGA group, AB (legal form: Public Limited Liability Company, code: 126264360, registered address: Vilnius municipality, Vilnius, Konstitucijos ave. 21C) (12.03.2020 – present).

Martynas Repečka, CFO (until 31 December 2019)

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 – 2019.12.31).

3.10. Management of the Company Remuneration and Benefits

The Company's top management includes Members of the Board, Chief Executive Officer and Chief Financial Officer (7 persons). Members of the Board of Directors receive remuneration for performance of board member functions, i.e.:

(a) EUR 1,900 (before taxes) for members of the Management Board and EUR 2,500 (before taxes) for the chairman of the Management Board per one board meeting, which includes preparation for the meeting, travel time to/from the meeting, attending the meeting, follow-up questions and closure work related to the meeting. Should there be more than 12 board meetings in 12 months, the indicated remuneration is to be paid for each meeting. Should there be less than 12 meetings per 12 consecutive months, board member will nonetheless receive remuneration for 12 meetings per 12 months. Remuneration shall not be paid for the decisions made in writing or any other way in between the meetings nor for meetings which the board member did not attend;

(b) For board members living abroad – compensation of travel and accommodation costs for/during attendance of the board meeting – not exceeding EUR 500 + VAT (Lithuanian tariff) in respect to one board meeting in which he/she participated; if the board member participates in a meeting via communication/IT measures (not physically traveling to Lithuania), travel costs compensation shall not be paid for such participation.

Members of the previous Board of Directors (which term ended on 30 April 2019) did not receive remuneration for performance of board member functions. Members of the Board who, in addition to their board member position, served 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.

Remuneration paid to members of the Management Board and the Key Executives of the Company during 2019, EUR	**Salaries**	**Bonuses**	**Fees for provided legal services**	**Total**
Average for 1 member	55,249	-	17,560	73,482
Total amount for all members of the Management Board and the Key Executives (6 persons 1/1/2019 – 30/04/2019; 7 persons 1/05/2019 – 31/12/2019)	359,117	-	114,137	473,254

Annual general meeting of shareholders of the Company that has taken place on 30 April 2019 approved compensation for Members of Supervisory Board (which term ended on 30 April 2019) in total amount of EUR 60,000 (Supervisory Board consisted of 3 members) which is included in the amount of salaries in the table above.

3.11. 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.

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

3.12. Personnel

As at 31 December 2019 the number of employees and average monthly salary by education and categories was as follows:

Employee category	Numbers of employees		Average monthly salary	
	2019	2018	2019	2018
Central office / Company	65	63	2,791	2,874
Agricultural entities management	135	145	1,802	1,686
Agricultural entities workers	949	957	1,122	1,138
Total:	**1,149**	**1,165**		

In addition, 44 employees as at 31 December 2019 were on parental leave, and is not included in the detalisation above. Total number of employees as at 31 December 2019, including those on parental leave, was 1,193.

Education	Central office / Company		Agricultural entities	
	2019	2018	2019	2018
Higher	59	60	208	212
Special professional	2	1	430	438
Middle	4	2	452	452
Primary	-	-	-	-
Total:	**65**	**63**	**1,084**	**1,102**

Structure	Number of employees		Average monthly salary	
	2019	2018	2019	2018
Managing personnel	56	49	3,363	3,238
Specialists	144	159	1,641	1,663
Employees	949	957	1,122	1,138
Total:	**1,149**	**1,165**		

For more information about Group's personnel please see the Company´s Sustainability Report for the year 2019 (see Annex No. 2).

3.13. 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 2019.

3.14. 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 2019.

3.15. 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:

Publication date	Announcement header
08.04.2020	Notice on Convocation of the ordinary General Meeting of Shareholders of AUGA group, AB on 30 April 2020
02.04.2020	The COVID-19 pandemic's effects on AUGA group, AB business operating environment
04.03.2020	AUGA group, AB held an investor conference webinar
28.02.2020	Interim information on AUGA group, AB for the 12-month period ended 31 December 2019
27.02.2020	AUGA group will hold an Investor Conference Webinar to introduce unaudited financial results for the 12 months of 2019
19.02.2020	AUGA group became the first Baltic issuer on the Nasdaq Sustainable Bond Network

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

28.01.2020	Dates of periodic information disclosure of AUGA group, AB for the year 2020 (investor calendar)
18.12.2019	AUGA group, AB Tranche 1 of green bonds will be introduced to trading on a regulated market as from 20 December 2019; the documents regarding establishment of collateral in favour of the bondholders have been signed
13.12.2019	AUGA group, AB has allocated all tranche 1 bonds of the aggregate nominal value of EUR 20,000,000, with the demand being 125% of the offer base
05.12.2019	Announcement of the amended and restated final terms of tranche 1 of bonds under the base prospectus of programme of offering of bonds of AUGA group, AB and their admission to trading on AB Nasdaq Vilnius
03.12.2019	AUGA group, AB updated presentation for investors and held an investor conference webinar
29.11.2019	Interim information of AUGA group, AB for the 9-month period ended 30 September 2019
28.11.2019	AUGA group will hold an Investor Conference Webinar to introduce unaudited financial results for the 12 months period of 2019
27.11.2019	The first tranche of AUGA group green bonds programme will be offered next week
27.11.2019	Announcement of final terms of tranche 1 of bonds under the base prospectus of programme of offering of bonds of AUGA group, AB and their admission to trading on AB Nasdaq Vilnius
26.11.2019	Approved base prospectus of programme of offering of bonds of AUGA group, AB and their admission to trading on AB Nasdaq Vilnius
22.11.2019	AUGA group entered U.S. market
28.10.2019	AUGA group, AB made strategic decision to turn to capital markets for financing by issuing bonds
18.10.2019	Updated presentation of AUGA group, AB, and news subscription for investors
09.10.2019	AUGA group signed a deal with leading food suppliers in Sweden
05.09.2019	AUGA group results for the first half of the year inspire optimism
30.08.2019	Interim information of AUGA group, AB for the 6-month period ended June 30, 2019
26.08.2019	AUGA group will hold an Investor Conference Webinar to introduce unaudited financial results for the 6 months period ended 30 June 2019
26.08.2019	AUGA group started selling Lithuanian organic products in United Arab Emirates
19.06.2019	AUGA group implements a unique governance model
17.06.2019	Decisions of extraordinary General Meeting of Shareholders of AUGA group, AB which took place on 17 June 2019
05.06.2019	Notice on the update of question of the agenda of the extraordinary General Meeting of Shareholders of AUGA group, AB on 17 June 2019 by draft of decision
03.06.2019	Announcement about investor conference webinar to introduce unaudited financial results for the 3 months period of 2019
29.05.2019	AUGA group will hold an Investor Conference Webinar to introduce unaudited financial results for the 12 months of 2019
24.05.2019	Notice on Convocation of the extraordinary General Meeting of Shareholders of AUGA group, AB on 17 June 2019
24.05.2019	Regarding penalty to board member Linas Strelis and his resignation
30.04.2019	Decisions of Ordinary General Meeting of Shareholders of AUGA group, AB which took place on 30 April 2019
19.04.2019	AUGA group, AB proposed changes to the general manager, management structure and board members
19.04.2019	Notice on the update of questions of the agenda of the ordinary General Meeting of Shareholders of AUGA group, AB on 30 April 2019 by drafts of decisions
18.04.2019	AUGA group, AB Notification of transactions by persons discharging managerial responsibilities
11.04.2019	Notice on the update of questions of the agenda of the ordinary General Meeting of Shareholders of AUGA group, AB on 30 April 2019 by drafts of decisions and related information
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

AUGA group, AB Chief Executive Officer — Kęstutis Juščius

10 April 2020

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

III. CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS

Balance sheet

		As at 31 December			
		GROUP		COMPANY	
ASSETS	**Notes**	**2019**	**2018**	**2019**	**2018**
Non-current assets					
Property, plant and equipment	5	91,897	92,892	392	415
Right-of-use assets	5	36,211	-	842	-
Investments in subsidiaries	6	-	-	96,433	96,438
Intangible assets	8	14	2,427	-	8
Long term receivables at amortised cost	13	5,676	5,641	21,223	8,418
Investments accounted for using equity method	7	57	57	-	-
Financial assets at fair value through profit or loss	7	355	355	-	-
Deferred tax asset	19	1,069	1,438	-	-
Biological assets	9	9,397	9,128	-	-
Total non-current assets		**144,676**	**111,938**	**118,890**	**105,279**
Current assets					
Biological assets	9	16,035	14,390	-	-
Inventory	10	28,958	28,708	50	10
Trade receivables, advance payments and other receivables	12	13,322	14,573	1,662	3,748
Cash and cash equivalents	11, 14	3,732	2,281	2,753	49
Total current assets		**62,047**	**59,952**	**4,465**	**3,807**
TOTAL ASSETS		**206,723**	**171,890**	**123,355**	**109,086**
EQUITY AND LIABILITIES					
Capital and reserves					
Share capital	15	65,951	65,951	65,951	65,951
Share premium	15	6,707	6,707	6,707	6,707
Revaluation reserve	15	8,488	7,155	-	-
Legal reserve	15	1,834	1,649	1,834	1,649
Reserve to provide shares for employees	15	1,624	957	1,624	957
Retained earnings		5,102	8,937	7,586	9,585
Equity attributable to equity holders of the parent		**89,706**	**91,356**	**83,702**	**84,849**
Non-controlling interest		369	359	-	-
Total equity		**90,075**	**91,715**	**83,702**	**84,849**
Non-current liabilities					
Borrowings	17	20,670	13,829	18,523	1,000
Obligations under lease	18	36,150	7,889	825	163
Deferred grant income	16	2,992	3,433	1	-
Deferred tax liability	19	1,509	883	-	-
Total non-current liabilities		61,321	**26,034**	**19,348**	**1,163**
Current liabilities					
Current portion of non-current borrowings	17	10,819	9,256	2,564	3,027
Current portion of non-current lease obligations	18	7,054	3,618	144	16
Current borrowings	17	19,300	21,270	16,900	18,870
Trade payables		13,433	14,681	323	216
Other payables and current liabilities	20	4,721	5,316	374	945
Total current liabilities		**55,327**	**54,141**	**20,305**	**23,074**
Total liabilities		**116,648**	**80,175**	**39,653**	**24,237**
TOTAL EQUITY AND LIABILITIES		**206,723**	**171,890**	**123,355**	**109,086**

The accompanying explanatory notes presented on pages 44 to 93 are an integral part of these financial statements.

These financial statements were approved and signed on 10 April 2020.

Kęstutis Juščius
Chief Executive Officer

Mindaugas Ambrasas
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	2019	2018	2019	2018
Revenues	21	71,134	54,749	3,378	3,304
Dividends from subsidiaries		-	-	-	5,656
Cost of sales	21,22	(64,369)	(45,824)	-	-
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	3,082	(5,262)	-	-
GROSS PROFIT		**9,847**	**3,663**	**3,378**	**8,960**
Operating expenses	23	(9,582)	(10,354)	(4,122)	(4,823)
Other income	25	744	2,753	582	383
OPERATING PROFIT		**1,009**	**(3,938)**	**(162)**	**4,520**
Finance cost	26	(5,000)	(2,295)	(1,232)	(1,030)
Share of net profit (loss) of associates accounted for using the equity method	7	-	(229)	-	-
PROFIT (LOSS) BEFORE INCOME TAX		**(3,991)**	**(6,462)**	**(1,394)**	**3,490**
Income tax expense	19	773	482	-	-
NET PROFIT / (LOSS) FOR THE YEAR		**(3,218)**	**(5,980)**	**(1,394)**	**3,490**
ATTRIBUTABLE TO:					
Equity holders of the Company		(3,228)	(5,957)	(1,394)	3,490
Non-controlling interest		10	(23)	-	-
		(3,218)	**(5,980)**	**(1,394)**	**3,490**
Basic and diluted earnings (loss) per share (EUR)	27	**(0.01)**	**(0.03)**	**(0.01)**	**0.02**
STATEMENT OF OTHER COMPREHENSIVE INCOME					
NET PROFIT/ (LOSS) FOR THE PERIOD		**(3,218)**	**(5,980)**	**(1,394)**	**3,490**
Other comprehensive income:					
Items that may be reclassified to profit or loss:					
Currency exchange differences		-	-	-	-
Items that will not be reclassified to profit or loss:					
Revaluation of land, gross of tax	5	3,152	1,407	-	-
Deferred tax liability from revaluation	19	(1,820)	(141)	-	-
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**(1,886)**	**(4,714)**	**(1,394)**	**3,490**
ATTRIBUTABLE TO:					
Equity holders of the Company		(1,896)	(4,691)	(1,394)	3,490
Non-controlling interest		10	(23)	-	-
		(1,886)	**(4,714)**	**(1,394)**	**3,490**

The accompanying explanatory notes presented on pages 44 to 93 are an integral part of these financial statements.

These financial statements were approved and signed on 10 April 2020.

Kęstutis Juščius Chief Executive Officer	Mindaugas Ambrasas 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 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**
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**
Comprehensive income										
Net profit (loss) for the period	-	-	-	-	-	-	(3,228)	(3,228)	10	(3,218)
Share based payment expenses (note 15)	-	-	-	-	-	-	247	247	-	247
Other comprehensive income	-	-	-	-	-	-	-	-	-	
Revaluation of land, net of tax (note 5, 19)	-	-	1,332	-	-	-	-	1,332	-	1,332
Total comprehensive income	**-**	**-**	**1,332**	**-**	**-**	**-**	**(2,982)**	**(1,649)**	**10**	**(1,639)**
Transactions with shareholders	-	-	-	-	-	-	-	-	-	-
Transfer to legal reserve (note 15)	-	-	-	-	-	185	(185)	-	-	-
Transfer to other reserve (note 15)	-	-	-	-	667	-	(667)	-	-	-
Total transactions with shareholders	-	-	-	-	**667**	**185**	**(852)**	-	-	-
Balance as at 31 December 2019	**65,951**	**6,707**	**8,488**	**-**	**1,624**	**1,834**	**5,102**	**89,706**	**369**	**90,075**

The accompanying explanatory notes presented on pages 44 to 93 are an integral part of these financial statements.
These financial statements were approved and signed on 10 April 2020.

Kęstutis Juščius
Chief Executive Officer

Mindaugas Ambrasas
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 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 31 December 2018	**65,951**	**6,707**	**1,649**	**957**	**9,585**	**84,849**
Comprehensive income						
Net profit (loss) for the period	-	-	-	-	(1,394)	(1,394)
Share based payment expenses (note 15)	-	-	-	-	247	247
Total comprehensive income	**-**	**-**	**-**	**-**	**(1,147)**	**(1,147)**
Transactions with shareholders						
Transfer to legal reserve (note 15)	-	-	185	-	(185)	-
Transfer to other reserve (note 15)	-	-	-	667	(667)	-
Total transactions with shareholders	-	-	**185**	**667**	**(852)**	-
Balance as at 31 December 2019	**65,951**	**6,707**	**1,834**	**1,624**	**7,586**	**83,702**

The accompanying explanatory notes presented on pages 44 to 93 are an integral part of these financial statements.

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Kęstutis Juščius
Chief Executive Officer

Mindaugas Ambrasas
Chief Financial Officer

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

Statement of cash flows

		Year ended 31 December			
		GROUP		COMPANY	
	Notes	2019	2018	2019	2018
Net profit (loss) before income tax		**(3,992)**	**(6,462)**	**(1,394)**	**3,490**
Adjustments for non-cash expenses (income) items and other adjustments					
Depreciation expenses (PP&E)	5	7,286	7,504	75	67
Depreciation expenses (ROU assets)	5	5,492	-	133	-
Amortization expenses	8	12	565	6	5
Expenses of share-based payments	15, 23	247	-	247	-
Write offs and impairments of PPE		-	52		-
(Gain) loss on sales of non-current assets	25	16	(15)	-	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	12,13	182	31		-
Provision due to sanctions of NPA	22	2,073	-	-	-
Write-offs of inventory	22	1,861	1,590	-	-
Interest and fines income	25	(616)	(521)	(478)	(212)
Finance cost	26	2,907	2,295	1,173	1,030
Finance cost related to ROU assets	26	2,093	-	59	-
Impairment of PPE	5	-	109	-	-
Dividends from subsidiaries		-	-	-	(5,656)
Loss (gain) on changes in fair value of biological assets	21	(3,082)	5,262	-	-
Grants related to assets, recognized as income	16	(442)	(484)	-	-
Changes in working capital					
(Increase) decrease in biological assets		2,570	(10,640)	-	-
(Increase) decrease in trade receivables and prepayments		(1,453)	(2,535)	2,087	(1,377)
(Increase) decrease in inventory		(2,111)	(3,918)	(40)	(8)
(Decrease) increase in trade and other payables		(3,244)	(739)	(471)	574
		9,799	**(9,739)**	**1,397**	**(2,144)**
Interest paid, net		(4,384)	(1,747)	(748)	(669)
Net cash flows from /(to) operating activities		**5,415**	**(11,486)**	**649**	**(2,783)**
Cash flows from /(to) investing activities					
Purchase of property, plant and equipment		(3,241)	(4,025)	(50)	(103)
Purchase of non-current intangible assets	8	-	(12)		(3)
Payment of acquisition of subsidiary, net of cash acquired	24	-	(2,193)	-	(2,424)
Proceeds from sales of PP&E		383	210	-	24
Proceeds from sales of subsidiary, net of cash disposed	24	-	985	-	-
Grants related to assets, received from NPA	16	-	260	-	-
Dividends received from subsidiaries	12	-	-	-	8,752
Other loans repaid	13	857	-	-	-
Other loans granted	6, 13	(442)	(1,261)	(12,800)	(32,655)
Net cash flows from/(to) investing activities		**(2,443)**	**(6,036)**	**(12,850)**	**(26,409)**
Cash flows from /(to) financing activities					
Proceeds from issue of shares	15	-	17,569	-	17,569
Bonds		18,523	-	18,524	-
Loans repaid to banks		(11,899)	(18,450)	(4,200)	(3,298)
Loans repaid to subsidiaries		-	-	-	(7,867)
Borrowings received		3,730	21,199	3,730	18,870
Other borrowings received		2,500	7,000	1,500	7,000
Other borrowings paid		(6,420)	(3,000)	(4,464)	(3,000)
Lease repayments		(7,953)	(5,135)	(185)	(34)
Net cash flows from/(to) financing activities		**(1,519)**	**19,183**	**14,905**	**29,240**
Net (decrease) / increase in cash and cash equivalents		**1,453**	**1,661**	**2,704**	**48**
Cash and cash equivalents at the beginning of the period		**2,281**	**620**	**49**	**1**
Cash and cash equivalents at the end of the period		**3,732**	**2,281**	**2,753**	**49**

The accompanying explanatory notes presented on pages 44 to 93 are an integral part of these financial statements.

These financial statements were approved and signed on 10 April 2020.

Kęstutis Juščius
Chief Executive Officer

Mindaugas Ambrasas
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 2019 the Group had 1,193 employees, 31 December 2018 – 1,165 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%) of the Company were:

	31 December 2019		31 December 2018	
Entity / Person's name/surname	**Number of shares**	**% owned**	**Number of shares**	**% owned**
Baltic Champs Group UAB	125,167,939	55.04	125,167,939	55.04
European Bank for Reconstruction and Development	19,810,636	8.71	19,810,636	8.71
ME Investicija UAB	19,082,801	8.39	19,030,801	8.37
Žilvinas Marcinkevičius	15,919,138	7.00	15,919,138	7.00
Other shareholders	47,435,738	20.86	47,487,738	20.88
Total	**227,416,252**	**100.00**	**227,416,252**	**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 consists of the Company and one hundred thirty six subsidiaries (31 December 2018: one hundred thirty five subsidiaries). On 5 March 2019 subsidiary UAB "Ars Ingenii" (legal entity code 302602713) was sold. UAB "Ars Ingenii" was not related to main activities of the Group and not generated any revenue. On 9 August 2019 two additional subsidiaries were acquired – Tėvynės žemelė UAB (legal entity code 303301428) and Tėviškės žemelė UAB (legal entity code 303207199). The latter subsidiary owns land portfolio which was previously consolidated to the Group's consolidated balance sheet on the basis of land repurchase agreement. Tėvynės žemelė UAB is the sole shareholder of Tėviškės žemelė UAB and does not hold any other significant assets except shares of this subsidiary.

The subsidiaries included in the Group's consolidated financial statements as at 31 December 2019 are indicated below.

