



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

**for the Financial Year 2018/19,  
Ended 30 June, 2019**





## Letter to the shareholders

We have a broad range of activities that help us diversify our risks. Therefore, there usually are no seasons or years that are unfavorable to absolutely all of our activities. We have four businesses: international trade in grains, oilseeds and feedstuffs, the provision of goods and services to farmers, the production of agricultural products and a poultry business. However, the failures suffered by farmers this year and the poor harvest three years in a row have had a highly negative influence on several of our businesses. The supply of grain, which decreased as a result of the poor harvest in the Baltics, has greatly increased the competition and has reduced the grain trading margins. The economic situation for farmers has also become complicated as a result of the failure of the planned harvest several years in a row. As a result, they are making only the must-have purchases to run their activities. The drought in Lithuania reduced the harvests of all of our six agricultural companies, with three of them suffering to a particularly high degree. The profitability of our poultry farming business plummeted as a result of the increased prices for feedstuff and energy, although we were able to sell our products at a higher-than-average market price.

The complicated situation in the agriculture industry of the Baltic States is reflected in our financial performance, where we incurred losses. We have been analyzing this failure intensively, because both the traded volumes and our income increased 15% and 17% accordingly. We are one of the biggest grain exporters in the region and the sales of our most popular products (wheat, oil rapeseed and barley) increased by 11% to 1.7 million tons. However, fluctuations of grain prices in the market caused some of our trade transactions to be detrimental.

The profits in all of our activities plummeted, except for the trade in feedstuffs, for which the complicated situation in the Baltics and other countries became useful and profitable due to the increased demand for feed grains. Our representative office established in Ukraine enabled us to buy bigger batches of products, and to increase the traded volume of feedstuffs by as much as 50%.

When a year is not favorable for crop production, the performance of the trade in agricultural machinery reflects this to a high degree. The farmers' investments in grain preparation complexes, new agricultural machinery and other equipment decreased significantly. Their priorities change, and the farmers tend not to buy, but to instead rent the machinery.

We started looking for opportunities for closer cooperation between the companies AB Linas Agro and UAB Dotnuva Baltic in the previous fiscal year, and we continued this process this fiscal year as well. We transferred all the trade in seeds to AB Linas Agro and left the production to the UAB Dotnuva Baltic company. At the same time, we optimized logistic operations for seeds and the structure of the sales team, to ensure more efficient communication with our customers. We have improved the system for completing the batches of agricultural inputs in elevators. We are also working to complete the construction of an farmers' service center in Jelgava, Latvia, which will start operating in October.

We strengthened our grain sourcing infrastructure in Latvia during the last fiscal year by opening a grain reception station and elevators in Grobina and Rezekne. The elevator in Grobina was even acknowledged to be the Building of the Year in Latvia and came in the 3rd in the Industrial Warehousing Category. We also

optimized the network of our grain elevators and fertilizer warehouses by merging the Latvian company SIA Paleo, which controlled the fertilizer warehouses, to the SIA Linas Agro Graudu Centrs. We then sold the little-used warehouses in the city of Tukums, Latvia, which have been previously acquired together with the company SIA Paleo.

We continued modernizing our existing grain elevators. We started updating the grain dryer in the Kupiškis grain elevator, with the aim to reduce the grain drying expenses by 30%. We installed a new automated grain reception system in the elevators of the Group, which enables the automatic importing of laboratory testing data to the accounting system, and the suppliers can automatically receive data on the quantities and quality of the products delivered by them. We also started the production of corn flour and full-fledged feed for piglets and pigs, while aiming to use our available capacities more efficiently.

Although our agricultural companies grew and sold 24% less crops compared to last year, we continued to shine in the dairy industry. The dairy farms of two of our companies were acknowledged to be the most productive ones in Lithuania. Agricultural company Šakiai District Lukšių ŽŪB was ranked the most productive in the category of farms that own over 200 cows, whereas Sidabravo ŽŪB came in second place. We have a competent team, which encourages us to keep investing in the development of the dairy industry even in the context of low milk purchasing prices.