No.	Name of subsidiary	Legal form	Legal entity code	Registered office	Profile	Group ownership interest, % 2019 12 31	2018 12 31
1.	Baltic Champs UAB	*4	302942064	Šiaulių region, Poviliškių v., 15	**A	100,00%	100,00%
2.	AVG Investment UAB	*4	300087691	Vilniaus mun., Vilnius, Konstitucijos av. 21C	**G	100,00%	100,00%
3.	AWG Investment 1 UAB	*4	301745765	Vilniaus mun., Vilnius, Konstitucijos av. 21C	**G	100,00%	100,00%
4.	AWG Investment 2 UAB	*4	301807590	Vilniaus mun., Vilnius, Konstitucijos av. 21C	**G	100,00%	100,00%
5.	Agross UAB	*4	301807601	Vilniaus mun., Vilnius, Konstitucijos av. 21C	**H	100,00%	100,00%
6.	Grain Lt UAB	*4	302489354	Vilniaus mun., Vilnius, Konstitucijos av. 21C	**H	97,41%	97,41%
7.	Ars Ingenii UAB	*4	302602713	Vilniaus mun., Vilnius, Konstitucijos av. 21C	**H	0,00%	100,00%
8.	AgroGis UAB	*4	302583978	Vilniaus mun., Vilnius, Konstitucijos av. 21C	**D	95,00%	95,00%
9.	Agro Management Team UAB	*4	302599498	Jonavos region, Bukonių v., Lankesos st. 2	**E	100,00%	100,00%
10.	Agrotechnikos centras UAB	*4	302589187	Jonavos region, Bukonių v., Lankesos st. 2	**F	100,00%	100,00%
11.	AUGA trade UAB	*4	302753875	Jonavos region, Bukonių v., Lankesos st. 2	**H	100,00%	100,00%
12.	Agricultural entity Žemės fondas	*1	300558595	Vilniaus mun., Vilnius, Konstitucijos av. 21C	**E	100,00%	100,00%
13.	Žemės vystymo fondas 6 UAB	*4	300589719	Vilniaus mun., Vilnius, Smolensko st. 10	**E	100,00%	100,00%
14.	Žemės vystymo fondas 9 UAB	*4	300547638	Jonavos region, Bukonių v., Lankesos st. 2	**E	100,00%	100,00%
15.	Žemės vystymo fondas 10 UAB	*4	301522723	Jonavos region, Bukonių v., Lankesos st. 2	**E	100,00%	100,00%

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

No.	Name of subsidiary	Legal form	Legal entity code	Registered office	Profile	Group ownership interest, % 2019 12 31	Group ownership interest, % 2018 12 31
16.	Žemės vystymo fondas 20 UAB	*4	300887726	Jonavos region, Bukonių v., Lankesos st. 2	**B	100,00%	100,00%
17.	AUGA Grūduva UAB	*4	174401546	Šakių region, Gotlybiškių v.,	**A	98,97%	98,97%
18.	Agricultural entity AUGA Spindulys	*1	171330414	Radviliškio region, Vaitiekūnų v., Spindulio st. 13	**A	99,99%	99,99%
19.	Agricultural entity AUGA Smilgiai	*1	168548972	Panevėžio region, Smilgių mstl. Panevėžio st. 23-1	**A	100,00%	100,00%
20.	Agricultural entity AUGA Skėmiai	*1	171306071	Radviliškio region, Skėmių v., Kėdainių st. 36	**A	99,97%	99,97%
21.	Agricultural entity AUGA Nausodė	*1	154179675	Anykščių region, Kirmėlių v.,	**A	99,93%	99,93%
22.	Agricultural entity AUGA Dumšiškės	*1	172276179	Raseinių region, Paraseinio v.,	**A	99,88%	99,88%
23.	Agricultural entity AUGA Žadžiūnai	*1	175706853	Šiaulių region, Žadžiūnų v., Gudelių st. 30-2	**A	99,81%	99,81%
24.	Agricultural entity AUGA Mantviliškis	*1	161274230	Kėdainių region, Mantviliškio v.,	**A	99,94%	99,94%
25.	Agricultural entity AUGA Alanta	*1	167527719	Molėtų region, Kazlų v., Skiemonių st. 2A	**A	99,99%	99,99%
26.	Agricultural entity AUGA Eimučiai	*1	175705032	Šiaulių region, Žadžiūnų v., Gudelių st. 30-2	**A	99,24%	99,24%
27.	Agricultural entity AUGA Vėriškės	*1	171305165	Radviliškio region, Vėriškių v.,	**A	99,93%	99,93%
28.	Agricultural entity AUGA Želsvelė	*1	165666499	Marijampolės mun., Želsvos v.,	**A	99,86%	99,86%
29.	Agricultural entity AUGA Lankesa	*1	156913032	Jonavos region, Bukonių v.,	**A	96,91%	96,91%
30.	Agricultural entity AUGA Kairėnai	*1	171327432	Radviliškio region, Kairėnų v.,	**A	98,47%	98,47%
31.	Agricultural entity AUGA Jurbarkai	*1	158174818	Jurbarko region, Klišių v., Vytauto Didžiojo st. 99	**A	98,46%	98,46%
32.	Agricultural entity AUGA Gustoniai	*1	168565021	Panevėžio region, Gustonių v., M. Kriaučiūno st. 15	**A	100,00%	100,00%
33.	Cooperative entity Siesarčio ūkis	*3	302501098	Šakių region, Gotlybiškių v., Mokyklos st. 18	**A	99,44%	99,44%
34.	Cooperative entity Kašėta	*3	302501251	Jonavos region, Bukonių v., Lankesos st. 2	**A	99,44%	99,44%
35.	Agricultural entity Gustonys	*1	302520102	Panevėžio region, Gustonių v., M. Kriaučiūno st. 15	**E	100,00%	100,00%
36.	Agricultural entity Skėmių pienininkystės centras	*1	302737554	Radviliškio region, Skėmių v., Alyvų st. 1	**A	48,67%	48,67%
37.	Cooperative entity Agrobokštai	*3	302485217	Vilniaus mun., Vilnius, Konstitucijos av. 21C	**A	97,94%	97,94%
38.	Cooperative entity Dotnuvėlės valdos	*3	302618614	Šiaulių region, Žadžiūnų v., Gudelių st. 30-2	**A	99,22%	99,22%
39.	Cooperative entity Nevėžio lankos	*3	302618596	Kėdainių region, Mantviliškio v., Liepos 6-osios st. 60	**A	96,51%	96,51%
40.	Cooperative entity Radviliškio kraštas	*3	302618742	Radviliškio region, Skėmių v., Kėdainių st. 13	**A	98,67%	98,67%
41.	Cooperative entity Šventosios pievos	*3	302618201	Raseinių region, Kalnujų mstl. Žieveliškės st. 1	**A	96,36%	96,36%
42.	Cooperative entity Kairių ūkis	*3	302615194	Panevėžio region, Gustonių v., M. Kriaučiūno st. 15	**A	98,68%	98,68%
43.	Cooperative entity Šiaurinė valda	*3	302615187	Šiaulių region, Poviliškių v., 15	**A	96,15%	96,15%
44.	Cooperative entity Šušvės žemė	*3	302618767	Kelmės region, Pašiaušės v., Vilties st. 2	**A	98,43%	98,43%
45.	Cooperative entity Žalmargėlis	*3	303145954	Vilniaus mun., Vilnius, Smolensko st. 10-100	**A	98,32%	98,32%
46.	Cooperative entity Juodmargėlis	*3	303159014	Raseinių region, Kalnujų mstl. Žieveliškės st. 1	**A	99,35%	99,35%
47.	Cooperative entity Agromilk	*3	302332698	Raseinių region, Kalnujų mstl. Žieveliškės st. 1	**A	96,28%	96,28%
48.	Cooperative entity Purpurėja	*3	302542337	Širvintų region, Širvintų v., Zosinos st. 7	**A	99,53%	99,53%
49.	Bukonių ekologinis ūkis UAB	*4	302846621	Vilniaus mun., Vilnius, Konstitucijos av. 21C	**A	100,00%	100,00%
50.	Agrosaulė 8 UAB	*4	302846105	Vilniaus mun., Vilnius, Smolensko st. 10-100	**G	100,00%	100,00%
51.	Biržai distr., Rinkuškiai reclamation infrastructure users association	*2	302465556	Biržų region, Biržai, Vytauto st. 38	**A	48,67%	48,67%
52.	Pasvalys distr., Pušalotas reclamation infrastructure users association	*2	302465563	Pasvalio region, Diliauskų v., Diliauskų st. 23	**A	48,67%	48,67%
53.	Skėmiai reclamation infrastructure users association	*2	303170256	Šiaulių region, Žadžiūnų v., Gudelių st. 30-2	**A	48,67%	48,67%

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

No.	Name of subsidiary	Legal form	Legal entity code	Registered office	Profile	Group ownership interest, %	
						2019 12 31	**2018 12 31**
54.	Vaitiekūnai reclamation infrastructure users association	*2	303170306	Šiaulių region, Žadžiūnų v., Gudelių st. 30-2	**A	48,67%	48,67%
55.	Association Grūduvos melioracija	*2	302567116	Šakių region, Gotlybiškių v., Mokyklos st. 2	**A	65,81%	65,81%
56.	Pauliai reclamation infrastructure users association	*2	303169909	Raseinių region, Gėluvos v., Dvaro st. 30	**A	100,00%	100,00%
57.	Nausode reclamation infrastructure users association	*2	304219592	Vilniaus mun., Vilnius, Konstitucijos av. 21C	**A	70,74%	70,74%
58.	Traktorių nuomos centras UAB	*4	302820808	Jonavos region, Bukonių v., Lankesos st. 2	**A	100,00%	100,00%
59.	Traktorių nuomos paslaugos UAB	*4	302820797	Jonavos region, Bukonių v., Lankesos st. 2	**A	100,00%	100,00%
60.	Arnega UAB	*4	302661957	Jonavos region, Bukonių v., Lankesos st. 2	**A	100,00%	100,00%
61.	AgroSchool OU	*6	12491954	Harju maakond, Tallinn, Kesklinna linnaosa, Lai tn 32-8, 10133	**G	100,00%	100,00%
62.	Public institution AgroSchool	*5	303104797	Vilniaus mun., Vilnius, Smolensko st. 10-100	**C	50,00%	50,00%
63.	AUGA Ramučiai UAB	*4	302854479	Akmenės region, Ramučių v., Klevų st. 11	**A	100,00%	100,00%
64.	AUGA Luganta UAB	*4	300045023	Kelmės region, Pašiaušės v.,	**A	100,00%	100,00%
65.	eTime invest UAB	*4	300578676	Vilniaus mun., Vilnius, Saltoniškių st. 29	**G	100,00%	100,00%
66.	ŽVF Projektai UAB	*4	300137062	Jonavos region, Bukonių v., Lankesos st. 2	**E	52,62%	52,62%
67.	Agricultural entity Alantos ekologinis ūkis	*1	303324747	Molėtų region, Kazlų v., Skiemonių st. 2A	**A	100,00%	100,00%
68.	Agricultural entity Dumšiškių ekologinis ūkis	*1	303324722	Raseinių region, Paraseinio v., Paraseinio st. 2	**A	100,00%	100,00%
69.	Agricultural entity Eimučių ekologinis ūkis	*1	303324715	Šiaulių region, Žadžiūnų v., Gudelių st. 30-2	**A	100,00%	100,00%
70.	Agricultural entity Grūduvos ekologinis ūkis	*1	303324804	Šakių region, Gotlybiškių v., Mokyklos st. 2	**A	100,00%	100,00%
71.	Agricultural entity Jurbarkų ekologinis ūkis	*1	303325361	Jurbarko region, Klišių v., Vytauto Didžiojo st. 99	**A	100,00%	100,00%
72.	Agricultural entity Kairėnų ekologinis ūkis	*1	303325774	Radviliškio region, Vaitiekūnų v., Spindulio st. 13-2	**A	100,00%	100,00%
73.	Agricultural entity Lankesos ekologinis ūkis	*1	303325710	Jonavos region, Bukonių v., Lankesos st. 2	**A	100,00%	100,00%
74.	Agricultural entity Mantviliškio ekologinis ūkis	*1	303325703	Kėdainių region, Mantviliškio v., Liepos 6-osios st. 60	**A	100,00%	100,00%
75.	Agricultural entity Nausodės ekologinis ūkis	*1	303325781	Anykščių region, Nausodės v., Nausodės st. 55	**A	100,00%	100,00%
76.	Agricultural entity Skėmių ekologinis ūkis	*1	303325692	Radviliškio region, Skėmių v., Kėdainių st. 13	**A	100,00%	100,00%
77.	Agricultural entity Smilgių ekologinis ūkis	*1	303325824	Panevėžio region, Smilgiai, Panevėžio st. 23-1	**A	100,00%	100,00%
78.	Agricultural entity Spindulio ekologinis ūkis	*1	303325817	Radviliškio region, Vaitiekūnų v., Spindulio st. 13-2	**A	100,00%	100,00%
79.	Agricultural entity Vėriškių ekologinis ūkis	*1	303325849	Radviliškio region, Skėmių v., Kėdainių st. 13	**A	100,00%	100,00%
80.	Agricultural entity Žadžiūnų ekologinis ūkis	*1	303325870	Šiaulių region, Žadžiūnų v., Gudelių st. 30-2	**A	100,00%	100,00%
81.	Agricultural entity Želsvelės ekologinis ūkis	*1	303325856	Marijampolės mun., Želsvos v., Želsvelės st. 1	**A	100,00%	100,00%
82.	Prestviigi OU	*6	12654600	Harju maakond, Tallinn, Kesklinna linnaosa, Lai tn 32-8, 10133	**G	100,00%	100,00%
83.	Turvaste partners OU	*6	12655410	Harju maakond, Tallinn, Kesklinna linnaosa, Lai tn 32-8, 10133	**G	100,00%	100,00%
84.	Nakamaa Agro OU	*6	12655522	Harju maakond, Tallinn, Kesklinna linnaosa, Lai tn 32-8, 10113	**G	100,00%	100,00%
85.	Hindaste Invest OU	*6	12655384	Harju maakond, Tallinn, Kesklinna linnaosa, Lai tn 32-8, 10133	**G	100,00%	100,00%
86.	Tuudi River OU	*6	12655640	Harju maakond, Tallinn, Kesklinna linnaosa, Lai tn 32-8, 10133	**G	100,00%	100,00%
87.	Palderma Partners OU	*6	12654959	Harju maakond, Tallinn, Kesklinna linnaosa, Lai tn 32-8, 10133	**G	100,00%	100,00%
88.	Ave-Martna Capital OU	*6	12655155	Harju maakond, Tallinn, Kesklinna linnaosa, Lai tn 32-8, 10133	**G	100,00%	100,00%
89.	Hobring Invest OU	*6	12655427	Harju maakond, Tallinn, Kesklinna linnaosa, Lai tn 32-8, 10133	**G	100,00%	100,00%
90.	Rukkirahhu Capital OU	*6	12655232	Harju maakond, Tallinn, Kesklinna linnaosa, Lai tn 32-8, 10133	**G	100,00%	100,00%
91.	Pahasoo OU	*6	12655367	Harju maakond, Tallinn, Kesklinna linnaosa, Lai tn 32-8, 10133	**G	100,00%	100,00%
92.	Cooperative entity Ganiklis	*3	303429417	Radviliškio region, Skėmių v., Alyvų st. 1-3	**A	98,09%	98,09%

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

No.	Name of subsidiary	Legal form	Legal entity code	Registered office	Profile	Group ownership interest, %	
						2019 12 31	2018 12 31
93.	Cooperative entity Ganiavos gėrybės	*3	303429431	Radviliškio region, Skėmių v., Alyvų st. 1-3	**A	98,09%	98,09%
94.	Cooperative entity Žemėpačio pieno ūkis	*3	303432388	Raseinių region, Ariogalos sen. Gėluvos v., Dvaro st. 30	**A	98,09%	98,09%
95.	Cooperative entity Žemynos pienelis	*3	303427989	Raseinių region, Ariogalos sen. Gėluvos v., Dvaro st. 30	**A	98,09%	98,09%
96.	Cooperative entity Lygiadienio ūkis	*3	303428087	Radviliškio region, Skėmių v., Alyvų st. 1-3	**A	98,09%	98,09%
97.	Cooperative entity Laumės pieno ūkis	*3	303427996	Raseinių region, Ariogalos sen. Gėluvos v., Dvaro st. 30	**A	98,09%	98,09%
98.	Cooperative entity Medeinos pienas	*3	303428112	Raseinių region, Ariogalos sen. Gėluvos v., Dvaro st. 30	**A	98,09%	98,09%
99.	Cooperative entity Gardaitis	*3	303429381	Radviliškio region, Skėmių v., Alyvų st. 1-3	**A	98,09%	98,09%
100.	Cooperative entity Dimstipatis	*3	303429424	Mažeikių aplinkl. 9, Naikių v., Mažeikių apylinkės sen., Mažeikių region,	**A	98,09%	98,09%
101.	Cooperative entity Aušlavis	*3	303429456	Radviliškio region, Skėmių v., Alyvų st. 1-3	**A	98,09%	98,09%
102.	Cooperative entity Austėjos pieno ūkis	*3	303428094	Mažeikių aplinkl. 9, Naikių v., Mažeikių apylinkės sen., Mažeikių region,	**A	98,09%	98,09%
103.	Cooperative entity Aitvaro ūkis	*3	303429374	Radviliškio region, Skėmių v., Alyvų st. 1-3	**A	98,09%	98,09%
104.	Cooperative entity Giraičio pieno ūkis	*3	303429399	Mažeikių aplinkl. 9, Naikių v., Mažeikių apylinkės sen., Mažeikių region,	**A	98,09%	98,09%
105.	Fentus 10 GmbH	*6	HRB106477	StraBe des 17 Juni 10b 10623 Berlin, Germany	**G	100,00%	100,00%
106.	Norus 26 AG	*6	HRB109356B	StraBe des 17 Juni 10b 10623 Berlin, Germany	**G	100,00%	100,00%
107.	LT Holding AG	*6	HRB109265B	StraBe des 17 Juni 10b 10623 Berlin, Germany	**G	100,00%	100,00%
108.	KTG Agrar UAB	*4	300127919	Vilniaus mun., Vilnius, Konstitucijos av. 21C	**A	100,00%	100,00%
109.	Agrar Raseiniai UAB	*4	300610316	Raseinių region, Ariogalos sen. Gėluvos v., Dvaro st. 30	**A	100,00%	100,00%
110.	AUGA Mažeikiai UAB	*4	300610348	Mažeikių av. 9, Naikių v., Mažeikių region,	**A	100,00%	100,00%
111.	PAE Agrar UAB	*4	300867691	Raseinių region, Gėluvos v., Dvaro st. 30	**A	100,00%	100,00%
112.	Delta Agrar UAB	*4	300868875	Raseinių region, Gėluvos v., Dvaro st. 30	**A	100,00%	100,00%
113.	KTG Grūdai UAB	*4	302637486	Raseinių region, Gėluvos v., Dvaro st. 30	**A	100,00%	100,00%
114.	KTG Eko Agrar UAB	*4	300510650	Raseinių region, Gėluvos v., Dvaro st. 30	**A	100,00%	100,00%
115.	Agronita UAB	*4	300132574	Raseinių region, Gėluvos v., Dvaro st. 30	**A	100,00%	100,00%
116.	Agronuoma UAB	*4	303204954	Raseinių region, Gėluvos v., Dvaro st. 30	**A	100,00%	100,00%
117.	VL Investment Vilnius 12 UAB	*4	303205611	Raseinių region, Gėluvos v., Dvaro st. 30	**A	100,00%	100,00%
118.	Agrar Ašva UAB	*4	301608542	Raseinių region, Gėluvos v., Dvaro st. 30	**A	100,00%	100,00%
119.	Agrar Varduva UAB	*4	301608791	Raseinių region, Gėluvos v., Dvaro st. 30	**A	100,00%	100,00%
120.	Agrar Seda UAB	*4	301608777	Raseinių region, Gėluvos v., Dvaro st. 30	**A	100,00%	100,00%
121.	Agrar Kvistė UAB	*4	302308067	Raseinių region, Gėluvos v., Dvaro st. 30	**A	100,00%	100,00%
122.	Agrar Luoba UAB	*4	302308035	Raseinių region, Gėluvos v., Dvaro st. 30	**A	100,00%	100,00%
123.	Agrar Gaja UAB	*4	302594412	Raseinių region, Gėluvos v., Dvaro st. 30	**A	100,00%	100,00%
124.	Agrar Ariogala UAB	*4	301626540	Raseinių region, Gėluvos v., Dvaro st. 30	**A	100,00%	100,00%
125.	Agrar Girdžiai UAB	*4	301621568	Raseinių region, Gėluvos v., Dvaro st. 30	**A	100,00%	100,00%
126.	Agrar Vidauja UAB	*4	301622531	Raseinių region, Gėluvos v., Dvaro st. 30	**A	100,00%	100,00%
127.	Agrar Raudonė UAB	*4	302309532	Raseinių region, Gėluvos v., Dvaro st. 30	**A	100,00%	100,00%
128.	Agrar Venta UAB	*4	302307855	Raseinių region, Gėluvos v., Dvaro st. 30	**A	100,00%	100,00%
129.	Agrar Nerys UAB	*4	302594063	Raseinių region, Gėluvos v., Dvaro st. 30	**A	100,00%	100,00%
130.	Agrar Gėluva UAB	*4	302312133	Raseinių region, Gėluvos v., Dvaro st. 30	**A	100,00%	100,00%
131.	Agrar Betygala UAB	*4	302312222	Raseinių region, Gėluvos v., Dvaro st. 30	**A	100,00%	100,00%

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

No.	Name of subsidiary	Legal form	Legal entity code	Registered office	Profile	Group ownership interest, %	
						2019 12 31	2018 12 31
132.	Agrar Dubysa UAB	*4	302312215	Raseinių region, Gėluvos v., Dvaro st. 30	**A	100,00%	100,00%
133.	Agrar Pauliai UAB	*4	302312165	Raseinių region, Gėluvos v., Dvaro st. 30	**A	100,00%	100,00%
134.	Agrar Mituva UAB	*4	302312172	Raseinių region, Gėluvos v., Dvaro st. 30	**A	100,00%	100,00%
135.	AUGA Raseiniai UAB	*4	304704364	Raseinių region, Kalnujai, Žieveliškės st. 1	**A	100,00%	100,00%
136.	Tėvynės žemelė UAB	*4	303301428	Antano Tumėno st. 4, Vilniaus mun., Vilnius	**G	100,00%	0,00%
137.	Tėviškės žemelė UAB	*4	303207199	Antano Tumėno st. 4, Vilniaus mun., Vilnius	**E	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 2.27.

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 2019 Group's current assets exceeded current liabilities by EUR 6,720 thousand (as at 31 December 2018 by EUR 5,811 thousand). The liquidity ratio (current assets/current liabilities) of the Group amounted to 1.12 (2018: 1.11), while quick ratio (current assets (excluding biological assets and inventory)/current liabilities) was 0.31 (2018: 0.31).

As at 31 December 2019 Company's current liabilities exceeded current assets by EUR 15,840 thousand (while in 31 December 2018 by EUR 19,267 thousand). Most of the deficit consist of the credit-line facility (EUR 16,900 thousand as at 31 December 2019 and 18,870 as at 31 December 2018) 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 0.22 (2018: 0.17).

For the analysis of COVID-19 impact on the Group's operations refer to Note 30.

New standards, amendments and interpretations

In 2019 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 2019.

2.2 Basis of preparation (continued)

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

The Group/Company has adopted the new and amended IFRS and IFRIC interpretations as of 1 January 2019:

- IFRS 16 *Leases* (effective for annual periods beginning on or after 1 January 2019);
- IFRIC 23 *Uncertainty over Income Tax Treatments* (effective for annual periods beginning on or after 1 January 2019);
- *Annual Improvements* to IFRSs 2015-2017 cycle (effective for annual periods beginning on or after 1 January 2019);
- Amendments to IAS 28 *Long-term Interests in Associates and Joint Ventures* (effective for annual periods beginning on or after 1 January 2019);
- Amendments to IFRS 9 *Prepayment Features with Negative Compensation* (effective for annual periods beginning on or after 1 January 2019);
- Amendments to International Accounting Standard (IAS) 28 Investments in Associates and Group Entities (effective for annual periods beginning on or after 1 January 2019);
- Amendments to IAS 19: *Plan Amendment, Curtailment or Settlement* (effective for annual periods beginning on or after 1 January 2019).

The Group and the Company has applied the following standards and amendments for the first time for their annual reporting period commencing 1 January 2019:

IFRS 16, Leases

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 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.

The group has adopted IFRS 16 retrospectively from 1 January 2019, but has not restated comparatives for the 2018, as permitted under the specific transitional provisions in the standard. The reclassifications and the adjustments arising from the new leasing rules are therefore recognised in the opening balance sheet on 1 January 2019. Adoption of IFRS 16 had no effect on the Group's future cash outflows, but resulted in increase in the Group's total assets and liabilities.

On adoption of IFRS 16, the group recognised lease liabilities in relation to leases which had previously been classified as 'operating leases' under the principles of IAS 17 Leases. These liabilities were measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate as of 1 January 2019. The weighted average lessee's incremental borrowing rate applied to the lease liabilities as at 1 January 2019 was 6%. The incremental borrowing remained unchanged as at 31 December 2019.

In applying IFRS 16 for the first time, the group has used the following practical expedients permitted by the standard:

- the use of a single discount rate to a portfolio of leases with reasonably similar characteristics;
- reliance on previous assessments on whether leases are onerous;
- the accounting for operating leases with a remaining lease term of less than 12 months as at 1 January 2019; as short-term leases (which were recognized as expense on a straight-line basis);
- the exclusion of initial direct costs for the measurement of the right-of-use asset at the date of initial application;
- the use of hindsight in determining the lease term where the contract contains options to extend or terminate the lease.

Since 1 January 2019 leases previously classified as operating leases are recognized by the Group as right-of-use assets and at the carrying amount of the lease at the date of initial recognition, taking into account future lease payments. The measurement principles in IFRS 16 apply only after that date. This resulted in EUR 39,006 thousand value adjustments related to the right to use the property, and EUR 39,006 thousand lease liabilities on the basis of variable lease payments accounted with a discount index. Revaluations of lease obligations were recognized as adjustments to the right-of-use assets immediately after the date of initial adjustment.

The Group recognised right-of-use assets and lease liabilities for all leases previously classified as operating leases, except for short-term leases and leases of low-value assets. The right-of-use assets were recognised based on the amount equal to the lease liabilities, adjusted for any related prepaid lease payments. Lease liabilities were recognised based on the present value of the remaining lease payments, discounted using the incremental borrowing rate at the date of initial application. There were no onerous lease contracts that would have required an adjustment to the right-of-use assets at the date of initial application. The Group has also reclassified the intangible assets related to favourable lease contracts accounted on business combinations to the right-of-use assets on the adoption date.

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

2.2 Basis of preparation (continued)

The lease liabilities as of 1 January 2019 can be reconciled to the operating lease commitments as of 31 December 2018 as follows:

	1 January 2019
Operating lease commitments disclosed as at 31 December 2018 (Note 29)	*43,896*
Discounted using the lessee's incremental borrowing rate of at the date of initial application	39,006
Add: finance lease liabilities recognized as at 31 December 2018	11,507
Lease liability recognized as at 1 January 2019	**50,513**
Current lease liabilities	7,731
Non-current lease liabilities	42,782
	50,513

The recognized right-of-use assets relate to the following types of assets:

	31 December 2019	**1 January 2019**
Land	35,369	38,031
Buildings	842	975
Total	**36,211**	**39,006**

The change in accounting policy affected the following items in the Group balance sheet on 1 January 2019:

	31 December 2018 as originally presented	**IFRS 16**	**1 January 2019 (after adoption)**
Non-current assets			
Property plant and equipment	92,892	41,407	134,229
Intangible assets	2,427	(2,401)	26
Total non-current assets	**111,938**	**39,006**	**150,944**
TOTAL ASSETS	**171,890**	**39,006**	**210,896**
Non-current liabilities			
Obligations under lease	7,889	34,893	42,782
Total non-current liabilities	**26,034**	**34,893**	**60,927**
Current liabilities			
Current portion of lease liabilities	3,618	4,113	7,731
Total current liabilities	**54,141**	**4,113**	**58,254**
Total liabilities	**80,175**	**39,006**	**119,181**
TOTAL EQUITY AND LIABILITIES	**171,890**	**39,006**	**210,896**

The change in accounting policy affected the following items in the Company balance sheet on 1 January 2019:

	31 December 2018 as originally presented	**IFRS 16**	**1 January 2019 (after adoption)**
Non-current assets			
Property plant and equipment	415	975	1,390
Total non-current assets	**105,279**	**975**	**106,254**
TOTAL ASSETS	**109,086**	**975**	**110,061**
Non-current liabilities			
Obligations under lease	163	842	1,005
Total non-current liabilities	**1,163**	**842**	**2,005**
Current liabilities			
Current portion of lease liabilities	16	133	149
Total current liabilities	**23,074**	**133**	**23,207**
Total liabilities	**24,237**	**975**	**25,212**
TOTAL EQUITY AND LIABILITIES	**109,086**	**975**	**110,061**

2.2 Basis of preparation (continued)

All other amendments adopted as of 1 January 2019 had no impact on the Group's and Company's financial statements for the year ended 31 December 2019.

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

Other amendments to existing standards and new standards, which are adopted by the EU, but not yet effective, 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 as 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 and presentation currency is the euro (EUR).

2.6 Foreign currency translation (continued)

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

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:

2.8 Intangible assets (continued)

Other intangible assets	5	years
Land rent contracts	1-22	years

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 licenses are capitalized on acquisition cost basis plus the costs of preparation of a specific software. Since 2019 land rent contracts are reclassified and accounted as right-of-use assets.

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

[*] For mushrooms and crops, the cost usually approximates the fair value until there is little biological transformation. At year-end, the winter crops usually are in the stage of having only a little biological transformation since seeding in autumn. However, due to favourable autumn, unusually warm winter and no winterkill effects in the season of 2019/2020, winter crops were

2.9 Biological assets (continued)

(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 of 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 of 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.

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 ".

2.11 Investments and other financial assets

2.11.1 Classification

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.

valued at fair value as at 31 December 2019 due to substantial biological transformation at the year end. 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 2020, the seedbeds as of the balance sheet dates of 31.12.19 and 31.12.18 were in the stage of having only a little biological transformation. Therefore, it is appropriate to consider that cost approximates the fair value of mushrooms.

2.11 Investments and other financial assets (continued)

-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 income 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.

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

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.

The expected loss rates are based on the payment profiles of sales over a period of 36 months before 31 December 2019 or over period of 24 months before 1 January 2019 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

2.12 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. Since 1 January 2019 depreciation expenses related with Right-of-use assets incurred after implementation of IFRS 16 is included in the cost 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.

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 2019 or 24 months before 1 January 2019 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 2019 and 1 January 2019 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. Under Lithuanian legislation, contributions to legal reserve are calculated as a percentage of share capital (more information is provided in note 15).

2.16 Revaluation reserve

Revaluation gains of PPE are recognised in equity - revaluation reserve. If the result of the revaluation of an asset is negative and there is no previously formed reserve in equity – the revaluation loss is recognized in the income statement. If a revaluation surplus exists relating to a previous revaluation of that asset a revaluation loss, not exceeding existing surplus, is recognised in equity. Revaluation reserve represents revaluation surplus, net of tax. Deferred tax liability is calculated based on the total value of the reserve.

2.17 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.

Government grants relating to the purchase of property, plant and equipment are included in non-current liabilities as deferred grant income and they are credited to profit or loss on a straight-line basis over the expected lives of the related assets. Grants relating to property plant and equipment reduces depreciation expenses of the respective asset.

Government grants relating to costs are deferred and recognised in profit or loss over the period necessary to match them with the costs that they are intended to compensate. Where the costs have already been incurred, the grant may be recognized in profit or loss in full immediately. Grants relating to costs are recognised in income statement by reducing cost of goods sold.

There are no unfulfilled conditions or other contingencies attaching to these grants. The Group did not benefit directly from any other forms of government assistance.

2.18 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. does not immediately take place or is not planned within the next 12 months, a deferred expense account is created to be held as a noncurrent asset on the balance sheet.

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

2.19 Advance payments and deferred expenses

Deferred expenses and advance payments are recorded as assets on the balance sheet until the expenses are realized and the underlying goods or services are consumed. Advance payments are recorded as current asset as there are no payments for goods or services expected to be received or consumed after more than 12 months from initial payment.

2.20 Borrowings and bonds

Borrowings and bonds are recognised initially at fair value, net of transaction costs incurred. Borrowings and bonds 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 and bonds 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.

2.21 Leases

The determination of whether a contract is (or contains) a lease is based on the substance of the arrangement at the inception of the lease. The contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

The Group/Company as a lessee

As a lessee the Group/Company recognises a right-of-use asset, representing its right to use the underlying asset, and a lease liability, representing its obligation to make lease payments.

Right-of-use assets

The Group/Company recognises right-of-use assets at the commencement date of the lease, i.e. the date the underlying asset is available for use. Right-of-use assets are measured at cost, less any accumulated depreciation and impairment, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Recognised right-of-use assets are depreciated on a straight-line basis over the shorter of their estimated useful life and the lease term. The right-of-use assets are subject to impairment, see Note 2.9.

Lease liabilities

At the commencement date of the lease, the Group/Company recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments less any lease incentives receivable and variable lease payments that depend on an index or a rate. The variable lease payments that do not depend on an index or a rate are recognised as expense in the period when they occur.

In calculating the present value of lease payments, the Group/Company uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a lease modification, a change in the lease term, a change in the lease payments (e.g., changes to future payments resulting from a change in an index or rate used to determine such lease payments) or a change in the assessment of an option to purchase the underlying asset.

Short-term leases and leases of low-value assets

The Group/Company applies the short-term lease recognition exemption to its short-term leases (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the lease of low-value assets recognition exemption to leases of office and other equipment that are considered of low value. Lease payments on short-term leases and leases of low-value assets are recognised as expense on a straight-line basis over the lease term.

The Group/Company as a lessor

Leases in which the Group/Company does not transfer substantially all the risks and rewards incidental to ownership of an asset are classified as operating leases. Rental income are accounted for on a straight-line basis over the lease term and are included in revenue in the consolidated statement of comprehensive income.

The accounting policy before 1 January 2019

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.

2.21 Leases (continued)

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.
Please note that aforementioned policy is applied until 31 December 2018. As of 1 January 2019, all operating lease are accounted and disclosed in the financial statements as required by IFRS 16.

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.

Please note that aforementioned policy is applied until 31 December 2018. As of 1 January 2019, all operating lease are accounted and disclosed in the financial statements as required by IFRS 16.

2.22 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 income tax for 2014 and subsequent years, only up to 70% of current period taxable result can be offset with tax loss carried forward from previous periods.

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.

2.23 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.

2.23 Revenue and expense recognition (continued)

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. No contracts with multiple performance obligations are carried out. In most cases the goods are transferred to the customer the same day as the issue of the invoice, thus no income from sales of goods are recognised over time.

Sales of services

Revenue from services is recognised at the moment of sale as the services provided by the Group are not continuous and there are no services contracts with multiple performance obligations.

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.

2.24 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.

Employee share option plan

The Group approved employees shares option plan in 2019 (share based payments related with the approved plan is described in Note 2.25).

Under the plan, participants are granted options to receive the Company’s shares which only vest if service conditions are met. The service condition for the Option receiver is to complete a 3-year term of service to the Group. After the condition is met employee is eligible to exercise the option. There are no other vesting or performance conditions for the receiver. If the receiver does not fulfil the service condition – the option does not come into force and he is not eligible to exercise the option.

The option losses force if any restructuring, bankruptcy, liquidation or similar proceedings of the Company are commenced, and such proceedings continue and / or end with liquidation of the Company; Also if both parties (the Company and the receiver) agree to terminate the option agreement and if the receiver has caused damage to the Company through his actions or omissions.

2.24 Employee benefits (continued)

These share-based payments for employees are equity-settled only. When exercisable, each option is convertible into one ordinary fully-fledged share. The shares will be issued from the Reserve to provide shares for employees (formed and approved by the shareholders) at the nominal value of 0.29 and will increase the Company's share capital.

Options are granted under the plan for no consideration. There are no social security contributions or income tax which would be payable by the Company at the time of the exercise (or any other time during the vesting period) and which should be accrued in the liabilities. Employees who shall exercise the option and receive the shares of the company will need to pay the income tax on their own at the time of exercise.

2.25 Share based payments

Total cumulative expenses of share-based payments are calculated based on the formula described below. The expenses are accrued in the profit (loss) statement and equity based on the days lapsed since the grant date till the reporting date. Each year the entity will revise the expense to reflect the best available estimate of the number of equity instruments expected to vest.

The total expenses of share-based payments are calculated based on the formula:

Share price @ grant date x Granted shares x (1-annual staff turnover)^(vesting period)

Where:

The share price of options is based on the closing price at grant date at which the company's shares are traded on the Nasdaq Stock Exchange.

The grant date of the Option is set to be the date of the share-based payment agreement between the Company and the receiver as all the terms and conditions are set in this agreement and there are no other arrangements which would need to be confirmed at a later date.

Granted shares – shares to be granted to employee based on the Option agreement.

Staff turnover – chance that the option will be exercised is adjusted by the forecasted staff turnover percent during the vesting period. The ratio is calculated based on historical staff turnover data of 2 years. The historical staff turnover data includes turnover only of the positions which are set to receive the share-based payments. The turnover of other positions are excluded from the ratio.

There are option agreements which are signed with a special condition – that the receivers do not need to fulfill the service condition, but they will still need to wait 3 years vesting period before being able to exercise the option. Due to this staff turnover adjustment is excluded in the calculation of the expenses of these options as it does not affect their chances to receive the option.

2.26 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.

2.27 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.

2.28 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.

2.28 Financial guarantee contracts (continued)

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.

2.29 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 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) 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 lease liabilities are repriced each 3 or 6 months. Other borrowings are repriced each month or every 3 months.

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.

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 3,640 thousand as at 31 December 2019 (EUR 4,658 thousand as at 31 December 2018) 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 1,053 thousand as at 31 December 2019 (EUR 1,474 thousand as at 31 December 2018) 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 26), and accordingly adjusted the derivative value in the balance sheet. In 2019, the change was negative and amounted to EUR 24 thousand (in 2018 the change was negative - EUR 80 thousand) and is accounted in finance cost (note 26). The carrying value of the derivative was EUR 376 thousand as at 31 December 2019 (EUR 352 thousand as at 31 December 2018). The derivatives are accounted in current portion of non-current borrowings financial statement line item in balance sheet.

As at 31 December 2019 the Group borrowings at floating interest rates amounted to EUR 30,343 thousand (31 December 2018: EUR 40,391 thousand), 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 146 thousand before taxes (2018: EUR 374 thousand).

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

3.1 Financial risk management (continued)

As at 31 December 2019 the Company's borrowings with floating interest rates amounted to EUR 17,003 thousand (31 December 2018: EUR 19,049 thousand). If EURIBOR would increase above 0 and floating rate interest (influenced by EURIBOR) changed by 1 percentage point, the annual effect on the Company would amount to EUR 85 thousand before taxes (2018: EUR 190 thousand). See note 17 for more details.

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 2019 totalled EUR 2,036 thousand (2018: EUR 2,565 thousand) (Note 28,29).

As at 31 December 2019, the Company had issued guarantees to banks for loans taken by subsidiary entities (agricultural entities, Baltic Champs UAB) for total of EUR 16,339 thousand (EUR 22,122 thousand in 2018) (Note 28,29).

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.

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.

			Contractual cash flows				
GROUP	**Carrying amount**	**Total**	**Payable on demand**	**Within one year**	**Within second year**	**Within third and fourth year**	**Within fifth year and later**
31 December 2019							
Borrowings	50,789	56,568	-	31,340	2,178	2,836	20,214
Lease liabilities related to right-of-use assets	34,960	46,226	-	6,572	6,545	11,628	21,481
Lease liabilities	8,244	8,723	-	3,153	2,773	2,661	136
Guarantees issued	-	2,268	2,268	-	-	-	-
Trade and other payables	13,652	13,652	-	13,652	-	-	-
Total	**107,645**	**127,437**	**2,268**	**54,717**	**11,496**	**17,125**	**41,831**
31 December 2018							
Borrowings	44,355	46,933	-	32,261	11,352	2,134	1,186
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**

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

3.1 Financial risk management (continued)

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 2019							
Borrowings	37,987	43,163	-	20,195	1,111	2,223	19,634
Lease liabilities related to right-of-use assets	866	1,072		168	170	317	417
Lease liabilities	103	109	-	31	61	17	-
Guarantees issued	-	16,571	16,571	-	-	-	-
Trade and other payables	328	328	-	328	-	-	-
Total	**39,284**	**61,243**	**16,571**	**20,722**	**1,342**	**2,557**	**20,051**
31 December 2018							
Borrowings	22,897	23,809	-	22,800	1,009	-	-
Lease 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**

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.

Borrowings include loans from financial institutions and Green Bonds issued on 13 December 2019. For more details refer to note 17.

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). If eliminating right-of-use assets recognised on IFRS 16 adoption, the equity to assets ratio is 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 2019 and 31 December 2018, the Company complied with these requirements.

As at 31 December 2019 40 Group companies did not comply with these requirements (as at 31 December 2018 – 56). 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.

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. Respective receivables are classified as level 1 in the fair value hierarchy.

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 in the fair value hierarchy due to use of unobservable inputs, including own credit risk.

The fair value of the bonds is calculated by discounting the nominal value of the bonds, applying bond interest rates and eliminating the issue-related costs and discounts. Both, the discounts and related expenses will be accounted as interest expenses and capitalized to the value of the bonds over the 5-year period. As at 31 December 2019 fair value of bonds was approximately equal to its nominal value.

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

3.3 Fair value estimation (continued)

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 lease liabilities) (presented at their carrying values):

GROUP	Liabilities with fixed interest rate	Liabilities with floating interest rate
31 December 2019		
Loans from financial institutions	4,692	23,013
Lease liabilities related to right-of-use assets	34,960	-
Lease liabilities	1,260	6,985
Green bonds	18,523	-
Other borrowings	4,215	345
Total	**63,650**	**30,343**

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

COMPANY	Liabilities with fixed interest rate	Liabilities with floating interest rate
31 December 2019		
Loans from financial institutions	-	16,900
Lease liabilities related to right-of-use assets	866	-
Lease liabilities	-	103
Green bonds	18,523	-
Other borrowings	2,564	-
Total	**21,953**	**17,003**

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

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 2019 equals 3.98 per cent (2018: 3.56 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 2019 and 31 December 2018 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 1.28% higher than the floating interest rate as at 31 December 2019 (2018: 0.11% lower).

On 13 December 2019 the Group issued 20,000 units of Green Bonds with a nominal value of EUR 1,000 and an annual interest rate of 6%. The maturity date of bonds is as at 17 December 2024. Interest payment dates are set at 17 December of each year until 2024. The bonds were introduced to trading on regulated market in AB Nasdaq Vilnius Bond list.

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

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.

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

4. Critical accounting estimates and assumptions (continued)

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. No impairment indications were identified in 2018 and 2019.

Valuation of cultivated agricultural land

The Group evaluates its land portfolio at the end of the year each year. In 2019 the Group has hired independent valuators who evaluated all land portfolio owned by the Group. Full portfolio of agricultural land plots in different regions of Lithuania was revaluated by detail (every unique land plot). 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 valuation was performed in November 2019 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 3,152 thousand for the whole portfolio of cultivated land (2018: EUR 1,407 thousand), as the average price of agricultural land has risen to around EUR 5.6 thousand per hectare (2018: EUR 5.1 thousand per hectare).

The table below provides summarizing data of changes in values of agricultural land between different regions from 2018 to 2019.

	31 December 2019			31 December 2018		
Region	**Area (Ha)**	**Values (thous. Eur)**	**Average (EUR/Ha)**	**Area (Ha)**	**Values (thous. Eur)**	**Average (EUR/Ha)**
Total	**4,489***	**25,253**	**5,626**	**4,272***	**21,638**	**5,065**
Radviliškio	879	5,771	6,562	853	4,931	5,781
Jonavos	459	2,223	4,848	389	1,972	5,069
Šakių	476	3,377	7,089	436	2,843	6,521
Šiaulių	350	1,934	5,518	338	1,817	5,376
Kėdainių	294	2,214	7,529	282	1,955	6,933
Jurbarko	331	1,523	4,597	319	1,187	3,721
Anykščių	276	1,193	4,323	276	891	3,228
Raseinių	317	1,737	5,482	292	1,568	5,370
Panevėžio	280	1,504	5,369	222	1,055	4,752
Mažeikių	190	902	4,735	190	887	4,668
Other	635	2,875	4,527	675	2,532	3,751

* Out of 4,489 Ha (2018: 4,272 Ha) Group has property ownership to 3,969 ha (2018: 3,490 ha). The remaining 520 ha is consolidated to the Group financial statements based on share-repurchase agreement of a company which holds this land.

Change in the average value of agricultural land per hectare:

Region	**31 December 2019**	**31 December 2018**	**Variance, EUR**	**Variance (%)**
Total	**5,626**	**5,065**	**561**	**11.08**
Radviliškio	6,562	5,781	781	13.51
Jonavos	4,848	5,069	(221)	(4.36)
Šakių	7,089	6,521	568	8.71
Šiaulių	5,518	5,376	142	2.64
Kėdainių	7,529	6,933	596	8.60
Jurbarko	4,597	3,721	876	23.54
Anykščių	4,323	3,228	1,095	33.92
Raseinių	5,482	5,370	112	2.09
Panevėžio	5,369	4,752	617	12.98
Mažeikių	4,735	4,668	67	1.44
Other	4,527	3,751	776	20.69

4. Critical accounting estimates and assumptions (continued)

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 2019: EUR 25,432 thousand, value at 31 December 2018: EUR 23,518 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 2019 the average milk price assumption of the next 3 years was EUR 0.444 per kg (EUR 0.450 per kg in the forecast of 2018); current cow herd has an estimated working life of 1 to 3 years (same as in 2018), and an average yields of 24.00 kg per cow per day (21.70 kg per cow per day in the forecast of 2018). At the end of the working period the cow is estimated to be sold for meat. The forecasted revenues are reduced with costs directly related to herd growing (feeds, medicines, employee salaries and other).

The free cash-flow is discounted with post tax WACC of 7.77% (8.06% in 2018). Obtained results show the cow herd being valued EUR 5,744 thousand as at 31 December 2019 (EUR 5,275 thousand in 2018). If the milk price over the following 3 year period would be smaller by 5%, the cow herd value would decrease by EUR 737 thousand (2018: EUR 837 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 2019 amounted to EUR 3,654 thousand (2018 amounted to EUR 3,853 thousand). A 10% change in market price of meat would result in EUR 328 thousand (2018: EUR 304 thousand) change in other livestock herd market value.

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

At the end of the reporting period winter crops are valued at fair value at point of harvest while all other cultures are valued at cost. The differentiation of winter crops is based on the level of biological transformation – the completion percentage of winter crops at the end of the reporting period may be significantly better compared to other cultures due to earlier sowing and increased average weather temperatures in autumn and winter. Other crops are valued at cost as only slight biological transformation has taken place since incurrence of the cost and end of reporting period. Value of winter crops at the end of reporting period is calculated according to the following formula and assumptions:

Fair value of the crop = Costs incurred + (Cultivated area in ha * forecasted average yield in tons per ha * forecasted grain price per ton – cultivated area in ha * forecasted total cost per ha) * T * (1 - X), where:

- Cost incurred is cost actually incurred for particular crop during as at 31 December 2019.
- Cultivated area in ha is the area of particular crop seeded and expected to be harvested.
- Forecasted average yield in tons per ha.
- Forecasted grain price per ton – average sales prices of crops as contracted for the following season (if no future contracts are in place, contracts prices of previous periods are used).
- Forecasted total cost per ha.
- T is a portion of time in percentage already passed from sowing date until the forecasted harvest date (as at 31 December 2019 the completion of winter corps was estimated to around 30% depending on the crop).
- X is the adjustment parameter for possible unexpected negative effects to the harvest. 20% was used in fair value estimations as at 31 December 2019.

The estimated fair value of the 2019/2020 season's winter crops as at 31 December 2019 is higher than the costs incurred by EUR 1,450 thousand and this difference is accounted as gain on changes in the fair value of biological assets and on recognition at fair value of agricultural produce at point of harvest in financial statements.

Crops value as at 31 December 2019: EUR 13,809 thousand, while as at 31 December 2018: EUR 12,302 thousand.

The value of winter crops is determined based on level III fair value hierarchy.

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 as at 31 December 2019 amounted to EUR 2,226 thousand (31 December 2018 – EUR 2,088 thousand).

4. Critical accounting estimates and assumptions (continued)

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.

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. The management have not identified any assets that needs to be impaired in 2019.

The sensitivity of the change in the useful lives of property, plant and equipment is as follows:

	Change in depreciation, %	
Assumption	**2019**	**2018**
Useful lives of PPE increase by 1 year	(6.14)	(5.58)
Useful lives of PPE decrease by 1 year	7.00	(6.62)

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 51.5 million and EUR 13.9 million, respectively, as at 31 December 2019 (EUR 51.9 million and EUR 12.5 million respectively as at 31 December 2018) (note 19). As at 31 December 2019, the Group and the Company had accumulated tax losses carried forward for which no deferred tax asset was recognised in the amount of EUR 36.4 million and EUR 12.2 million, respectively (EUR 40.1 million and EUR 12.5 million respectively as at 31 December 2018). 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 2019 and 2018, 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 2019 and 2018. 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 2019: 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 4.86% cost of debt (2018: 3.60%) 10% cost of capital (2018: 10%) and the Group's capital structure (51% debt and 49% equity), (2018: 36% debt and 64% equity). Cost of capital was estimated using risk free rate of 0.30% (2018: 0.31%), sector levered beta of 0.59 (2018: 0.59), market risk premium of 7.56% (2018: 7.67%) and additional premiums for business risk (3.5% in both 2019 and 2018) and liquidity risk (2.5% in both 2019 and 2018). The estimated pre-tax WACC of 7.38% (2018: 8.06%) was applied in the impairment test. No additional impairment or reversal of prior impairments of investments in subsidiaries recognised in 2019.

Sensitivity of change in assumptions in the investment impairment test is as provided below:

			Increase in impairment amount, EUR'000			
	Change in assumption		**Increase in assumption**		**Decrease in assumption**	
Assumption	**2019**	**2018**	**2019**	**2018**	**2019**	**2018**
Annual growth rate	1%	1%	No impairment	No impairment	No impairment	231
WACC	0.5%	0.5%	114	2,165	No impairment	No impairment

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.

4. Critical accounting estimates and assumptions (continued)

In addition, the Group assumed that lease expenses (interest and right-of-use assets depreciation) related with IFRS 16 will remain in the similar level as in 2019 as the Group does not expect changes in the lease terms and interest rate applied. The Group has estimated impact on the income statement in 2019 if interest rate or lease term would change.

		Change in ROU assets depreciation and interest expenses, EUR'000			
	Change in assumption	**Increase in assumption**		**Decrease in assumtion**	
Assumption	**2019**	**Change in interest expenses**	**Change in depreciation**	**Change in interest expenses**	**Change in depreciation**
Annual interest rate	1%	278	(185)	(305)	198
Lease term	1 year	38	(20)	(36)	21

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 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**
Change in accounting policy (2.2)	38,031	975	-	-	-	39,006
- additions	777	6	1,488	324	1,655	4,250
- disposals and write-offs	(19)	(37)	(305)	(117)	(339)	(817)
- revaluation (note 4)	3,152	-	-	-	-	3,152
- depreciation (including ROU assets)	(5,359)	(2,382)	(4,282)	(755)	-	(12,778)
- reclassifications (notes 2.2, 8)	2,401	921	-	-	(921)	2,401
As at 31 December 2019	**60,622**	**40,978**	**22,602**	**2,198**	**1,707**	**128,108**
Acquisition cost as at or revaluated amount						
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
31 December 2019	65,981	54,560	40,730	5,308	1,707	168,286
Accumulated depreciation and impairment losses as at						
31 December 2017	-	(8,955)	(9,405)	(1,537)	-	(19,897)
31 December 2018	-	(11,200)	(13,846)	(2,355)	-	(27,401)
31 December 2019	(5,359)	(13,582)	(18,128)	(3,110)	-	(40,179)
Carrying amount as at						
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**
31 December 2019	**60,622**	**40,978**	**22,602**	**2,198**	**1,707**	**128,108**

As at December 31, 2019, right-of-use assets (ROU assets) recognized by the Group included the following type of assets:

2019	**Land**	**Buildings**
Acquisition cost	40,433	975
Additions	295	-
Less: accumulated depreciation	(5,359)	(133)
Carrying amount as at 31 December 2019	**35,369**	**842**

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

5. Property, plant and equipment (continued)

During 2019 major investments were in constructions and machinery, vehicles, equipment and other PPE due to expansion of cultivated land area.

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 2019 to 31 December 2018 also came from revaluation of land at 31 December 2019 - EUR 3,152 thousand (as at 31 December 2018 – EUR 1,407 thousand).

As at 31 December, 2019 the property, plant and equipment with the carrying amount of EUR 63,248 thousand (2018: EUR 75,057 thousand) have been pledged as security for bank borrowings. The leased assets secure lease liabilities according to the lease agreements.

COMPANY	**Buildings**	**Construction in progress**	**Vehicles**	**Equipment and other property, plant and equipment**	**Total**
Carrying amount					
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**
Change in accounting policy (2.2)	975	-	-	-	975
- additions	-	46	3	3	52
- disposals and write-offs	-	-	-	-	-
- depreciation	(133)	-	(43)	(32)	(208)
As at 31 December 2019	**842**	**168**	**164**	**60**	**1,234**
Acquisition cost as at					
31 December 2017	-	57	210	168	435
31 December 2018	-	122	306	186	614
31 December 2019	975	168	309	189	1,641
Accumulated depreciation and impairment losses as at					
31 December 2017	-	-	(65)	(67)	(132)
31 December 2018	-	-	(101)	(98)	(199)
31 December 2019	(133)	-	(144)	(130)	(407)
Carrying amount as at 31 December 2017	**-**	**57**	**145**	**101**	**303**
Carrying amount as at 31 December 2018	**-**	**122**	**204**	**89**	**415**
Carrying amount as at 31 December 2019	**842**	**168**	**164**	**60**	**1,234**

As at December 31 2019, right-of-use assets (ROU assets) recognized by the Company included the following type of assets:

2019	**Buildings**
Acquisition cost	975
Less: accumulated depreciation	(133)
Carrying amount as at 31 December 2019	**842**

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

Constructions and machinery	**2019**	**2018**
Acquisition cost	19,079	21,596
Less: accumulated depreciation	(5,366)	(4,449)
Carrying amount	**13,713**	**17,147**

Right-of-use assets	**2019**	**2018**
Acquisition cost	41,703	-
Less: accumulated depreciation	(5,492)	-
Carrying amount	**36,211**	**-**

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

5. Property, plant and equipment (continued)

The consolidated statement of profit or loss of the **Group** shows the following amounts relating to lease of right-of-use assets:

	31 December 2019	31 December 2018
Depreciation (recorded in Gain (loss) on recognition of agricultural produce at fair value at point of harvest), (note 21)	5,042	-
Depreciation (recorded in operating expenses note 23)	450	-
Interest expenses recorded in financial expenses (note 26)	2,093	-
Total	**7,585**	**-**

The statement of profit or loss of the **Company** shows the following amounts relating to lease of right-of-use assets:

	31 December 2019	31 December 2018
Depreciation (recorded in operating expenses note 23)	133	-
Interest expenses recorded in financial expenses (note 26)	59	-
Total	**192**	**-**

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 2018	10,475
Carrying amount of land without revaluation effect as at 31 December 2019	10,938

6. Investments in subsidiaries

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

	2019	2018
As at 1 January	**96,438**	**69,777**
Capitalization of long-term receivables from subsidiaries	-	24,237
Acquisition of subsidiaries / additional acquisitions (note 24)	-	2,424
Sale of subsidiaries	(5)	-
As at 31 December	**96,433**	**96,438**

In 2019 the Company has sold one of its subsidiaries – Ars Ingenii, UAB. 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 2019 and 31 December 2018, the Company performed impairment tests on investment into subsidiaries as disclosed in note 4. As the result of the tests, no additional impairment loss or reversal of prior losses was identified.

7. Financial assets at fair value through profit or loss 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:

	2019	2018
As at 1 January	**57**	**286**
Acquisition of investments	-	-
Aggregate amount of the Group's share of profit (loss)	-	(229)
As at 31 December	**57**	**57**

Financial assets at fair value through profit or loss

In 2018 the Group entities invested to 5 individually immaterial companies that are accounted at fair value through profit or loss. These companies are planned to be sold during first half of 2020.

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

7. Financial assets at fair value through profit or loss and investments accounted for using equity method (continued)
For the year ended 31 December the movement was as follows:

	2019	2018
As at 1 January	**355**	**355**
Acquisition of investments	-	-
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	Other intangible assets	Total
Carrying amount			
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**
- Acquisition of subsidiaries (note 24)	-	-	-
- additions	-	-	-
- disposals	-	-	-
- amortization	-	(12)	(12)
- reclassification to right-of-use assets (note 5)	(2,401)	-	(2,401)
As at 31 December 2019	**-**	**14**	**14**
Carrying amount as at 31 December 2017	**814**	**25**	**839**
Carrying amount as at 31 December 2018	**2,401**	**26**	**2,427**
Carrying amount as at 31 December 2019	**-**	**14**	**14**

The amortization of intangible assets is included in Operating expenses (note 23).

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

COMPANY	Other intangible assets
Carrying amount	
As at 31 December 2017	**10**
- additions/(disposals and write-offs)	3
- amortization	(5)
As at 31 December 2018	**8**
- additions/(disposals and write-offs)	-
- amortization	(6)
As at 31 December 2019	**2**
Carrying amount	
As at 31 December 2017	**10**
As at 31 December 2018	**8**
As at 31 December 2019	**2**

9. *Biological assets*

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

	2019	2018
Livestock	9,397	9,128
Total non-current	**9,397**	**9,128**
Crops	13,809	12,302
Mycelium cultivation seedbed	2,226	2,088
Total current	**16,035**	**14,390**
As at 31 December	**25,432**	**23,518**

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

9. Biological assets (continued)

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

	Milk cows	Heifers	Other livestock	Total
As at 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**	**2,997**	**148**	**6,703**
Additions	-	75	-	75
Increase (birth)	-	1,789	1,680	3,469
Transfers from other groups	1,266	(1,266)	-	-
Sales	(1,095)	(288)	(1,512)	(2,895)
Natural mortality	(203)	(460)	(167)	(830)
As of 31 December 2019	**3,526**	**2,847**	**149**	**6,522**

The Group's livestock value consisted of the following:

	Milk cows	Heifers	Other livestock	Total
As at 31 December 2017	**4,579**	**3,329**	**121**	**8,029**
Additions	-	-	20	20
Increase (birth)	-	51	53	104
Makeweight	-	3,578	227	3,805
Transfers from other groups	2,839	(2,839)	-	-
Sales	(526)	(53)	(248)	(827)
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 at 31 December 2018	**5,275**	**3,718**	**135**	**9,128**
Additions	-	32	-	**32**
Increase (birth)	-	54	50	**104**
Makeweight	-	3,249	260	**3,508**
Transfers from other groups	2,302	(2,302)	-	**-**
Sales	(470)	(94)	(152)	**(716)**
Natural mortality	(336)	(94)	(31)	**(461)**
Gain (loss) arising from changes in biological assets fair value (note 21)	(1,028)	(955)	(216)	**(2,199)**
As of 31 December 2019	**5,744**	**3,608**	**46**	**9,397**

The Group produced 24,492 tons of milk in 2019 (in 2018: 22,634 tons).

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

The Group's crops consisted of the following:

2019	**Winter wheat**	**Winter rapeseed**	**Winter rye**	**Winter barley**	**Summer crops (including feed)**	**Total**
Total ha planted (land prepared)	11,358	2,557	188	405	25,265	**39,772**
Total expenses incurred	4,716	1,123	83	105	6,332	**12,359**
Average expenses per 1 ha (EUR)	415	439	443	259	251	**311**

9. *Biological assets (continued)*

2018	**Winter wheat**	**Winter rapeseed**	**Winter rye**	**Winter barley**	**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	**12,390**
Average expenses per 1 ha (EUR)	344	329	325	**-**	311	**323**

In 2019 the Group's harvest amounted to over 140 thousand tons of grains and vegetables (2018: 86 thousand tons).

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

9. Biological assets (continued)

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

	Crops	Mycelium cultivation seedbed
Type of biological assets	**Short-term**	**Short-term**
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**
Sowing and other expenses until harvest	22,123	26,359
Harvest of crops/mushrooms	(38,258)	(26,221)
Gain (loss) on recognition in fair value of agricultural produce at point of harvest (note 21)	3,831	-
Autumn sowing and land preparation for spring	12,359	-
Gain (loss) on changes in fair values of biological assets -winter crops (notes 4, 21)	1,450	-
Balance as at 31 December 2019	**13,809**	**2,226**

Gain (loss) on recognition in fair value of agricultural produce at point of harvest significantly improved from loss of EUR 3.45 million in 2018 to gain of EUR 3.83 million in 2019 due to more favourable weather conditions compared to season of 2017/2018. However, draught in 2019 have negatively impacted yields of some crops, especially legumes.

The Group produced 12,256 tons of mushrooms in 2019 (2018: 12,147 tons).

The fair value of crops is attributed to Level 3 in the fair value hierarchy. As at 31 December 2018 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. While as at 31 December 2019 summer crops were valued at cost and winter cops were valued at fair value as favourable and warm weather induced the biological transformation of winter crops. The valuation of 2019/2020 winter crops is disclosed in note 4.

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 2019 and 31 December 2018 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 – 81,5 per cent – are pledged with companies mortgages as collateral for loans as at 31 December 2019 (around 80 per cent as at 31 December 2018).

10. Inventory

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

	2019	2018
Agricultural produce	23,943	19,933
Raw materials	6,464	9,354
Total	**30,407**	**29,287**
Less: Revaluation to net realizable value of agricultural produce	(1,449)	(579)
Carrying amount	**28,958**	**28,708**

Inventory recognized as expense during 2019 amounted to EUR 62,297 (during 2018 inventory recognised as expense amounted to EUR 53,622).

The majority of Group companies' inventories – 93 per cent – are pledged with companies mortgages as collateral for loans as at 31 December 2019 and as at 31 December 2018.

(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:	**2019**	**2018**
Non-current receivables	5,676	5,641
Financial assets at fair value through profit or loss	355	411
Current trade and other receivables	9,700	11,812
Cash and cash equivalents	3,732	2,281
Total	**19,463**	**20,145**

Group's financial liabilities at amortized cost as per balance sheet of 31 December:	**2019**	**2018**
Borrowings	50,789	44,355
Lease liabilities	43,204	11,507
Trade payables	13,433	14,681
Other payables and current liabilities	219	1,327
Total	**107,645**	**71,870**

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 and financial assets at fair value through profit or loss are the shares and interests held in other Lithuanian companies, which shares are not publicly traded, and long term loans granted to other Lithuanian companies. The Group keeps all cash balances with the banks which have Moody's, Standard&Poors or Fitch 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. In 2019 lease liabilities are disclosed as per new IFRS16 requirements.

Company's financial assets at amortized cost as per balance sheet of 31 December:	**2019**	**2018**
Non-current receivables	21,223	8,418
Current trade and other receivables	1,309	3,545
Cash and cash equivalents	2,753	49
Total	**25,285**	**12,012**

Company's financial liabilities at amortized cost as per balance sheet of 31 December:	**2019**	**2018**
Borrowings	37,987	22,897
Lease liabilities	969	179
Trade and other payables	328	238
Total	**39,284**	**23,314**

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. Non-current financial assets are long term loans granted to subsidiaries. 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. 2019 lease liabilities are disclosed in accordance with IFRS 16.

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

11. Financial instruments by category (continued)

Credit quality of financial assets

The default rates and calculation of the loss allowance as at 31 December 2019 for the Group's financial assets **(trade receivables)** were as follows:

Credit quality of trade receivables	Not overdue, without past delays	1–30 days overdue	31–90 days overdue	Overdue 90 days and more	Total
As at 31 December 2019					
Expected loss rate	1.26%	3.20%	3.06%	3.57%	
Total trade accounts receivable, gross	4,378	1,132	1,045	692	**7,247**
Impairment charge (note 12)	(55)	(36)	(32)	(25)	**(148)**
Total trade accounts receivable, net as at 31 December, 2019	**4,323**	**1,096**	**1,013**	**668**	**7,100**
As at 31 December 2018					
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**

As at 31 December 2019, the Group's financial assets **(other receivables at amortized cost)** were allocated to the individual stages of impairment:

Credit quality of other receivables at amortized cost	Stage 1 (12-month ECL)	Stage 2 (lifetime ECL)	Stage 3 (lifetime ECL)	Total
As at 31 December 2019				
Receivables from NPA	1,385	-	-	**1,385**
Receivables from employees	43	-	-	**43**
Non-current receivables, gross	4,894	-	1,082	**5,976**
Other receivables	173	-	1,000	**1,173**
Gross carrying amount	**6,495**	**-**	**2,082**	**8,577**
Expected credit loss allowance	(7)	-	(292)	**(299)**
Total other receivables at amortized cost, net as at 31 December, 2019	**6,488**	**-**	**883**	**8,278**
As at 31 December 2018				
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**
Expected credit 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, therefore are considered as low risk. 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. Expected credit 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 4,443 thousand as at 31 December 2019 (EUR 3,497 thousand as at 1 January 2019) and also a loan of EUR 450 thousand to Ars ingenii, UAB 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 2019 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 7 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 3, and the loss allowance was determined based on lifetime expected credit losses. However due to severe weather conditions in whole Eastern European

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

11. Financial instruments by category (continued)

region in 2019 the loss allowance increased from 83 thousand EUR in 2018 to EUR 292 thousand as at 31 December 2019 (as at 31 December 2018 it was EUR 83 thousand).

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

Expected credit loss allowance of other receivables at amortized cost:

31 December 2019	**Stage 1 (12-month ECL)**	**Stage 2 (lifetime ECL)**	**Stage 3 (lifetime ECL)**	**Total**
Expected loss rate	0.14%	-	14.02%	
Cooperative entity Grybai Lt	3,892	-	-	-
Fixed yield investment fund	551	-	-	-
Ars ingenii, UAB	450	-	-	-
Symbol LLC (as for sale of subsidiaries Karakash and Karakash agro, note 24)	-	-	2,082	-
Expected credit loss allowance	**(7)**	**-**	**(292)**	**(299)**
31 December 2018				
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	-	-
Expected credit loss allowance	**(116)**	**(83)**	**-**	**(199)**

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

31 December 2019	**Not overdue, without past delays**	**1–30 days overdue**	**31–90 days overdue**	**Overdue 90 days and more**	**Total**
Expected loss rate	0.01%	0.01%	0.01%	0.01%	
Total trade accounts receivable	1,255	2	14	36	**1,307**
Total	**1,255**	**2**	**14**	**36**	**1,307**
31 December 2018					
Expected loss rate	0.01%	0.01%	0.01%	0.01%	
Total trade accounts receivable	3,415	56	61	13	**3,545**
Total	**3,415**	**56**	**61**	**13**	**3,545**

No credit loss allowance for Company's trade accounts receivables were recognized as at 31 December 2019 and 31 December 2018 as expected loss rates were immaterial.

The counterparty risk of banks and financial institutions is managed by selecting high quality counterparties before establishing the limits and by monitoring thereof after. The risk grade and probability of default of banks is based on the available risk classifications from rating agencies Moody's, Standard & Poor's and Fitch. Related credit risks are considered as low, therefore lowest possible default rate (0,01%) is applied on cash balances. Thus, no credit loss allowance for Company's cash, cash equivalents, and short-term deposits with banks were recognized as at 31 December 2019 and 31 December 2018 as expected loss rates were immaterial.

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**	
	2019	**2018**	**2019**	**2018**
Trade receivables	7,247	6,411	1,309	3,545
Subsidies and grants receivable from NPA	1,385	4,302	-	-
VAT receivable	639	719	1	1
Advance payments and deferred expenses	2,982	2,042	352	202
Accounts receivable from private individuals	43	68	-	-
Other receivables	1,173	1,097	-	-
Total	**13,470**	**14,639**	**1,662**	**3,748**
Less: loss allowance	(148)	(66)	-	-
Carrying amount	**13,322**	**14,573**	**1,662**	**3,748**

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

12. Trade receivables, advance payments and other receivables (continued)

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.

Subsidies and grants receivable from NPA are outstanding accrued amount of direct and organic subsidies for 2019 expected to be received in the first half of 2020.

Other receivables are mainly related with receivable from Symbol LLC (as for sale of subsidiaries Karakash and Karakash agro, note 24).

Advance payments and deferred expenses mainly consists of advance payments to suppliers.

The majority of Group companies' trade receivables, advance payments and other receivables – around 63 per cent – are pledged with companies mortgages as collateral for loans as at 31 December 2019 (as at 31 December 2018 – 56 per cent).

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

	GROUP	COMPANY
Loss allowance as at 31 December 2017 (calculated under IAS 39)	**(35)**	**-**
Increase in trade receivables loss allowance recognised in profit or loss during the year (note 23)	(31)	-
Loss allowance as at 31 December 2018	**(66)**	**-**
Increase in trade receivables loss allowance recognised in profit or loss during the year (note 23)	(82)	-
Closing loss allowance as at 31 December 2019	**(148)**	**-**

13. Long-term receivables

Group

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

	2019	2018
Loans issued		
Cooperative entity Grybai Lt	3,892	3,353
Fixed yield investment fund	551	1,405
Symbol LLC (for sale of subsidiaries Karakash, OOO and Karakash agro, OOO, note 24)	1,082	1,082
Ars ingenii, UAB	450	-
Loss allowance (IFRS 9)	(299)	(199)
Total	**5,676**	**5,641**

All loans granted to Cooperative Grybai Lt will mature in 2022, the loan granted to Fixed Yield Investment Fund in 2024 and the loan granted to Ars ingenii, UAB in 2021. The interest rate applied to loan provided to Ars ingenii, UAB was 4.00% as at 31 December 2019 and the interest rate applied to loans provided to Cooperative Grybai Lt and Fixed Yield Investment Fund was 4.61% as at 31 December 2019 (3.5% as at 31 December 2018). In 2018 the Group sold subsidiaries Karakash, OOO and Karakash Agro, OOO to an investor Symbol LLC. See note 24 for more more details. In 2019 the Group agreed to defer EUR 1,000 thousand payment until the end of 2020 which was due in 2019.
13. Long-term receivables (continued)

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:

	2019	2018
Loans issued		
Žemės vystymo fondas 20, UAB	21,223	8,418
Total	**21,223**	**8,418**

In 2018 the Company issued EUR 32,655 thousand of loans to Žemės vystymo fondas 20, UAB which is fully owned by the Company. In 2018 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 and 31 December 2019. The calculated expected loss allowance, therefore, was immaterial. In 2019 the Company increased the loan exposure to Žemės vystymo fondas, 20, UAB. Interest rate of the loan is 4%. The loan will mature on 31 December 2021.

14. Cash and cash equivalents

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

	GROUP		COMPANY	
	2019	**2018**	**2019**	**2018**
Cash in banks	3,703	2,270	2,753	49
Cash on hand	29	11	-	-
Carrying amount	**3,732**	**2,281**	**2,753**	**49**

No credit loss allowance for cash and cash equivalents held by the company was recognised as the calculated expected credit loss allowance (expected credit loss rate applied – 0.01%) was immaterial.

15. Share capital and reserves

Share capital of the Company

The share capital of AUGA group AB as at 31 December 2019 was EUR 65,951 thousand (as at 31 December 2018: EUR 65,951 thousand). The share capital is divided into 227,416,252 ordinary shares (2018: 227,416,252 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. Share premium reserve at the end of 2019 amounted to EUR 6,707 thousand (31 December 2018: EUR 6,707 thousand).

Reserves of the Company

A legal reserve is a compulsory reserve under Lithuanian legislation. Annual transfer of at least 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 1,834 thousand as at 31 December 2019 (EUR 1,649 thousand as at 31 December 2018).

In 2019 revaluation reserve increased due to revaluation of land portfolio owned by the Group. Land portfolio valuation is performed by independent valuator. The valuation for reporting period was performed in November 2019 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 3,152 thousand for the whole portfolio of cultivated land (2018: EUR 1,407 thousand) due to rise in the average price of agricultural land in 2019. Total effect to the revaluation reserve (net of taxes) amounted to EUR 1,332 thousand (EUR 1,266 thousand in 2018).

In 2018 the Company formed a reserve to grant shares for employees. The value of the reserve in 2019 increased by EUR 667 thousand in 2019 due to implementation of employee share option plan. Reserve to grant shares for employees in 2019 amounted to EUR 1,624 thousand (EUR 957 thousand as at 31 December 2018).

Employee Option Plan was approved by shareholders at the annual general shareholders' meeting on 30 April, 2019. The service condition for the Option receiver is to complete a 3-year term of service to the Group. After the condition is met employee is eligible to exercise the option (for more detail please see note 2.24).

	Number of shares	**Value, EUR thousand**
Shares allocated to employees based on option agreements as at 31 December 2018	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**
Shares allocated to employees based on option agreements as at 31 December 2019	2,548,860	739
Unallocated shares as at 31 December 2019*	3,051,140	885
Total reserve as at 31 December, 2019	**5,600,000**	**1,624**

In 2019 the reserve to provide share for employees was increased by 2,300,000 shares with a nominal value of EUR 0.29 and in total of EUR 667 thousand. In 2019 the Group/Company recognised employee benefit expenses of EUR 247 thousand related share options granted to employees.

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

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):

	2019	**2018**
Carrying amount as at 1 January	**3,433**	**3,657**
Deferred grants, subsidies received	-	260
Release of deferred grants related to property, plant and equipment	(441)	(484)
Carrying amount as at 31 December	**2,992**	**3,433**

Deferred grants will be released to income statement as follows:	**2019**	**2018**
Within one year	502	510
After one year	2,490	2,923
Total	**2,992**	**3,433**

There are no unfulfilled conditions and other contingencies in relation to the deferred grant income.

In 2019 Group accrued EUR 7,234 thousand of direct and organic subsidies (net of sanctions imposed by NPA) relating to cost that were recognised in full in the income statement (EUR 9,780 thousand in 2018). As these subsidies are cost related, they were recognised as cost reducing items in the COGS. In 2019 the Group recognised EUR 6,460 thousand of subsidies in the agriculture segment and EUR 774 thousand in diary segment (EUR 9,082 thousand and EUR 698 thousand respectively in 2018).

17. Borrowings

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

	2019	**2018**
Borrowings from banks		
Mushroom growing companies	1,970	3,949
Agricultural entities	6,435	10,901
Other borrowings		
State for land purchased	-	1,401
Creditors	3,489	5,197
Investment fund for purchased land	1,072	1,637
Green Bonds	18,523	-
Total	**31,489**	**23,085**
Less: amounts payable within one year (according to agreements)	(10,819)	(9,256)
Total long-term borrowings	**20,670**	**13,829**

On 13 December 2019 the Group issued 20,000 units of Green Bonds (hereinafter – Bonds) with a nominal value of EUR 1,000 and an annual interest rate of 6%. The maturity date of Bonds is 17 December 2024. Interest payment dates are set at 17 December of each year until 2024. The Bonds were introduced to trading on regulated market in AB Nasdaq Vilnius Bond list.

As at 31 December 2019 the loan to the State was fully repaid. Average interest rate for borrowings from banks amounted to 4.27% in 2019 (in 2018 – 3.55%).

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

	31 December 2019	**31 December 2018**
Gross debt – fixed interest rates	(63,650)	(15,471)
Gross debt – variable interest rates	(30,343)	(40,391)
	93,993	**(55,862)**

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).

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

17. Borrowings (continued)

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

	2019	2018
Borrowings from banks		
Mushroom growing companies	2,400	2,400
Agricultural entities	-	-
Parent Company	16,900	18,870
Grain selling entity	-	-
Total	**19,300**	**21,270**

Short-term loans from banks consist of EUR 19,300 thousand credit-line facilities in 2019 (EUR 21,270 thousand in 2018). The available limits of credit-line facilities by the Group are EUR 21,900 thousand as at 31 December 2019 and EUR 25,000 thousand as at 31 December 2018. The undrawn borrowing facilities in 2018 and 2019 were EUR 3,730 thousand and EUR 2,600 thousand accordingly.

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

	2019	2018
Group companies	-	-
Borrowings from creditors	2,564	4,027
Bonds	18,523	-
Total	**21,086**	**4,027**
Less: amounts payable within one year (according to agreements)	(2,564)	(3,027)
Total long-term borrowings	**18,522**	**1,000**

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

	2019	2018
Loans from banks	16,900	18,870
Total	**16,900**	**18,870**

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

	31 December 2019	31 December 2018
Gross debt – fixed interest rates	(21,953)	(4,027)
Gross debt – variable interest rates	(17,003)	(19,049)
	(38,956)	**(23,076)**

Group net debt reconciliation is as follows:

		Liabilities from financing activities				
	Cash and cash equiva-lents	**Lease due within 1 year**	**Lease due after 1 year**	**Borrowings due within 1 year**	**Borrow-ings due after1 year**	**Total**
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	-	(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)**
Cash flows	1,451	865	7,088	407	(6,841)	2,970
Acquisitions of property, plant and equipment	-	(188)	(456)	-	-	(644)
Adoption of IFRS16	-	(4,113)	(34,893)	-	-	(39,006)
Net debt as of 31 December 2019	**3,732**	**(7,054)**	**(36,150)**	**(30,119)**	**(20,670)**	**(90,261)**

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

17. Borrowings (continued)

Company's net debt reconciliation is as follows:

		Liabilities from financing activities				
	Cash and cash equivalents	Lease due within 1 year	Lease due after 1 year	Borrowings due within 1 year	Borrowings due after 1 year	Total
Net debt as of 31 December 2017	**1**	**(23)**	**(83)**	**(4 650)**	**(6,427)**	**(11,182)**
Cash flows	48	34	-	(17,132)	5,427	(11,623)
Acquisitions of property, plant and equipment by finance lease	-	(27)	(80)	-	-	(107)
Other non-cash movements	-	-	-	(115)	-	(115)
Net debt as of 31 December 2018	**49**	**(16)**	**(163)**	**(21,897)**	**(1,000)**	**(23,027)**
Cash flows	2,704	5	181	2,433	(17,523)	(12,201)
Acquisitions of property, plant and equipment	-	-	-	-	-	-
Other non-cash movements	-	(133)	(842)	-	-	(975)
Net debt as of 31 December 2019	**2,753**	**(144)**	**(825)**	**(19,464)**	**(18,523)**	**(36,203)**

18. Leases

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

	2019		2018	
	Minimum lease payments	Present value of minimum lease payments	Minimum lease payments	Present value of minimum lease payments
Amount payable within one year	9,725	7,054	3,911	3,618
In the second to fifth years inclusive	45,224	36,150	8,278	7,889
Minimum lease payments	**54,949**	**43,204**	**12,189**	**11,507**
Less: future finance charges	(11,745)	-	(682)	-
Present value of minimum lease payments	**43,204**	**43,204**	**11,507**	**11,507**

The Group's leases consisted of the following:

	As at 31 December 2019	As at 31 December 2018
Lease liabilities		
Lease liabilities related to right-of-use assets*	34,960	-
Lease liabilities related to other assets**	8,244	11,507
Total	**43,204**	**11,507**
Less: amounts payable within one year		
Lease liabilities related to right-of-use assets*	4,113	-
Lease liabilities related to other assets**	2,942	3,618
Total	**7,054**	**3,618**
Total long-term leases	**36,150**	**7,889**

* Lease liabilities accounted as operational lease before adoption of IFRS 16.
** Lease liabilities accounted as financial lease before adoption of IFRS 16.

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

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

18. Leases (continued)

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

	2019		2018	
	Minimum lease payments	**Present value of minimum lease payments**	**Minimum lease payments**	**Present value of minimum lease payments**
Amount payable within one year	199	144	77	16
In the second to fifth years inclusive	982	825	109	163
Minimum lease payments	**1,181**	**969**	**186**	**179**
Less: future finance charges	(212)	-	(7)	-
Present value of minimum lease payments	**969**	**969**	**179**	**179**

The Company's leases consisted of the following:

	As at 31 December 2019	**As at 31 December 2018**
Lease liabilities		
Lease liabilities related to right-of-use assets*	866	-
Lease liabilities related to other assets**	103	179
Total	**969**	**179**
Less: amounts payable within one year		
Lease liabilities related to right-of-use assets*	116	-
Lease liabilities related to other assets**	28	16
Total	**144**	**16**
Total long-term leases	**825**	**163**

19. Income taxes

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

	GROUP		COMPANY	
	2019	**2018**	**2019**	**2018**
Current income tax for the year	-	-	-	-
Deferred tax (credit) debit	(773)	(482)	-	-
Total income tax charge	**(773)**	**(482)**	**-**	**-**

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			
	2019		**2018**	
	Tax rate	**Amount**	**Tax rate**	**Amount**
Profit (loss) before tax, taxed at 15% tax rate	-	(3,992)	-	(5,590)
Profit (loss) before tax, taxed at 10% tax rate	-	-	-	(4,870)
Profit (loss) before tax, taxed at 5% tax rate	-	-	-	3,998
Tax calculated at a tax rate of 15%	15.00%	(599)	15.00%	(839)
Tax calculated at a tax rate of 10%	10.00%	-	10.00%	(487)
Tax calculated at a tax rate of 5%	5.00%	-	5.00%	200
Total theoretical tax		**(599)**		**(1,126)**
Non-taxable income				
Tax calculated at a tax rate of 15%	15.00%	(3,012)	15%	(1,268)
Tax calculated at a tax rate of 10%	-	-	10%	(759)
Tax calculated at a tax rate of 5%	-	-	5%	(285)
Non-deductible expenses				
Tax calculated at a tax rate of 15%	15.00%	1,898	15%	446
Tax calculated at a tax rate of 10%	-	-	10%	702
Tax calculated at a tax rate of 5%	-	-	5%	257
Previously unrecognised tax losses	15.00%	58	15%	(82)
Changes in estimates related to prior year	15.00%	882	15.00%	1,633
Income tax charge at a tax rate of 15%		**(773)**		**(110)**
Income tax charge at a tax rate of 10%		**-**		**(544)**
Income tax charge at a tax rate of 5%		**-**		**172**
Total income tax charge		**(773)**		**(482)**

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

19. Income taxes (continued)

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	
	2019	**2018**
Profit (loss) before tax	(1,394)	3,490
Tax calculated at a tax rate of 15%	(209)	524
Total theoretical tax	**(209)**	**524**
Non-taxable income	(106)	(856)
Non-deductible expenses	202	52
Investment project relief	(453)	-
Tax losses shared within group companies	217	-
Current-year losses for which no deferred tax asset is recognised	349	280
Total income tax	**-**	**-**

In 2018 the profit tax legislation for agricultural companies has changed. In accordance to the new legislation profit for 2019 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 2019 for agricultural and non-agricultural companies is taxable at a rate of 15%. Profit for 2018 was taxable at a rate of 5% for small agricultural companies which agricultural sales were at least 50% of the total sales, profit of 2018 for agricultural companies was taxed at a rate of 10% and non-agricultural companies at a rate of 15%.

Deferred tax	**Deferred taxes at the beginning of the period**	Adoption of IFRS16	Accruals	Tax losses	Revaluation of assets (through OCI)	Change in tax rates	**Deferred taxes as of 31 December 2019**	Tax netting	**Deferred taxes as of 31 December 2019**
Deferred tax asset	**1,437**	-	106	7	-	799	**2,349**	(1,277)	**1,071**
Deferred tax liability	**(883)**	(85)	-	-	(473)	(1,347)	**(2,788)**	1,277	**(1,510)**
Net deferred tax	**554**	(85)	106	7	(473)	(548)	**(439)**	-	**(439)**

As at 31 December 2019 and 2018 deferred income tax was calculated using 15% income tax rate, except for tax provisions applicable to agricultural entities.

Deferred tax asset	**GROUP**		**COMPANY**	
	2019	**2018**	**2019**	**2018**
Accruals	221	116	-	-
Revaluation of land	9	9	-	-
Tax loss carried forward	2,119	1,313	-	-
Gross deferred tax asset	**2,349**	**1,438**	**-**	**-**
Netted with tax liability	(1,277)	-	-	-
Net deferred tax asset	**1,072**	**1,438**	**-**	**-**

Deferred tax liability	**GROUP**		**COMPANY**	
	2019	**2018**	**2019**	**2018**
Deferred tax liability acquired with subsidiaries	-	20	-	-
Effect on implementation of IFRS16	85	-	-	-
Revaluation of land	2,703	863	-	-
Gross deferred tax liability	**2,788**	**883**	**-**	**-**
Netted with deferred tax asset	(1,277)	-	-	-
Net deferred tax liability	**1,510**	**883**	**-**	**-**

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**	
	2019	**2018**	**2019**	**2018**
Total tax loss carried forward	51,534	51,934	13,959	12,506
Less: tax losses shared with group companies	-	-	(1,730)	-
Less: deferred tax asset created from tax loss carried forward	(14,960)	(11,873)	-	-
Total tax loss carried forward for which no deferred tax asset created	**36,574**	**40,061**	**12,229**	**12,506**

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

19. Income taxes (continued)

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	
	2019	**2018**	**2019**	**2018**
Payroll and payroll tax expenses	2,345	1,692	175	182
Vacation reserve	1,016	960	173	166
Advances received	1,135	1,311	7	-
Taxes payable	13	11	1	-
Deferred revenue	(7)	15	13	575
Other payables	219	1,327	5	22
Total	**4,721**	**5,316**	**374**	**945**

Other payables mainly includes payables for land rent to organizations and private individuals.

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

21. Segment information

Income statement			**Dairy**			**Crop-growing**						
2019	**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	**132,991**	**107,525**	9,424	2,799	**12,223**	26,991	10,710	26,096	**63,797**	**28,707**	**2,798**	**25,466**
Total cost of sales	**(118,621)**	**(109,841)**	(9,925)	(3,619)	**(13,544)**	(28,316)	(11,069)	(27,938)	**(67,323)**	**(26,221)**	**(2,752)**	**(8,780)**
Gross profit as reported to management of the Group (a)	**14,370**	**(2,316)**	(501)	(820)	**(1,321)**	(1,325)	(359)	(1,842)	**(3,526)**	**2 486**	**45**	**16,686**
Intergroup eliminations												
Intergroup sales	**61,855**	**36,389**	-	2,083	**2,083**	15,444	5,693	13,168	**34,306**	**-**	**-**	**25,466**
Intergroup cost of sales	**(47,016)**	**(38,236)**	-	(2,903)	**(2,903)**	(15,619)	(5,700)	(14,014)	**(35,333)**	**-**	**-**	**(8,780)**
Eliminations, net (b)	**14,838**	**(1,848)**	-	(820)	**(820)**	(175)	(7)	(846)	**(1,028)**	**-**	**-**	**16,686**
Total revenues from external customers	**71,134**	**71,134**	9,424	715	**10,139**	11,548	5,016	12,926	**29,490**	**28,707**	**2,798**	**-**
Direct subsidies (c)	**9,307**	**9,307**	351	424	**774**	-	-	8,533	**8,533**	**-**	**-**	**-**
Sanctions by NPA (d)	**(2,073)**	**(2,073)**	-	-	**-**	-	-	(2,073)	**(2,073)**			
Gain on changes in biological assets fair value (e)	**3,082**	**3,082**	-	-	**(2,199)**	-	-	5,281	**5,281**	**-**	**-**	**-**
Gross profit ((a)-(b)+(c)+(d)+(e))	**9,847**	**9,847**			**(1,926)**				**9,242**	**2,486**	**45**	**-**
Depreciation included in cost of sales	**7,226**	**7,226**			**507**			5,070	**5,070**	**1,649**	**-**	**-**

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**	-	(693)	**(693)**	24	283	1,833	**2,141**	**-**	**-**	**1,738**
Total revenues from external customers	**54,749**	**54,749**	8,127	827	**8,953**	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**			**(2,422)**				**4,290**	**1,725**	**71**	**-**
Depreciation included in cost of sales	**6,285**	**6,285**	**-**	**-**	**531**	**-**	**-**	**3,939**	**3,939**	**1,815**	**-**	

(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, vegetables and other cash crops and forage crops. 'Consumer packaged goods' includes packaged products prepared for end consumers, such as conserved vegetables, soups, packed organic fresh vegetables and other. '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.

Largest clients of the Group are:

2019	**Share of total sales, %**
Largest clients	
ICA Sverige AB (mushrooms buyer)	9.61
Cerexport SARL (crops buyer)	6.29
Dagab Inkop, AB (mushroom buyer)	4.72
Total	**20.61**
2018	
Largest clients	
ICA Sverige AB (mushrooms buyer)	12.63
Rokiškio sūris, AB (milk buyer)	8.21
Dagab Inkop, AB (mushrooms buyer)	5.02
Total	**25.86**

Over 50% of total sales revenue of the Group were generated by 16 clients in 2019, while in 2018 50% of total sales were generated by 12 clients.

Sales by market is provided in the table below.

	2019	**2018**
Sales share by geography, (over 10 % of total sales)	**%**	**%**
Lithuania	27.62	31.45
Sweden	15.70	18.56
Germany	13.96	10.20
Other countries	42.73	39.79
Total	**100.00**	**100.00**

100% of the Group's total assets are geographically located in Lithuania (in 2018: 100 per cent).

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

	2019	**2018**
Business consultations and financial accounting services	3,373	3,293
Other revenues	5	10
Total	**3,378**	**3,304**

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

22. Cost of sales by nature

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

	2019	2018
Services from contractors	9,287	7,235
Payroll expenses	12,436	8,976
Social security expenses	1,941	2,783
Depreciation of property, plant and equipment and ROU assets	7,226	6,285
Raw materials	5,573	4,468
Organic fertilizers	5,751	1,912
Packaging	5,796	4,348
Feed for animals	2,897	2,753
Spare parts and inventory	2,560	1,087
Land rent	3,577	4,055
Fuel costs	3,321	2,062
Electricity	1,211	1,266
Seed	3,645	2,204
Realised gain (loss) on change in fair value of agricultural produce at point of harvest	579	899
Write-downs of inventory and crops	1,861	1,590
Medicine	260	316
Other expenses	3,682	3,365
Provision due to sanctions of NPA	2,073	-
Less: direct subsidies from State	(9,307)	(9,780)
Total	**64,369**	**45,824**

In March 2020 the Group has been sanctioned by the National Payment Agency for the total amount of EUR 2,073 thousand as the Group failed to sow perennial grass crops in each of declared fields for at least 1-year but not more than two years per 5-year period based on the requirements of Lithuanian Rural Development Program of 2014-2020 measure "Organic Farming". The Group accounted total amount of sanctions in 2019, which resulted in an increase of COGS of crop-growing segment and a decrease of receivables from NPA as at 31 December 2019.

23. Operating expenses

As at 31 December the expenses consisted of the following:

	GROUP		COMPANY	
	2019	2018	2019	2018
Payroll expenses	4,041	3,206	2,072	1,559
Social security expenses	658	995	318	484
Share-based payments amortization	247	-	247	-
Fines and late payments	227	858	-	717
Depreciation of PPE, ROU assets and amortization of IA	888	1,106	208	69
Expected credit loss allowance of accounts receivable (note 12, 13)	180	31	-	-
Consultation and business plan preparations	339	624	271	553
Insurance and tax expense	609	672	23	17
Selling expenses	594	555	407	462
Fuel costs	198	254	70	71
Real estate registration and notaries	117	152	29	54
Rent and utilities	193	326	38	204
Transportation costs	275	300	85	85
Office administration	457	418	151	-
Other expenses	559	857	203	548
Total	**9,582**	**10,354**	**4,122**	**4,823**

In 2019 the depreciation of the Group's right-of-use assets included in operating expenses is EUR 450 thousand (zero in 2018). In 2019 the depreciation of the Company's right-of-use assets included in operating expenses is EUR 133 thousand (zero in 2018).

Expense for the Group's defined contribution plans amounts to EUR 2,599 thousand in 2019 (2018: EUR 3,774 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 14 per cent from the gross salary expense of all employees.

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

23. Operating expenses (continued)

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).

In April 2019 the Company approved Employee Option Plan thus Share-Based Payments expenses were recognized. It should be noted that respective expenses are equity-settled and are recognized evenly per 3-year vesting period. For the details refer to the note 2.25.

All services fee for services provided by the audit firm to the Group and the Company are represented below:

	GROUP		**COMPANY**	
	2019	**2018**	**2019**	**2018**
Audit of financial statements based on the contracts	73	72	50	48
Other services	1	22	-	22
Total	**74**	**94**	**50**	**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.

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	2,932
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, %	100.00
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**

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

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

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.

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 25)	**2,062**

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

25. Other income

	GROUP		**COMPANY**	
	2019	**2018**	**2019**	**2018**
Gain (loss) on sale of subsidiaries (note 24)	-	2,062	-	-
Gain (loss) on sale of property, plant and equipment	(16)	15	-	(4)
Write-down of liabilities	3	-	5	30
Interest income	616	521	478	212
Insurance benefits	60	109	-	2
Other income (expenses)	81	46	99	143
Total	**744**	**2,753**	**582**	**383**

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.

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

26. Finance cost

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

	GROUP		COMPANY	
	2019	**2018**	**2019**	**2018**
Bank interest expenses	1,908	1,304	973	675
Finance cost related to ROU assets (IFRS16)	2,093	-	59	-
Leasing and other financial expenses	295	378	3	4
Other borrowings interest expenses	558	490	161	68
Negative currency fluctuation effect	19	5	-	-
Fair value change of derivatives	24	80	-	-
Borrowings from subsidiaries interest expenses	-	-	-	231
Other financial expenses	103	38	36	52
Total	**5,000**	**2,295**	**1,232**	**1,030**

27. Basic and diluted earnings per share

For the year ended as at 31 December basic and diluted earnings per share were as follows:

	GROUP		COMPANY	
	2019	**2018**	**2019**	**2018**
Net profit (loss) attributable to equity holders of the Company	(3,228)	(5,957)	(1,394)	3,490
Weighted average number of shares	227,416,252	201,662,827	227,416,252	201,662,827
Earnings per share (EUR)	**(0.01)**	**(0.03)**	**(0.01)**	**0.02**

28. Related party transactions

Over the year ended 31 December 2019 the average number of members of the Management Board and the Key Executives of the Company was 6 people (2018: 6 people).

i) Payments to Management board

Remuneration paid to members of the Management Board and the Key Executives of the Company, EUR	**2019**	**2018**
Salaries	359,117	187,804
Legal services fees	114,137	80,434
Total payouts	**477,633**	**268,237**

(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.

Transactions with related parties are as follows:

2019

Parties related to Group	**Loans receivable**	**Advance payment**	**Accounts receivable**	**Borrowings**	**Accounts payable**	**Purchases of goods**	**Sales of agricultural produce**
Grybai LT KB	3,892	151	305	-	11	1,541	533
Parties related to ultimate shareholder of the Group							
Farmer Kęstutis Juščius	-	-	9	-	-	-	-
Baltic Champs Group UAB	-	-	-	2,564	-	-	-
Total	**3,892**	**151**	**314**	**2,564**	**11**	**1,541**	**533**

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

28. Related party transactions (continued)

2018

Parties related to Group	**Loans receivable**	**Advance payment**	**Accounts receivable**	**Borrowings**	**Accounts payable**	**Purchases of goods**	**Sales of agricultural produce**
Grybai LT KB	3,353	35	163	-	8	800	703
Parties related to ultimate shareholder of the Group							
Farmer Kęstutis Juščius	-	-	9	-	-	1	-
Baltic Champs Group UAB	-	-	7	4,027	-	83	6
Total	**3,353**	**35**	**179**	**4,027**	**8**	**884**	**709**

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

2019

	Loans receivable	**Accounts receivable and advances**	**Borrowings**	**Accounts payable**	**Interests for loans and other purchases**	**Sales and interest income**
Subsidiaries						
Agricultural entities	-	755	-	1	16	2,384
Trade companies	-	18	-	22	103	64
Other subsidiaries	21,223	513	-	55	21	1,540
Baltic Champs Group UAB	-	-	2,564	-	-	-
Other related parties						
Grybai LT KB	-	116	-	14	35	5
Kęstutis Juščius	-	9	-	-	-	-
Total	**21,223**	**1,411**	**2,564**	**92**	**174**	**3,993**

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	-	7	4,027	-	68	6
Other related parties						
Grybai LT KB	-	-	-	8	31	-
Kęstutis Juščius	-	9	-	-	-	-
Total	**8,418**	**3,526**	**4,027**	**34**	**207**	**3,680**

On 3 October 2018 AUGA group, AB and Baltic Champs Group, UAB (holding 55.04 per cent of shares in AUGA group, AB) signed Agreement on extension of up to 4 million EUR loan. 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. As at 31 December 2019 the loan amount outstanding was EUR 2.5 million. As at the end of March 2020 outstanding loan amount was EUR 570 thousand. The maturity of the loan agreement was extended untill 31 December 2020.

On 1 March 2019 AUGA group, AB and Baltic Champs Group, UAB signed Agreement on extension of up to EUR 2 million loan. Final repayment date of the loan 31 December 2019. The loan was provided with no collateral, with no up-front or similar fees, and with fixed interest rate that meets market conditions. As at 31 December 2019 the loan was fully repaid.

29. Commitments and contingencies

Group's operating lease liabilities related with agricultural land, some passenger cars, and premises as at 31 December 2018 amounted to EUR 43,896 thousand. As of 1 January 2019 these land contracts and agreements for premises are accounted in the assets and liabilities as per new IFRS16 requirements.

The Group's obligations related with low value rent agreements of premises in 2019 amounted to EUR 39 thousand (2018: EUR 43 thousand).

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 2019 totalled EUR 2,036 thousand (2018: EUR 2,565 thousand).

29. Commitments and contingencies (continued)

As at 31 December 2019, the Company had issued guarantees to banks for loans taken by subsidiary entities (agricultural entities, Baltic Champs UAB) for total of EUR 16,339 thousand (EUR 22,122 thousand in 2018).

No full tax investigation of the Company for the period from 2014 to 2019 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.

30. Subsequent events

COVID-19 pandemic effect

In light of the COVID-19 pandemic's effects on the business environment, has taken measures to evaluate the most significant coronavirus-related risks throughout the Group's key business units, namely crop growing, dairy production, mushroom growing and fast-moving consumer goods (FMCG).

Additional measures have been taken to ensure the safety of the Group's employees and the continuation of its daily activities. With additional measures applied, all Group companies are operating at required capacities.

At the market level, agricultural production companies stand out as some of the least affected at this point of the crisis, given the nature of their produce and increasing demand from households. However, the management is considering all the possible threats to the Group's key business areas and is working to alleviate their effects.

Crop growing

The Company's management is not seeing any significant changes in the crop market, especially since all obligations are executed according to existing agreements. Nevertheless, the irregular situation in the logistics sector might pose the risk of rising transportation costs in the nearest future. Furthermore, the Group could face a labour shortage if the numbers of infected or quarantined persons were to rise dramatically. Nevertheless, the management is ready to mitigate this risk with options provided by temporary employment, given that interest on the labour side is growing.

Dairy

Milk production is running at regular capacity and there are no problems with product demand. It is delivered to the local market (the Baltic States and Poland) and mainly used for fresh consumer products. The management is not seeing at present nor does it forecast a decrease of demand in this segment. The expected proportion of milk to be sold as organic should amount to around 90%.

Mushroom growing

The biggest threat in the mushroom growing segment is related to production, given the labour intensity of the production operations. Therefore, the Company is implementing various measures to ensure the safety of employees and to minimize contact between them. As with crop growing, the Group could face a shortage of labour if the number of infected or quarantined persons were to increase dramatically. Nevertheless, the management is ready to address this matter through temporary employment.

In terms of the status of mushroom operations, production is working at regular capacity at the moment. While sales to wholesalers working with HoReCa have been negatively affected, this has been offset by an increase in retail sales. As a result, demand for packaged mushrooms is growing, which is having a positive impact on the profit margin of the segment. Under the current circumstances, the long-term goal of the business unit to increase the proportion of organic product sales could be delayed due to uncertainties in the Group's main markets.

The Company could face some difficulties if international borders were closed not only for people but also for goods. Such a situation would impair the Company's ability to deliver its products in time, taking into account the fact that the majority (70-80%) of its production is exported.

FMCG

The management is observing growing demand for long shelf-life packaged products (dairy products, soups, etc.) across all markets. In terms of the associated risks in this segment, these are mainly related to possible interruptions in the supply chain of raw materials that the Group cannot produce in-house.

The current liquidity situation of the Group is satisfactory. In order to strengthen the Group's working capital in light of some anticipated delays in customer payments, additional financing opportunities have been secured.

30. Subsequent events (continued)

To conclude, the management does not expect significant negative effects on the results of the Group due to the COVID-19 pandemic in the short-run. Nevertheless, the full impact on the Group's 2020 results cannot be fully assessed, due to the unpredictable nature of the situation. It is difficult to forecast the possible effects of decline in income and purchasing power of consumers on demand for the Group products.

Other events

On 19 February 2020 AUGA group became the first company in the Baltic States to join the Nasdaq Sustainable Bond Network. The new Nasdaq platform is designed for investors looking for opportunities to invest in sustainable companies.

On 14 February Group companies Baltic Champs UAB and AUGA Luganta UAB together with other shareholders of Grybai LT KB, capitalised loans provided to Grybai LT KB which resulted in an increase in share capital of Grybai LT KB and a change in the Group's interest in the company. As a result, the Group's share in Grybai LT KB increased from 22% to 61 %.

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AUGA GROUP AB DISCLOSURE CONCERNING THE COMPLIANCE WITH THE GOVERNANCE CODE FOR THE COMPANIES LISTED ON THE REGULATED MARKET IN 2019

The public company AUGA Group AB, following Article 12 paragraph 3 of the Law on Securities of the Republic of Lithuania and item 24.5 of the Trading Rules of the NASDAQ 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 Vilnius and Warsaw Stock Exchange information systems. In addition to that, starting from the annual general meeting of shareholders of the Company, to be held in 2020, the Company aims to provide the Strategy of the Company and its implementation report to the annual general meeting of shareholders every year. Thus, after this process is implemented in the Company, it will comply with this recommendation.
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	Following registration of the new Articles of Association of the Company with the Register of Legal Entities on 9 May 2019, the Company has implemented a corporate governance model, whereby there is no Supervisory Council in the Company and the Board members are independent and not affiliated with a controlling shareholder. The Board is responsible for the strategic management and supervises the work of the CEO. 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	No	The Company has only a Board of Directors. However, following the requirements of the Law on Companies of the Republic of Lithuania, the Board, among other functions also executes supervision functions, indicated in part 11 of Article 34 of the above law.

PRINCIPLES/ RECOMMENDATIONS	YES/NO /NOT APPLICABLE	COMMENTARY
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.		Meetings of the Board of Directors ensure the effective supervision of Company's activities. Duties of this collegial body are similar as those indicated in the legal acts of Lithuania, as required for an issuer, the securities of which are listed on regulated market. There are no separate rules adopted by the Company on the formation of this collegial body apart from the rules indicated in the respective legal acts. When electing collegial body, the general meeting of shareholders can access information about each candidate before the 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 Board of Directors.
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.	No	The Company has one collegial body Board of Directors. However, following the requirements of the Law on Companies of the Republic of Lithuania, the Board, among other functions also executes supervision functions, indicated in part 11 of Article 34 of the above law.
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 major part the relevant provisions set forth in III and IV principles are applicable to the formation of Company's Board 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 5 (five) Board members in the Company. All members, except one of the Board are independent.
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, except one of the Board are independent. All members elected for 2-years term. Right to revoke the members of the Board is granted to the shareholders' general meeting; this procedure is not easier than the procedure for dismissal of the 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 Board consisting of 5 members under the requirements of the Law on Companies of the Republic of Lithuania. The Board elects the Chairman of the Board from its members. As all members, except one of the Board 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		

PRINCIPLES/ RECOMMENDATIONS	YES/NO /NOT APPLICABLE	COMMENTARY
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 monitoring of the company's management bodies as well as representation of non-controlling shareholders.	Yes	When electing collegial body, the shareholders can access information about each candidate before the shareholders meeting and during it. Company's Board 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 Board 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 Board 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 the Board, the shareholders can access the thorough information about each candidate before the shareholders' meeting and during it. Information about the composition of this collegial body of the Company 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, Nasdaq Baltic www.nasdaqbaltic.com and Warsaw Stock Exchange www.gpw.pl.
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 Board 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 Board do not perform the assessment of skills and knowledge. The members of the Board 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 Board, as all members, except one are 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	Yes	All members of the Board elected at the general shareholders meeting meet recommendations of this code regarding their independency.

PRINCIPLES/ RECOMMENDATIONS	YES/NO /NOT APPLICABLE	COMMENTARY
become dependent are impossible to list, moreover, relationships and circumstances associated with the determination of independence may vary amongst companies and the best practices of solving this problem are yet to evolve in the course of time, assessment of independence of a member of the collegial body should be based on the contents of the relationship and circumstances rather than their form. The key criteria for identifying whether a member of the collegial body can be considered to be independent are the following 1) He/she is not an executive director or member of the board (if a collegial body elected by the general shareholders' meeting is the supervisory board) of the company or any associated company and has not been such during the last five years; 2) He/she is not an employee of the company or some any company and has not been such during the last three years, except for cases when a member of the collegial body does not belong to the senior management and was elected to the collegial body as a representative of the employees; 3) He/she is not receiving or has been not receiving significant additional remuneration from the company or associated company other than remuneration for the office in the collegial body. Such additional remuneration includes participation in share options or some other performance based pay systems; it does not include compensation payments for the previous office in the company (provided that such payment is no way related with later position) as per pension plans (inclusive of deferred compensations); 4) He/she is not a controlling shareholder or representative of such shareholder (control as defined in the Council Directive 83/349/EEC Article 1 Part 1); 5) He/she does not have and did not have any material business relations with the company or associated company within the past year directly or as a partner, shareholder, director or superior employee of the subject having such relationship. A subject is considered to have business relations when it is a major supplier or service provider (inclusive of financial, legal, 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.		

PRINCIPLES/ RECOMMENDATIONS	YES/NO /NOT APPLICABLE	COMMENTARY
3.8. The determination of what constitutes independence is fundamentally an issue for the collegial body itself to determine. The collegial body may decide that, despite a particular member meets all the criteria of independence laid down in this Code, he cannot be considered independent due to special personal or company-related circumstances.	Yes	General Shareholders' meeting has approved independency criteria of the Company's board members. Company annually disclose which members of the Board are independent.
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.	Yes	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.	Yes	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 Board 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 Board performs all supervision functions set forth in part 11 of Article 34 of the above Law on Companies of the Republic of Lithuania, as required for the issuers, the securities of which are traded on regulated market. 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 audit	Yes	According to the data held by the Company, all Board 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
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 Board 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	Board has approved its work regulations, which clearly define the role of the Board 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 Board. 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. On 19 July 2018 the Company, its major shareholder Baltic Champs Group, UAB, Kestutis Juščius and European Bank for Reconstruction and Development entered into a framework agreement (Framework Agreement). Although in its nature it is not a shareholder agreement.
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 Board 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 of company's audit. Therefore when the mentioned issues are attributable to the competence of the	Yes	In 2019 the Audit Committee has been formed only from the Board members. Since the Company's Board is made up of a small number of members, as stated in this recommendation, the nomination and remuneration committees are not formed.

PRINCIPLES/ RECOMMENDATIONS	YES/NO /NOT APPLICABLE	COMMENTARY
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 Board. The Committees shall, within the limits of their competence, make suggestions, recommendations and opinions to the Board.
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 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.	Yes	Audit Committee is constituted of the 3 persons from the Board hence it is deemed that the Audit Committee duly interacts with/reports to the Bord. Company does not currently publish information about the number of meetings and attendance.

PRINCIPLES/ RECOMMENDATIONS	YES/NO /NOT APPLICABLE	COMMENTARY
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.	No	
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.	No	.
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 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	No	

PRINCIPLES/ RECOMMENDATIONS	YES/NO /NOT APPLICABLE	COMMENTARY
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 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	Yes	Company's Audit Committee's functions vested to it by the Board correspond to the functions listed in the recommendation.

PRINCIPLES/ RECOMMENDATIONS	YES/NO /NOT APPLICABLE	COMMENTARY
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 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		

PRINCIPLES/ RECOMMENDATIONS	YES/NO /NOT APPLICABLE	COMMENTARY
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.	Yes	Company's Audit Committee's functions vested to it by the Board 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	The former Supervisory Council and the Board has not 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 collegial body. The chairperson should ensure order and working atmosphere during the meeting.	Yes	As there is only Board, formed in the Company, this principle relates to it only.
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	Yes	The Board of Directors meetings were held at least once per month and when prompt decisions are required - the decisions are made by voting in writing.

PRINCIPLES/ RECOMMENDATIONS	YES/NO /NOT APPLICABLE	COMMENTARY
convened at least once in a quarter, and the company's board should meet at least once a month.		
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 Board 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 Board, which also executes supervision functions and the CEO, management body, do closely co-operate.
Principle VI: The equitable treatment of shareholders and shareholder rights **Corporate 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 Law on Companies 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 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.	Yes	The shareholders meetings are held in Vilnius, in conference rooms or in the office of the Company 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	Yes	All information dedicated to the shareholders and investors is announced on the company's website and through NASDAQ Vilnius and Warsaw Stock Exchange information systems in Lithuanian and

PRINCIPLES/ RECOMMENDATIONS	YES/NO /NOT APPLICABLE	COMMENTARY
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.		English (in Warsaw Stock Exchange only in 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 Board members act according to these 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 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.	Yes	The Board members act according to these recommendations.
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	Yes	The Board members act according to these recommendations.

PRINCIPLES/ RECOMMENDATIONS	YES/NO /NOT APPLICABLE	COMMENTARY
recommendation are also subject to recommendation 4.5.		
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	The Board members act according to these recommendations.
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. 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 2019 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; 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.	No	Given that Company's management remuneration for 2019 was constituted mostly from fixed salary, there is no extensive explanation thereon.
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.	No	Not currently in place a separate remuneration statement, should be reviewed by Board as part of corporate governance action plan creation and implementation process.

PRINCIPLES/ RECOMMENDATIONS	YES/NO /NOT APPLICABLE	COMMENTARY
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.		
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 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	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. In 2019 the Board has approved more detailed ESOS rules and granted the first stock options to employees.

PRINCIPLES/ RECOMMENDATIONS	YES/NO /NOT APPLICABLE	COMMENTARY
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. In addition to that, the agenda of the annual general meeting of shareholders of the Company, which will approve the financial statements for the year 2019, also includes the approval of the remuneration policy of executives of the Company, as required under the amended Law on Companies of the Republic of Lithuania. Thus, after this annual general meeting of shareholders of the Company, this recommendation may be implemented, if the meeting will approve the indicated policy.
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 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.	No	
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	No	

PRINCIPLES/ RECOMMENDATIONS	YES/NO /NOT APPLICABLE	COMMENTARY
general meetings where appropriate and make considered use of their votes regarding directors' remuneration.		
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; 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.	Yes	See 8.19
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	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.

PRINCIPLES/ RECOMMENDATIONS	YES/NO /NOT APPLICABLE	COMMENTARY
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.		
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 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.	Yes	See 9.1
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 Vilnius and Warsaw Stock Exchange information systems.

PRINCIPLES/ RECOMMENDATIONS	YES/NO /NOT APPLICABLE	COMMENTARY
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
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 Vilnius and Warsaw Stock Exchange information systems in the Lithuanian (only via NASDAQ Vilnius) and English languages at the same time, as much as it is possible. The respective exchange announces the information received in its 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 Vilnius and Warsaw Stock Exchange information systems in the Lithuanian (only via NASDAQ Vilnius) and English languages at the same time, as much as it is possible. The respective exchange announces the information received in its 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	Yes	

PRINCIPLES/ RECOMMENDATIONS	YES/NO /NOT APPLICABLE	COMMENTARY
independent firm of auditors in order to provide an external and objective opinion on the company's financial statements.		
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 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 2019 the Company (its group companies) received from the auditors following services: (a) attendance of accounting seminar – EUR 509; 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

2019

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Over the last several years, sustainability reporting to communities, consumers, shareholders and other stakeholders has become an integral part of our business approach. We fully understand our responsibility not only for financial performance indicators, but also for the other areas impacted by the Company's operations.

With the publication of our third Sustainability Report, we have once again re-evaluated our status and progress in the Environmental, Social and Governance areas, while adding targets for the coming several years.

The reduction of greenhouse gas emissions across all of the Group's activities remains our top priority. For this reason, last year we clearly defined our three areas of focus in terms of this objective.

First of all, we are developing technology for the application of biogas that is intended to substitute fossil fuels in our operations. Secondly, through the development of special feed technology, we aim to significantly reduce methane emissions from enteric fermentation in livestock. Thirdly, we are refining our crop rotation techniques and plan to introduce a variety of plants with environmentally beneficial properties, such as carbon sequestration and nitrogen fixation. Last year, an environmental protection system was approved and implemented which will enable us to manage environmental factors.

We take diligent care of our employees, the Company's most valuable asset. With the aim of continuously enriching employee welfare and fostering loyalty, last year we introduced a stock option programme. In addition, all of our 1 200 employees were granted supplementary health insurance.

We have conducted our first ever survey of all the Group's employees in order to better evaluate job satisfaction and identify our strengths as an employer and areas that require improvement. This year we have also conducted a special community survey, the second such survey the Company has carried out.

In 2019, the Company's management model was changed fundamentally. Taking into account corporate governance best practices and with the aim of establishing the most transparent and effective governance possible, the Company adopted an independent Board model. This makes us the first private company in Lithuania with Board members who have no relation to the majority shareholder.

The Company's independent Board recognises sustainability and the mitigation of our environmental impact as a strategic business direction.

Kęstutis Juščius

CEO of **AUGA group**

AUGA GROUP'S SUSTAINABILITY STRATEGY

KEY FACTS ABOUT AUGA GROUP

As of 31 December 2019, the consolidated group of companies (hereinafter the Group) consists of AUGA group, AB (hereinafter AUGA group or the Company) and its 136 subsidiaries.

- AUGA group is the largest vertically integrated organic food company in Europe
- 1200 employees
- 38 000 ha of farmland
- Turnover of EUR 71 million
- Shares of the Company are traded on the 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"

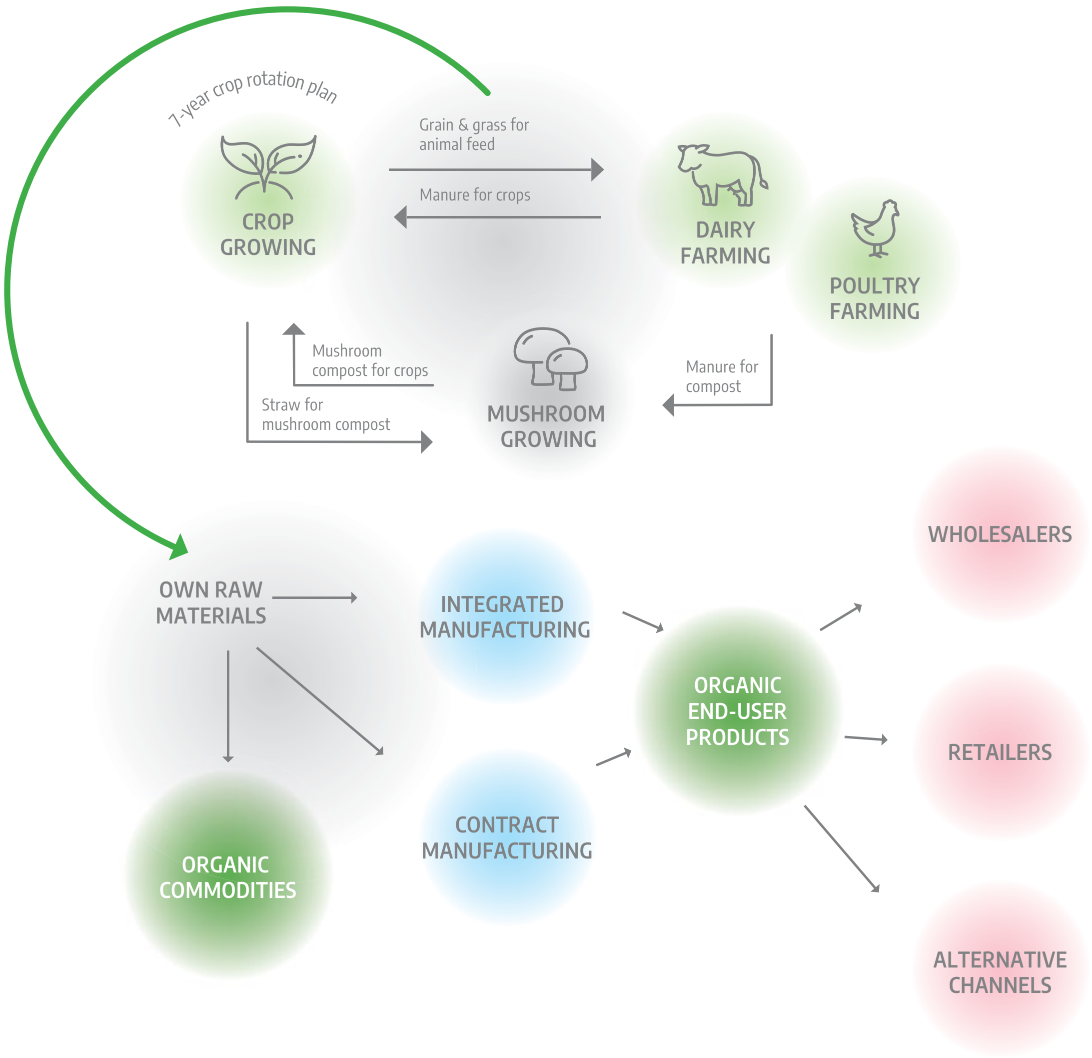
END-USER PRODUCTS

UAB "BALTIC CHAMPS"

A SUSTAINABLE BUSINESS MODEL

The Group's business model is unique because it encompasses crop cultivation, processing and supply to end users. By using this system of business processes, the Group is able to ensure very high standards in quality, adherence to organic farming principles, and product safety. This model also ensures the systematic sustainability of business processes within the Group.

More information about the closed loop model developed by the Company was provided in 2017 Sustainability Report[1].

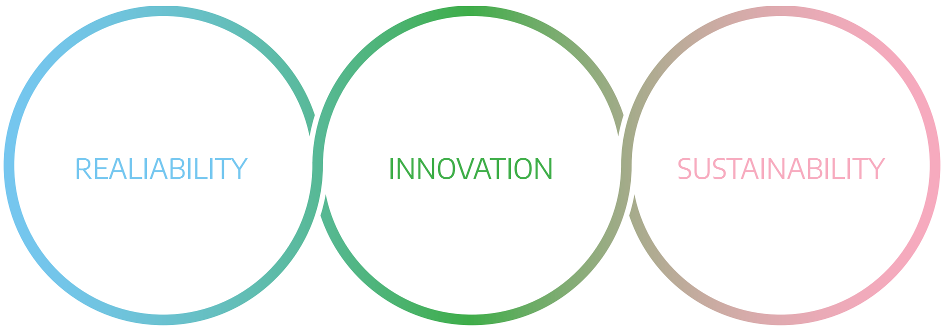


1 http://auga.lt/en/sustainability/sustainability-report/#tabs

AUGA PRODUCTS FOR END CONSUMERS

OUR VALUES

When AUGA group started developing its organic farming model, it identified **reliability**, **innovation** and **sustainability** as its core values. These values have remained unchanged over the years as the Company has transformed. Sustainability is a core value that we uphold throughout the food chain through environmental innovation, the protection and upholding of fundamental human rights, and business management best practice.



We understand sustainability to mean meeting the needs of the present without compromising the ability of future generations to meet their needs.

In light of this attitude, we strive to do business with the lowest possible impact on the environment around us, and we have identified climate change and greenhouse gas (GHG) emissions as our biggest concern.

The Company is responsible for ensuring the highest standards of product quality, responsiveness and open communication with consumers throughout the supply chain. A new generation of machinery and a range of innovative solutions help us nurture this.

We believe that it is important to maintain the right balance between business success and environmental responsibility, ecological best practice and modern technology, and production and consumption.

SUSTAINABLE DEVELOPMENT GOALS: OUR CONTRIBUTION

We have a strong understanding of all of the United Nations' Sustainable Development Goals, and we view their implementation as integral to the creation of a sustainable and harmonious world.

After an evaluation of the Group's activities and processes, and their impact on the environment and society, we identified five of the UN's Sustainable Development Goals where we have the greatest potential to make a meaningful contribution.

In 2019, the Company added a further two: "Good health and well-being" and "Zero hunger". In order to contribute to the global achievement of these goals in the future, the Company will seek membership of the United Nations (UN) Global Compact Initiative.

UN SUSTAINABLE DEVELOPMENT GOALS INTEGRATED BY AUGA GROUP

2 ZERO HUNGER

Healthy and affordable food
Food labelling, safety and prices
Sustainable sourcing
Genetic diversity of farmed and domesticated animals
Labour practices in the supply chain

3 GOOD HEALTH AND WELL-BEING

Occupational health and safety
Access to medicines
Access to quality essential health care services
Air quality
Water quality

8 DECENT WORK AND ECONOMIC GROWTH

Employment
Non-discrimination
Capacity Building
Availability of a skilled workforce
Elimination of forced or compulsory labour

9 INDUSTRY, INNOVATION AND INFRASTRUCTURE

Infrastructure investments
Access to financial services
Environmental investments
Research and development

12 RESPONSIBLE CONSUMPTION AND PRODUCTION

Sustainable sourcing
Resource efficiency of products and services
Materials recycling
Procurement practices
Product and service information and labelling

13 CLIMATE ACTION

Energy efficiency
Environmental investments
GHG emissions
Risks and opportunities due to climate change

15 LIFE ON LAND

Deforestation and forest degradation
Genetic diversity of farms and domesticated animals
Land remediation
Landscapes forest management and fibre sourcing
Mountain ecosystems
Terrestrial and inland freshwater ecosystems

A MATERIALITY ASESSMENT OF KEY SUSTAINABILITY AREAS

As part of the Company's drive to continually improve stakeholder dialogue, it conducted a materiality assessment of relevant sustainability topics. This was the Company's second materiality assessment, with the first having been carried out in 2017 and published in the Company's very first Sustainability Report.

In order to assess the materiality of key environmental, social and governance areas, the Company identified the most relevant sustainability criteria within specific fields and surveyed the most important stakeholder groups in these areas.

AUGA group surveyed employees, investors, consumers, non-governmental and institutional organisations, suppliers, partners, local communities, and media representatives. Following this process, the Group determined the sustainability criteria that are of highest importance to the Group's stakeholders.

The importance of these sustainability criteria to the Group's business activities was evaluated and defined by the Company's management, taking into account market trends and the Company's strategic targets.

These priority areas will serve as a benchmark for further sustainability dialogue and a guide for adding value to the business. Using these insights, the Company will place a special focus on the areas that have been recognised as essential for stakeholders and for the further development of the business.

The Company will maintain the good practice of identifying and re-evaluating the significance of sustainability areas to its stakeholders and business processes on a biennial basis.

AUGA GROUP'S LIST OF SUSTAINABILITY CRITERIA

Environmental protection criteria	Social responsibility criteria	Corporate governance criteria
Environmental Impact of Agriculture	Nutritional Value & Ingredients	Business Ethics
Soil Health	Human Rights	Anti-Corruption
Emissions	Women's Rights & Opportunities	Ethical Standards for Suppliers
Use of Resources	Rural Development	Data Security & Privacy
Renewable Energy	Employee Well-Being	Accountability to Stakeholders
Packaging	Fair Competition	Responsible use of innovation & technology
Waste	Company Values & Culture	Good Governance Practices
Animal Welfare	Consumers & Sustainability	Sustainable Organic Food Standards
Circular Economy	Food Safety	Fair Tax Payment

MATERIALITY ASSESSMENT MATRIX

IMPORTANCE TO STAKEHOLDERS (rows) / IMPACT ON THE BUSINESS (columns)

	MODERATE	HIGH	HIGH
HIGH	Packaging	Fair Competition; Fair Tax Payment; Anti-Corruption; Employee Well-Being; Soil Health; Waste	Food Safety; Environmental Impact of Agriculture
HIGH	Nutritional Value & Ingredients; Ethical Standards for Suppliers	Use of Resources; Business Ethics; Renewable Energy; Circular Economy; Consumers & Sustainability	Animal Welfare; Human Rights; Sustainable Organic Food Standards; Emissions; Company Values & Culture
MODERATE	Data Security & Privacy; Responsible use of innovation & technology	Accountability to Stakeholders; Women's Rights & Opportunities; Rural Development; Good Governance Practices	

Environmental protection criteria (green): Packaging, Environmental Impact of Agriculture, Soil Health, Waste, Use of Resources, Renewable Energy, Circular Economy, Animal Welfare, Emissions

Social responsibility criteria (pink): Fair Competition, Employee Well-Being, Food Safety, Nutritional Value & Ingredients, Consumers & Sustainability, Human Rights, Company Values & Culture, Women's Rights & Opportunities, Rural Development

Corporate governance criteria (blue): Fair Tax Payment, Anti-Corruption, Ethical Standards for Suppliers, Business Ethics, Sustainable Organic Food Standards, Data Security & Privacy, Responsible use of innovation & technology, Accountability to Stakeholders, Good Governance Practices

ENVIRONMENT

2 ZERO HUNGER

12 RESPONSIBLE CONSUMPTION AND PRODUCTION

13 CLIMATE ACTION

15 LIFE ON LAND

OUR ACTIVITIES AND ACHIEVEMENTS

In its 2018 Sustainability Report, the Company established a goal of setting clear targets for reducing its carbon footprint, and also committed to recalculating the total carbon footprint of the Group at least once per year. These objectives have been achieved, and the results are described below in the Environment section of this report.

Last year the Group also planned to set targets for its energy and water consumption, and waste reduction. In 2019, the Company updated its accounting methods for the use of natural resources and generated waste. The target for the near future is to keep these indicators stable.

AUGA group is committed to the development of sustainable agriculture, and goes beyond the requirements of EU organic regulations to achieve this. The following practices are employed:

Closed-loop agriculture

- Synergy among different branches of agriculture: crop production, dairy farming and mushroom growing
- Assurance of organic production standards
- Secondary use of organic waste in farms

Min-till sustainable farming

- Reduction of soil erosion
- Water retention in the soil
- Preservation of biodiversity and ecosystem
- Preservation of soil fertility
- CO_2 sequestration

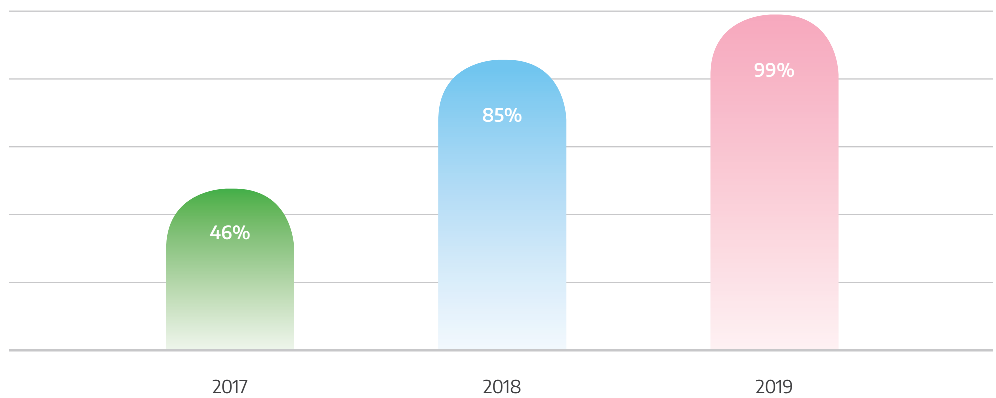
Certified green energy

- Certified green electricity used in all production and administrative facilities

The closed-loop organic farming model developed by the Group aims to achieve synergies among different branches of agriculture and maximise the re-use of organic waste. Farming activities, such as crop growing, dairy farming and mushroom growing supplement each other.

Min-till technology is applied on 99% of the Group's cultivated agricultural land. This approach helps to prevent soil from erosion, protect biodiversity, and reduce fuel consumption, resulting in lower GHG emissions. The Company has been increasing the share of land cultivated using min-till technology every year, and last year it achieved the application of this technology in all of its fields except for small plots used for growing vegetables.

AREA OF LAND CULTIVATED USING MIN-TILL TECHNOLOGY



Certified green energy produced from renewable sources and accounting for zero green-house gas emissions is used in all of the Group's production and administrative facilities.

ANIMAL WELFARE

In 2019, the Company approved an Animal Welfare Policy. Animal husbandry, and the assurance of animal welfare, are integral parts of the Group's business model.

Animal husbandry is a constituent part of our closed-cycle model. Therefore, the Group pays particular attention to the welfare of its farm animals and the improvement of the conditions they are kept in.

All farms in the Group adhere to the EU's organic farming requirements, and animal keeping falls under the remit of these requirements. In implementing its Animal Welfare Policy, the Group seeks to go beyond simply satisfying binding legal requirements and contribute to the creation of good practices in organic farming and food production, serving as an example for other companies in the sector.

GHG EMISSION ACCOUNTING AND AUDITING

In 2019, the Company conducted its second measurement of GHG emissions released into the environment as a result of its operations. For the first time, the emissions report was revised using the expertise of independent international auditors.

By applying an internationally recognised measurement methodology, the Company was able to make calculations with an even higher level of precision and expand the operational areas that were measured.

The credibility and accuracy of the measurements made was verified by an audit conducted by the consulting agency Carbon Footprint.

Carbon Footprint Ltd is one of the world's leading auditors for CO_2 reporting, having enabled completion of the carbon footprints of over 20,000 businesses globally. The audit ensures that all GHG data provided by the AUGA group are accurate and the calculations are based on a recognized international methodology.

For further reading on the Company's emissions, go to page 20, 21.

ENVIRONMENTAL MANAGEMENT SYSTEM

With the aim of securing productive organic farming operations and sustainability, the Company has developed and approved an environmental management system. As the system is implemented, audits for providing feedback are being organised and plans to eliminate any nonconformity will be arranged within the Group's various divisions. By the end of the year, all data will be collected, systematised and presented for analysis by the management. Based on this data, the Company's managers will make appropriate decisions on how to mitigate risks and act more effectively on environmental protection.

AWARDS FOR SUSTAINABILITY

- The European Bank for Reconstruction and Development (EBRD) Sustainable Energy Gold Award 2019 for incorporating an innovative closed-loop process into the production cycle and developing biogas production to reduce fossil fuel consumption.
- Stockholm School of Economics (SSE) Riga Environmentally Sustainable Development 2019 award.

STRATEGIC PROJECTS

Globally, agriculture, along with emissions from deforestation due to land conversion, accounts for around 23% of total greenhouse gas (GHG) emissions caused by human activity[2]. These emissions are typically attributed to carbon dioxide (CO_2) released during soil cultivation using agricultural machinery, methane (CH_4) associated with enteric fermentation in livestock and manure, and nitrous oxide (N_2O) arising from the use of fertilisers and manure. Agriculture is a key contributor to climate change, and if current conditions continue its share of man-made emissions is projected to increase by 18% by 2030 and by 30% by 2050[3]. With the aim of tackling some of the causes of these emissions immediately, the Company has already started applying sustainable farming methods on a large scale.

The Company has also planned out and begun preparations for several projects aimed at reducing its emissions. The most significant of these projects are:

Biogas application technologies to substitute the use of fossil fuels in agricultural machinery when biogas-powered tractors have been developed, and, in the future, biogas extracted from cow manure, utilizing organic digestate produced as a by-product of this process as an efficient low N_2O emissions fertiliser.

Specialised feed technology to ensure forage preparation and feed composition that substantially reduces CH_4 emissions from bovine enteric fermentation.

Crop rotation improvement to achieve an increased proportion of crops with carbon sequestration and nitrogen accumulation properties, thus absorbing CO_2 from the atmosphere and reducing N_2O emissions.

2 IPCC Special Report on Climate Change, Desertification, Land Degradation, Sustainable Land Management, Food Security, and Greenhouse gas fluxes in Terrestrial Ecosystems https://www.ipcc.ch/site/assets/uploads/2019/08/Edited-SPM_Approved_Microsite_FINAL.pdf

3 Agriculture, Forestry and Other Land Use Emissions by Sources and Removals by Sinks http://www.fao.org/3/a-i3671e.pdf

COMPLIANCE WITH NASDAQ ESG REPORTING GUIDELINES

E1. GHG Emissions

In 2019, the Group's CO_2 footprint (also referred to in the report as GHG (Greenhouse Gas Emissions), CO_2 eq.) amounted to 72 820 t CO_2 eq., an increase of 14% compared to 2018 (emissions in 2018 amounted to 63 957 t CO_2 eq.).

The higher GHG emission levels in 2019 can be attributed to several factors. By moving to field fertilization twice a year, part of the previous season's fertilization work was carried over to the next year, this led to a higher amount of organic fertilizer used ir 2019. In addition, the Company had a significantly higher crop growing yield due to improved soil fertility in 2019. The larger crop yields led to more crop remains in the fields, emitting more GHGs.

The increase was also impacted by the change in methodology, with some emission calculation factors updated[4]. The use of these new calculation methods led to a 3% increase in the total volume of emissions recorded.

The distribution ratio of the main sources of emissions remained similar – enteric fermentation in livestock, managed soil, and the use of fossil fuels on farms constituted 91.48% of total emissions (in 2018 the figure was 91%).

The fact that the Company purchases and uses only green electricity has a very positive effect on reducing GHG emissions. Using energy from energy sources typical in Lithuania, total emissions would increase by 6 010.17 t CO_2 eq.

These calculations are based on the GHG protocol, the methodology used by the Intergovernmental Panel on Climate Change, and the audit conducted by Carbon Footprint.

Emissions, t CO_2 eq.*	**2019**	**2018**
Scope 1	71 014.05	60 915.11
Scope 2	6.30	1.26
Scope 3	1 800.55	3 041.08
TOTAL	**72 820.90**	**63 957.44**

* Measured on the basis of actual energy purchases (market based method). Calculating by using location based method, i.e. according to the country-specific average energy production, total GHG emissions in 2019 would be 78 831.07 t CO_2 eq.

In accordance with the international calculation methodology that has been adopted[5], all emissions are categorized as Direct (Scope 1), Indirect (Scope 2) and Other (Scope 3).

Scope 1 includes all emission sources directly managed by the Company.

Scope 2 measures indirect emissions from energy provided to, but not produced by, the Company.

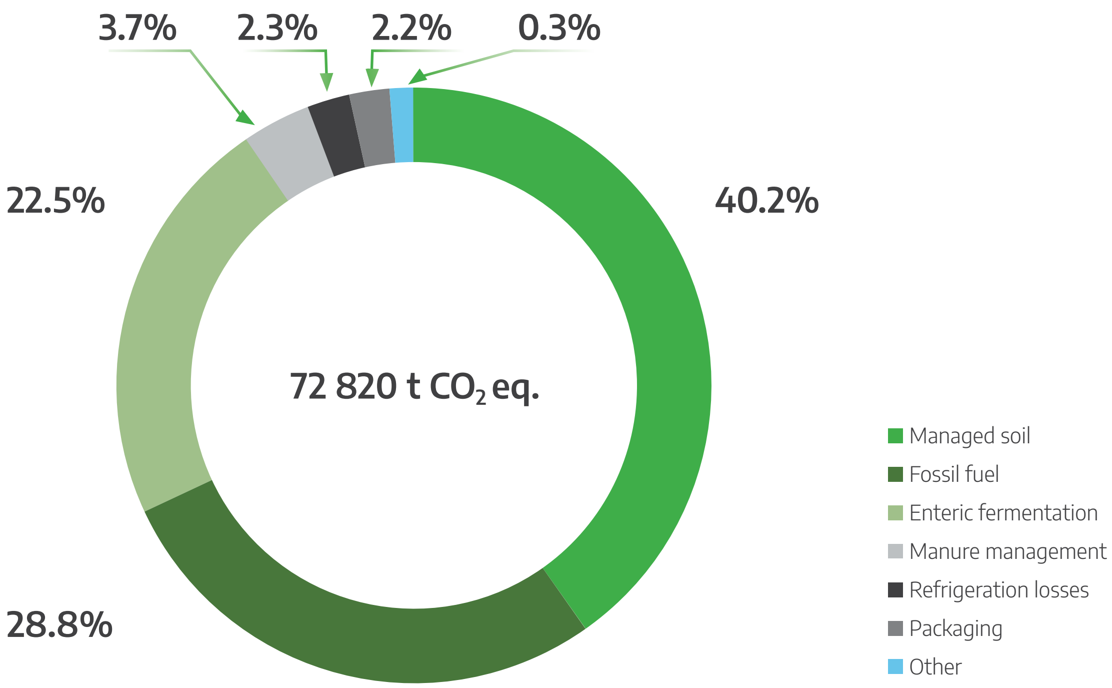
Scope 3 measures other indirect emissions (not included in Scopes 1 and 2) from various operations of the Company.

carbon footprint standard
CO_2e Assessed
Organisation

4 Lithuania's National Inventory Report 2019, http://klimatas.gamta.lt/files/NIR_2019_04_15_FINAL.pdf

5 https://ghgprotocol.org/sites/default/files/standards/ghg-protocol-revised.pdf

GHG EMISSIONS DISTRIBUTION



E2. Emissions Intensity

Carbon intensity refers to how much carbon the Group's companies emit per activity unit, for example per Euro of revenue produced, or per ha of cultivated land. The cumulated carbon intensity indicators of the Group for 2019 are provided below with the amounts from last year alongside.

	2019	2018
t CO_2 eq. / 1 Eur revenue	0.00102	0.00117
t CO_2 eq. / 1 employee	61.04	55.52
t CO_2 eq. / cow*	3.04	4.71
t CO_2 eq. / t ECM milk*	0.68	0.74
t CO_2 eq. / ha**	1.05	1.12
t CO_2 eq. / t crop production**	0.37	0.38
t CO_2 eq. / t mushroom production***	0.37	0.31

* only milk production segment emissions are measured. **ECM** (energy corrected milk) – a relative unit of measurement of milk. The raw milk production is converted to 4.0% fat and 3.3% protein of corrected milk quantity.
** only crop crowing segment emissions are measured
*** only mushroom growing segment emissions are measured

Some carbon intensity indicators were in part determined by the higher turnover of the Company in 2019. For instance, carbon intensity per one employee increased as the number of personnel grew only marginally while emissions rose. On the other hand, carbon intensity per one Euro went down as the Group's revenue increased more than total emissions did.

The intensity of emissions of dairy segment decreased due to the fact that in 2018 this indicator was calculated taking into account only the number of dairy cows, while in 2019 - the total number of cattle was accounted. If all cattle were counted in 2018, the emission intensity per cattle would have been 2.79 t CO2 eq. Emission intensity per one ton of milk remained similar.

Although total crop growing emissions rose, lower emissions per one ton of produce were recorded due to considerably higher soil fertility. With continued efforts to achieve better soil fertility, the Company anticipates further improvements in this indicator in the future.

E3. Energy Usage

The cumulated energy consumption of the Group in 2019 was 368 895.70 gigajoules (GJ). The amount of energy used has varied only marginally over the years measured.

Energy type	Value	Energy
Diesel for farm machinery	7 360 383.96 l	280 954.25 GJ
Electricity	15 372 857.50 kWh	55 342.29 GJ
Natural gas	4 020 549.00 kWh	14 473.98 GJ
Liquefied petroleum gas	412 332.94 l	10 308.32 GJ
Diesel for production drying	151 244.00 l	5 763.49 GJ
Petroleum	55 867.45 l	1 924.51 GJ
Heat	35 795.00 kWh	128.86 GJ
		TOTAL: 368 895.70 GJ

E4. Energy Intensity

Energy intensity expresses the energy required per unit of activity, output, or any other organisation-specific metric. The cumulated energy intensity indicators of the Group for 2019 are displayed below with the amounts from last year alongside.

	2019	2018
GJ / 1 Eur revenue	0.00519	0.00681
GJ / 1 employee	309.22	323.68
GJ / cow*	3.27	4.48
GJ / t ECM milk*	0.74	0.71
GJ / ha**	4.80	7.24
GJ / t crop production**	1.68	2.43
GJ / t mushroom production***	6.86	7.57

* only milk production segment emissions are measured. **ECM** (energy corrected milk) – a relative unit of measurement of milk. The raw milk production is converted to 4.0% fat and 3.3% protein of corrected milk quantity.
** only crop crowing segment emissions are measured
*** only mushroom growing segment emissions are measured

The energy intensity indicators measured were in part determined by the higher turnover of the Company in 2019. For instance, energy intensity per one employee increased because the number of employees only grew slightly while emissions increased. In contrast, energy intensity per one Euro of revenue decreased because the Group's revenue rose.

Energy intensity per total mushroom production decreased due to lower energy consumption in the segment and a slightly larger mushroom yield.

E5. Energy Mix

The majority of the Group's energy consumption in 2019 consisted of diesel fuel and electricity. There were no significant changes in energy consumption distribution in comparison to 2018.

Energy type	Share	Energy
Diesel for farm machinery	76.16%	280 954.25 GJ
Electricity	15.00%	55 342.29 GJ
Natural gas	3.92%	14 473.98 GJ
Liquefied petroleum gas	2.79%	10 308.32 GJ
Diesel for production drying	1.56%	5 763.49 GJ
Petroleum	0.52%	1 924.51 GJ
Heat	0.03%	128.86 GJ
		TOTAL: 368 895.70 GJ

E6. Water Usage

The Company experienced a significant growth in water consumption in 2019 due to a very hot and dry summer season, as well as a newly adopted accounting methodology that includes additional sources of water consumption, e.g., natural boreholes.

	2019	2018
Water (m^3)	267 669.25	205 097.05

E7. Environmental Operations

The Board of the Company has approved the Company's Environmental Policy, which is an integral part of its corporate business strategy. The purpose of this policy is to outline guidelines and principles for ensuring the management of the environmental impact of the Group across the business cycle.

The Group is making efforts to reduce the environmental impact of its activities and develop environmentally-friendly organic farming technologies.

The Group is committed to taking responsibility for the environmental impact of its activities, and striving to reduce this impact by:

- Operating in compliance with all mandatory requirements of environmental legislation;
- Cooperating with business partners, public authorities and agencies on environmental issues;
- Monitoring the Company's environmental impact, including measuring the carbon footprint of the organisation, its use of natural and energy resources, and its waste generation;
- Saving natural and energy resources, which will be achieved by implementing a closed-loop organic farming model, applying min-till technology, and using renewable energy sources;
- Developing and implementing technologies aimed at reducing the Group's GHG emissions in three major areas: fossil fuels on farms, cultivated soil, and enteric fermentation in livestock;
- Ensuring that as much of the waste generated by the Group as possible is managed according to the principle of "reduce, reuse and recycle";
- Developing competences and a responsible approach to environmental protection in the Group's employees.

E8. Climate Oversight / Board

Concerns related to climate action have generally been assessed during the Company's Board meetings. However, this has so far been on an ad hoc basis. In 2020, specific climate action matters are to be included in the Board's agenda and to receive regular assessment and evaluation.

E9. Climate Oversight / Management

Management meetings to assess various climate issues, including investments, budgets and environmental impact, are scheduled on a regular basis. Throughout 2020, further matters related to climate action will be included in the management's agenda as high priority items, and progress on these matters will be assessed regularly.

E10. Climate Risk Mitigation

Presently, the Company does not specifically calculate expenditure on climate action investments in its financial reports. However, these numbers are being accounted for and recorded. In 2019, total investments in climate action amounted to 334 192 EUR.

At the end of 2019 AUGA group issued EUR 20 million worth of green bonds, and some of the proceeds raised from this process have been invested in climate action innovations (see page 30).

GHG emission reduction targets for 2025

The Company has set itself the target of reducing the total GHG emissions from its operations by 27%, assuming there will be no increase in the area of agricultural land operated by the Company. The Company plans to achieve this target through operational excellence and by developing original technologies in the three primary areas that currently contribute most to GHG emissions.

It is important to note that emission reduction in the agricultural sector is a complicated process. This fact demonstrates that the targets set by the Company are very ambitious. By way of comparison, Lithuania's entire agricultural sector has been set the target of reducing emissions by 9% by 2030[6].

6 https://am.lrv.lt/uploads/am/documents/files/KLIMATO%20KAITA/Integruotas%20planas/Final%20NECP.pdf

FOSSIL FUEL CONSUMPTION

The Company is targeting a 40% reduction in total fossil fuel emissions and a 50% cut in emissions deriving from fossil fuel use on farms.

The Company plans to achieve this goal through the introduction of a biogas cycle in the Group's agricultural operations. Biogas will be extracted from waste in cattle farming and used to fuel agricultural machinery. Furthermore, optimizing farm work and crop rotation techniques to reduce the amount of energy used for the distribution and insertion of manure will enable lower fuel inputs.

The Company puts a strong focus on the secondary use of waste and by-products that come from other branches of the Group's business. For instance, manure from dairy and poultry farms can be utilised in the production of biogas that can be purified into biomethane. In turn, biomethane can be used to power tractors and other vehicles.

The extraction of biogas from manure followed by the usage of purified biogas for fuel is one of the most efficient ways for second-generation biofuel to be reintroduced to farm mobility systems. A Lund University study finds that such an approach is up to 148% more beneficial to the climate compared to using fossil fuels. In addition, the organic waste (digestate) left after biogas production can be used as an effective fertiliser, increasing soil productivity by 18% and thus decreasing the emissions per unit of agricultural produce.

ENTERIC FERMENTATION IN LIVESTOCK

Total emissions from enteric fermentation are set to be reduced by 33%. This reduction will be made through the upgrading of the feed technology used. Using specially treated forage will lead both to lower ruminant emissions and an increase in milk yield.

The segment's emissions per one ton of milk are set to be cut by 50%. There will also be a 33% reduction in emissions per livestock animal and per one ton of live-weight meat.

A specialised feed technology is being developed by the Company with the aim of reducing methane emissions from bovine enteric fermentation. Given that dairy farming is an integral component of the Group's closed-loop business model, it is essential for AUGA to address this issue. The concept for this specialised feed technology comes from innovative processes and technologies associated with proprietary feed production and treatment, and adapted formulations of forage, through to the monitoring and measuring of the effects of this feed on the cattle on the farm. The target for these adapted feed formulations would be to significantly reduce the ruminant emission of methane to the atmosphere per unit of milk produced. Such a setup would also ensure best animal welfare practices and contribute to the cutting of methane (CH_4) emissions, gases that contribute 28 times more to the global greenhouse effect than CO_2[7].

7 https://www.ipcc.ch/site/assets/uploads/2018/02/WG1AR5_Chapter08_FINAL.pdf

MANAGED SOIL

The total emission reduction target for this area is set at 20%, while emissions from dry crop produce per ton are to be cut by 30%. The Company intends to meet these targets by using crop rotation and increasing the proportion of plants with carbon sequestration and nitrogen fixation properties.

Leguminous perennial grasses (alfalfa, clover, etc.) are able to fix nitrogen from the atmosphere with the help of symbiotic bacteria within the nodules of their root systems. Moreover, they trap CO_2 in organic soil matter, while, conversely, cereal cultivation releases CO_2 into the atmosphere. Increasing the volume of leguminous crops would not only add to sequestration, but could also produce feed that would take up a larger proportion in the feed chain. Within the framework of the Group's closed-loop business model, this diversification of crops would allow for the growing of a feed that is less polluting and has lower N_2O emission properties. This feed would, in part, replace the cereal-based feeds that are currently used.

At the moment, there is no structured methodology in place to assess the effect of diversified crops and soil cultivation on carbon sequestration, hence its impact is not included in emissions targets at present. However, the Company is looking to establish such a system of measurement in the future.

Base data for setting CO_2 reduction targets by 2025 are provided below.

Fossil fuel	**2019**
Diesel fuel consumption in agriculture, t CO_2 eq.	16 645.93
Total fossil fuel emissions, t CO_2 eq.	20 992.90
Rumen fermentation	
Rumen fermentation emissions, t CO_2 eq.	16 346.85
t CO_2 eq. / t milk	0.56
t CO_2 eq. / livestock	3.22
t CO_2 eq. / t meat products sold	25.52
Crop growing	
Emissions from manure apllied to soil, t CO_2 eq.	12 876.87
Total crop growing emissions, t CO_2 eq.	29 275.68
t CO_2 eq. / t dry matter crop production	0.27

* only milk production segment emissions are measured. **ECM** (energy corrected milk) – a relative unit of measurement of milk. The raw milk production is converted to 4.0% fat and 3.3% protein of corrected milk quantity.

Other targets for 2020

From 2020, the Company will begin including climate action matters within the agenda of Board meetings so that it can improve how progress in this field is assessed.

To enable each employee to contribute their fullest in pursuit of the Company's goals and targets, AUGA group strives to consistently educate all personnel on the topics of climate change, and explain what issues are of priority, introducing staff to the on-going technological developments in the field.

From the materiality assessment of sustainability topics that the Company conducted, the Company has been able to gauge its stakeholders' view on environmental impact. The areas of sustainable packaging, agricultural impact on the environment, soil health and waste management have been identified as the most significant. In terms of environmental impact, the management and the Board of the Company also regards animal welfare and emission reductions as crucially important. In turn, the Company will concentrate its efforts and place a special emphasis on achieving excellence in these areas.

SOCIAL

3 GOOD HEALTH AND WELL-BEING

8 DECENT WORK AND ECONOMIC GROWTH

OUR ACTIVITIES AND ACHIEVEMENTS

The Company has successfully executed its goal of implementing the following policies: Policy on Human Rights, Non-Discrimination, Child Labour and Forced Labour. Additionally, it has updated The Occupational Safety and Health Policy.

In 2019, AUGA group continued to expand its efforts in improving communication with both its employees and all other stakeholders. Most of the Group's companies operate in rural areas, so special attention is being paid to regional development.

In cooperation with Vytautas Magnus University Agriculture Academy, the Company seeks to attract as many young professionals as is possible and is purposefully recruiting them for both internships and employment. Currently, more than half of the Company's employees are under 45 years of age, which is uncommon for companies within this sector in Lithuania.

Age of employees	Number	%
Younger than 25	70	5.9%
26-35	266	22.3%
36-45	275	23.1%
46-55	342	28.7%
56-65	230	19.3%
Older than 66	10	0.8%
TOTAL	**1193**	**100.0%**

SUPPLEMENTARY HEALTH INSURANCE

In 2019, AUGA group employees were provided free supplementary health insurance. This insurance is valid for all employees of the Group's companies who work on a permanent basis.

AUGA's free supplementary health insurance package provides employees with faster and more convenient access to health-related services: treatment at selected healthcare facilities, specialist medical visits, various tests, costs for covering the purchasing of medicines, and other services aimed at promoting health. All employees of the Group now have access to high-quality, modern treatment at public and private institutions throughout Lithuania.

POLICIES

Since 2019, the Company has adhered to the following implemented policies: Policy on Human Rights, Non-Discrimination, Child Labour and Forced Labour, The Occupational Safety and Health Policy. These policies can be viewed on the Company's website[8].

8 http://auga.lt/en/sustainability/policies/#tabs

EMPLOYEE SATISFACTION SURVEY

In 2019, the Group conducted a staff survey, asking a variety of questions. These included whether the Group employees liked their job, whether they would recommend the company they worked for as a good place to work, and the extent to which they valued their colleagues, collaboration, managers, working practices, etc.

The aim of the study was to better understand the employees' attitude towards their work, how they viewed cooperation with colleagues, and to identify areas of strength and areas for improvement.

Totally agree, agree	Neutral	Totally disagree, disagree
78%	17%	5%

78% of employees answered the question "I am satisfied with my job" with "totally agree" or "agree".

62% of all respondents would recommend the Company as an employer. 77% of employees are proud to be employees of the Company.

With regards to teamwork, co-workers, adherence to agreements, and conflict resolution, individual responses ranged from 74% up to 84%.

We value the results of this survey and intend to repeat it every year. The Company will continue to strive for consistent employee satisfaction.

LOCAL COMMUNITIES SURVEY

Over the past two years, the Company has begun to engage more actively with communities, primarily through a survey of their views and needs.

The majority of the Company's employees work in regions and rural areas. Companies of the Group support local communities both financially and by contributing to infrastructure improvements and site management.

Seeking to build a long-term and sustainable dialogue with local communities, the Company continues to pay special attention to organizing meetings and conversations with representatives of the communities.

The second survey revealed that meeting communities, and educating them on ecology, the environment and sustainability, has a positive impact.

In 2019, more community representatives rated as important the fact that the Group is developing an organic farming model. The share of positive answers to this question rose from 46% in 2018, to 65% in 2019. The majority of the communities surveyed said that the companies of the Group are making sustained efforts to reduce environmental pollution and invest in environmental protection. In 2019, 60% answered this question positively, compared to 45% a year earlier.

Other survey indicators did not change, and the communities positively evaluated the activities of the companies of the Group.

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 5.75 in 2019. Compared to the previous year, this ratio had decreased (2018 - 6.36). This change was driven by the rise in staff salaries. The CEO's salary remained unchanged over the year.

S2. Gender Pay Ratio

The median salary of male employees in the Group remained unchanged and was 1.2 times higher than the median salary of female employees. As in the previous year, this difference arose due to job positions and the level of qualifications held. Median wages were calculated only for those employees who were not on sick leave or on parental leave.

S3. Employee Turnover

The average overall employee turnover ratio amounted to 21.8% in 2019. More than half of employees who left the Company did it by their own initiative. In 2018, employee turnover ratio was 20.0%.

The number of part-time and retired employees was four, while in 2018 there were six such employees.

The situation regarding contractors and consultants remains unchanged from 2018: the Group employs only two individuals under such employment contracts.

S4. Gender Diversity

In 2019, men accounted for 58% of all Group employees. In 2018, men accounted for 57% of all employees.

Women accounted for 25% of all management positions, 47% of professional roles, and 42% of unskilled workers.

S5. Temporary Worker Ratio

On December 31, 2019, the Group employed 1 193 people. Only 14 of them were temporary employees, or 1.17% of total. Also, in 2019, the Group recruited over 400 temporary workers who did not work under employment contracts but provided temporary agricultural services employed under a simplified procedure and paid by service employment cheques.

In 2019, the Group employed 14 part-time employees, or 1.17% of total.

S6. Non-Discrimination

The Company follows a Policy on Human Rights, Non-Discrimination, and Child Labour. The Group complies with domestic and international regulatory obligations of non-discrimination. The Group does not tolerate discrimination, humiliation, harassment or insulting behaviour on the grounds of an 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. Our Policy on Human Rights, Non-Discrimination, and Child Labour is published on the Company's website[8].

S7. Injury Rate

There were two occupational accidents in 2019 (in 2018, there were seven accidents at work). No workers suffered injury from these incidents. In 2019, there were 0.0017 accidents per one employee.

S8. Global Health & Safety

The Company has in place an Occupational Safety and Health Policy. The purpose of the policy is to identify what threats and risks exist in the enterprise that may be encountered by employees, and to provide for measures aimed to minimise the number of accidents.

The Policy is published on the Company's website[9].

Every new employee of the Group is familiarized with the internal safety and health rules before starting work, and they are encouraged to update this knowledge regularly.

S9. Child & Forced Labour

The Company has an Occupational Safety and Health Policy. This policy is published on the Company's website[8].

The Group adheres to the prohibitions and restrictions regarding child labour and forced labour laid out in national and international legislation.

The principles of this policy apply to all partners of the Company.

They are also defined in the Supplier Code of Conduct, which is also published on the Company's website[8].

9 http://auga.lt/en/sustainability/policies/#tabs

S10. Human Rights

The Company follows a Policy on Human Rights, Non-Discrimination, and Child Labour. This policy is published on the Company's website. The respect for human rights constitutes an integral part of the core values of the Group. The Company is guided by corporate practices and principles conforming to the principles of the Universal Declaration of Human Rights and international labour conventions. The principles of this policy apply to all partners of the Company. They are also defined in the Supplier Code of Conduct, which is published on the Company's website.

No cases of employee rights infringement or conflicts at work were recorded by the Company and the Group's companies in 2019. We take seriously any reports of human rights violations, and employees have recourse to report such issues directly to their immediate superior, Human Resources manager, or Company manager, or by e-mail etika@auga.lt.

Targets for 2020

During 2020, the Company will strive to maintain the social policies model it has developed and continue to follow the codes and policies adopted in 2019. The Company intends to conduct further community and employee surveys on an annual basis in order to assess what issues are most relevant for these vital social groups.

The Company takes its commitment to the aforementioned social indices seriously. Social equality will continue to remain a top priority, as will the application of the fair wage model, the further establishment of gender equality, and the prevention of discrimination of any kind. Likewise, the Company will continue to dedicate much attention to the overseeing of employee safety and the provision of quality health care.

The prevention of human rights violations of any form is the primary objective in the Company's social codes and policies.

The materiality assessment of sustainability topics that was conducted by the Company revealed our stakeholders' view on social impact. Food safety, fair wage and employee welfare were identified as the most significant areas. The management and the Board of the Company consider human rights, food safety, and company values and culture, to be of the highest importance. To this end, the Company will concentrate its efforts and place especial emphasis on achieving excellence in the all of the aforementioned areas.

GOVERNANCE

9 INDUSTRY, INNOVATION AND INFRASTRUCTURE

OUR ACTIVITIES AND ACHIEVEMENTS

In 2019, the Company set itself the goal of simplifying the structure of its management and supervisory bodies and allocating and separating their functions and accountability to improve their efficiency and clarity. The Company successfully implemented this by abandoning the Supervisory Board model and choosing an independent Board model.

INDEPENDENT BOARD

In light of good corporate governance practices, and in order to create the most transparent and effective governance system possible, the Company has abandoned the Supervisory Board model and chosen the independent Board model (June 2019). Currently, the Board of AUGA group consists of five new members: Murray Steele, Tomas Kučinskas, Tomas Krakauskas, Dalius Misiūnas and Andrej Cyba.

This is the first case in Lithuania in which members of the Board of a non-governmental company are not affiliated with a controlling shareholder.

The governance model implemented by the AUGA group creates preconditions for the highest standards of transparency and accountability to shareholders and investors.

SUCCESSFUL ISSUE OF GREEN BONDS

At the end of 2019, AUGA group issued 20 000 units of green bonds[10] with a nominal value of EUR 1 000 each.

The bond programme of the company was evaluated by the Center for International Climate Research (CICERO), which provides second opinion for the majority of green bonds issued around the world.

10 https://www.icmagroup.org/green-social-and-sustainabilitybonds/green-bond-principles-gbp

AUGA group is the first fully privately-owned listed entity in the Baltic States to issue green bonds, and it is one of the largest bond issues on the Nasdaq Baltic exchange. AUGA group also became the first company in the Baltic States to join the Nasdaq Sustainable Bond Network. The new Nasdaq platform is designed for investors looking for opportunities to invest in sustainable companies.

The Nasdaq Sustainable Bond Network and market is the first global, publicly available web-based platform designed to create greater transparency in the market for green, social and sustainability bonds. It distinguishes between three categories of bonds: Green, Social and Sustainable. International standards define Sustainable Bonds as loans used to finance projects that bring clear environmental and social-economic benefits. Green bonds are defined as loans used to finance projects and activities that benefit the environment.

POLICIES

In addition to the policies mentioned in the previous section, the Company has also adopted Prevention of Corruption, Environmental, Animal Welfare, and Human Rights policies, and Codes of Supplier Conduct, and Business Ethics. These documents were approved by the new independent Board in 2019. All of these policies are available on the Company's website[11].

INVESTOR RELATIONS

With the aim of providing more convenient access to its consolidated financial data, the Company has prepared and published financial data that includes both data from previous periods and the most recent reporting period in MS Excel format. This data file is available via the following link[12.]

Investors may also subscribe to receive news published by the Group. The news subscription service is available via the following link[12.]

PARTICIPATION IN BUSINESS ASSOCIATIONS

The Company is actively involved in its sector and in sustainability-oriented associations. AUGA group is currently a member of the Lithuanian Association of Agriculture Companies (LŽŪBA), the Lithuanian Organic Farmers Association (LEŪA) and the Responsible Business Association of Lithuania (LAVA). The Group's company UAB "Baltic Champs" is a member of the Lithuanian Association of Mushroom Growers and Processors (LGAPA). The Company also cooperates regularly with various non-governmental and governmental organizations.

DISCLOSURE OF ESG INDICATORS

AUGA group has also become the first company in the Baltic States to make its data publicly available on the Nasdaq ESG Data Portal[13]. Starting in 2018, the Company began annually publishing information on its environmental, social and governance indicators on this platform.

11 http://auga.lt/en/sustainability/policies/#tabs
12 http://auga.lt/en/for-auga-investors/
13 https://www.nasdaq.com/solutions/nasdaq-investment-data-and-analytics

COMPLIANCE WITH NASDAQ ESG REPORTING GUIDELINES

G1. Board Diversity

Presently, the Board or other supervisory bodies of the Company do not include any female members (0%). However, it is important to stress that the selection process of the current members was based entirely on the competences that are sought after by the Company, and gender has no bearing on the issue. The Company follows a strict gender equality policy as regards the appointment of qualified individuals to leading positions within the Company.

G2. Board Independence

The Company has separated the functions of the CEO and the supervisory body. Kęstutis Juščius, the Chairman of the Board of the previous term has now assumed the post of the Company's CEO, and thus resigned from the Board.

Four out of five members of the Board (80%) are independent and none of the five hold any other active posts in the Company. The fact that the Company's CEO is not a member of the Board ensures that management and supervisory functions are separated.

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. Nonetheless, these aspects are taken into consideration during employee performance appraisal, and employees are assessed in accordance with their contribution to the achievement of Company sustainability goals. Employee input into the Group's sustainable business activities is strategically and fundamentally vital; hence, in 2019 the personnel was incentivized to contribute to sustainable business initiatives.

G4. Collective Bargaining

At present, there is no collective bargaining agreement in place (0% employee signatories). However, the Company does not impede or otherwise interfere with workers performing the rights that are granted to them under trade union laws. All employees are free to initiate unions in compliance with the acts of labour law, while the Company seeks to ensure employee welfare in all areas.

G5. Supplier Code of Conduct

The Company follows a Board-approved Supplier Code of Conduct for all business conducted with suppliers. The Supplier Code of Conduct sets out as a priority the establishment of long-term supplier relationships that meet the highest standards of business transparency and sustainability. The Company conducts supplier selection based on supplier compliance and the application of sustainable business guidelines.

The suppliers are expected to follow the core principles of Environmental, Social and Governance (ESG), as well as Sustainable Development Goals, in their business practices.

The Company adapted the Supplier Code of Conduct in 2019. Currently, the aim is to introduce all partners to the Company's values and objectives, while in the future all of the Company's main suppliers will be expected to sign up to the Code's principles.

The Company's Supplier Code of Conduct is published on the Company's official website[14].

G6. Ethics & Anti-Corruption

The Company follows an established and Board-approved Code of Business Ethics. As the largest vertically integrated organic food company in Europe, the Company strives to implement the highest standards in business ethics. The Company's Code of Business Ethics is published on the Company's official website[14].

The Company has also adopted a Board-approved Policy on the Prevention of Corruption and Conflicts of Interest. AUGA group applies a zero-tolerance approach to corruption of any kind, and is committed to implementing all preventative measures against acts of corruption.

The obligation to comply with Policy on the Prevention of Corruption and Conflicts of Interest is carried by all of the following: all Company employees, the members of governing and supervisory bodies, individual entities providing services, and individuals or entities consulting or facilitating the Group's interests in other forms on a signed contract basis.

The Company's Policy on the Prevention of Corruption and Conflicts of Interest is published on the Company's official website[14].

G7. Data Privacy

The Company fully complies with the statutes of General Data Protection Regulation (GDPR).

The Company follows a Data Privacy Policy and handles personal data in accordance with the legislation in effect. This includes Regulation (EU) 2016/679 of the European Parliament and of the Council of 27 April 2016 on the protection of natural persons with regard to the processing of personal data and on the free movement of such data, as well as the regulation on the protection of personal data of the Republic of Lithuania. The Company's Privacy Policy is published on the Company's official website[14].

G8. ESG Reporting

Legislation requires all public-interest entities, including companies, publicly traded in the multilateral trading system, to draw up and publish non-financial information reports commencing from the financial year 2018.

Pursuant to this, the Company began preparing and publishing its Sustainability Reports. The Company's Sustainability Reports are published on both the Company's[15] and Nasdaq Baltic's[16] websites. The current Sustainability Report is the Company's third Sustainability Report.

Currently, the Company draws up its Sustainability Reports in accordance with the Nasdaq ESG Reporting Guide for Nordic & Baltic Markets.

14 http://auga.lt/en/sustainability/policies/#tabs
15 http://auga.lt/en/tvarumas/tvaraus-verslo-ataskaita/#tabs
16 https://www.nasdaqbaltic.com

G9. Disclosure Practices

The Company prepares and publishes its Sustainability Report in accordance with Nasdaq ESG Reporting Guidelines.

The Company has a strong understanding of all of the United Nations' Sustainable Development Goals, and views their implementation as integral to the creation of a sustainable and harmonious world.

By re-evaluating our business processes and their impact on communities and the environment, we have expanded the list of objectives that fall under our direct influence. We will endeavour to place our best efforts in accomplishing these objectives. (Read further on page 11).

In the future, the Company will file an official application to join the United Nations Global Compact, and will be considering the possibility of including additional ESG reporting guidelines for its Sustainability Reports.

G10. External Assurance

So far, the Company's Sustainability Reports are not audited or assessed by third parties. This report publishes third party-audited data from the Company's CO_2 emission report. In the future, the Company will seek to implement third party audits in additional ESG areas.

Targets for 2020

Throughout 2020, the Company will continue to follow all good governance practices and maintain an independent Board and competent management. One of the top priorities will be to further improve investor relations.

As mentioned previously, the potential of joining the United Nations Global Compact will be evaluated in 2020.

AUGA group will seek to audit not only a CO_2 emissions report, but also the entire Sustainability Report.

One of our key priorities for 2020 is to involve our suppliers, investors and other stakeholders in the application of approved codes and policies.

The Company aims to provide data to Nasdaq ESG Data Portal[17] and publish Sustainability Reports on an annual basis.

The materiality assessment of sustainability topics conducted by the Company revealed our stakeholders' view on Company governance. The areas of fair tax payment and anti-corruption were identified as the most significant. The management and the Board of the Company also consider sustainable organic food standards particularly important in terms of impact. In turn, the Company will place special emphasis on achieving excellence in these aforementioned areas.

17 https://www.nasdaq.com/sustainability/offerings/ESG-Data-Portal

These metrics provide consolidated information on the compliance of the Company's main activities in respect to the indicators of environmental, sustainability and corporate governance (ESG) standards laid out in the Nasdaq ESG Reporting Guide for Nordic & Baltic Markets.

NASDAQ ESG REPORTING GUIDE FOR NORDIC & BALTIC MARKETS

ENVIRONMENTAL INDICATORS		COMPLIANCE	PAGES
E1.	GHG Emissions	YES	16
E2.	Emissions Intensity	YES	17, 18
E3.	Energy Usage	YES	18
E4.	Energy Intensity	YES	18
E5.	Energy Mix	YES	19
E6.	Water Usage	YES	19
E7.	Environmental Operations	YES	19, 20
E8.	Climate Oversight / Board	PARTLY	20
E9.	Climate Oversight / Management	YES	20
E10.	Climate Risk Mitigation	YES	20

SOCIAL INDICATORS		COMPLIANCE	PAGES
S1.	CEO Pay Ratio	YES	27
S2.	Gender Pay Ratio	YES	27
S3.	Employee Turnover	YES	27
S4.	Gender Diversity	YES	27
S5.	Temporary Worker Ratio	YES	27
S6.	Non-Discrimination	YES	28
S7.	Injury Rate	YES	28
S8.	Global Health & Safety	YES	28
S9.	Child & Forced Labour	YES	28
S10.	Human Rights	YES	29

GOVERNANCE INDICATORS		COMPLIANCE	PAGES
G1.	Board Diversity	NO	33
G2.	Board Independence	YES	33
G3.	Incentivized Pay	PARTLY	33
G4.	Collective Bargaining	PARTLY	33
G5.	Supplier Code of Conduct	YES	33, 34
G6.	Ethics & Anti-Corruption	YES	34
G7.	Data Privacy	YES	34
G8.	ESG Reporting	YES	34
G9.	Disclosure Practices	NO	35
G10.	External Assurance	NO	35

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