The poultry farming business has continuously faced intensive competition; therefore, we decided to focus on producing exceptional products that would enable us to increase the profitability of business. We made the decision five years ago not only to produce products of an exceptional quality, but also to reduce the indirect impact of antibiotics on human health as much as possible and to contribute to the education of our society. The position of the Kekava trademark has strengthened significantly in both Latvia and Lithuania. According to the data of the research company AC Nielsen, the chicken sausage 'Doktora' by Kekava was the most successful new product (Best New Launch) in the category of meat products in Latvia, and was ranked the third most popular food product in Latvia in 2018.

We increased our exports of poultry to Sweden and started the exports of chilled chicken meat to Finland, as well as expanded our sales in the CIS countries. We obtained a license to export chicken products to China, and are currently negotiating with importers there. Although the prices of raw materials and energy increased during this fiscal year, and this reduced the profitability of the business, we believe that this will not have any decisive influence on the poultry business in the future. We produce exceptional products and have managed to achieve an unbelievable result this fiscal year- namely, we raised 99.6% of our broilers without antibiotics. Such a result is impressive not only in the Baltic States, but also on a global scale. Only Scandinavian poultry farms have achieved similar results, and their products are considered to be the benchmark of high-quality chicken. The fact that we achieved the EPEF (European Poultry Efficiency Factor) of 400 a total of 54 times per year proves that we are growing poultry efficiently. As far as we know, no other poultry companies in the Baltic States have achieved such a result.

We will continue to place a strong focus on making our activities more efficient and on improving the quality of our goods and services in all our businesses in the next fiscal year. We will increase the energy efficiency of manufacturing premises, improve the conditions of poultry farming and strengthen our customer service offices. We will also continue to optimize our organizational structures, looking for synergy between the activities and companies as well as for a more efficient use of the available resources. Our strategic goal is to grow in a profitable manner. Therefore, we must understand our customer's expectations and create value for them through our goods and services. We have many different customers: small farmers and big agrarians, international trade giants, producers of feedstuffs, producers of dairy products and chicken buyers. They all have different expectations, and our goal is to meet their expectations. Therefore, we will strive to find the best solutions for our customers, to improve the quality of the food consumed and to increase the efficiency of all our activities.

Sincerely

Managing Director Darius Zubas





## Our vision -

*leadership in the Baltic agribusiness sector.*

## Our mission:

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

*To seek constant growth of the company's value while ensuring maximum return on investments for shareholders and investors;*

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

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## 1. Reporting period of the Annual Report

Financial year of AB Linas Agro Group starts on 1 July of each year and ends on 30 June of the next year; therefore, this Consolidated Annual Report has been prepared for 2018/19 financial year, and all the figures are stated as at 30 June 2019 unless it is indicated otherwise.

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

All the financial data disclosed in this Consolidated Annual Report have been calculated in accordance with the International Financial Reporting Standards as adopted by EU according to audited financial statements.

The auditor of the Company is UAB Ernst & Young Baltic.

Expenses in the Group for the non-audit services, provided according to separate agreements, for period 1st July 2018 till 30th June 2019 was approx. 11,800 EUR excluding VAT.

In this Report AB Linas Agro Group is referred to as the Company whereas the Company with the controlled entities referred to as the Group.

## 3. Contact persons

Finance Director

Tomas Tumėnas

+370 45 507 393

t.tumenas@linasagro.lt

Investor Relations Specialist

Viltė Lukoševičienė

+370 45 507 346

v.lukoševičienė@linasagro.lt

## 4. Information about the Company and the Group

Company name	AB Linas Agro Group
Legal form	Public company
Date and place of registration	27/11/1995 in Panevezys
Code of legal entity	148030011
LEI code	529900UB9QON717IL030
VAT identification number	LT480300113
Company register	State Enterprise Centre of Registers (Valstybės įmonė Registrų centras)
Address	Smėlynės St. 2C, LT-35143 Panevėžys, Lithuania
Phone	+370 45 50 73 03
Fax	+370 45 50 73 04
E-mail	group@linasagro.lt
Website	www.linasagrogroup.lt
Bank account	LT07 7044 0600 0263 7111, AB SEB bank, bank code 70440
ISIN code	LT0000128092
Ticker in AB Nasdaq Vilnius	LNA1L

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

The Company does not have any branches and representative offices.



## 4.1. The main activities

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

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

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

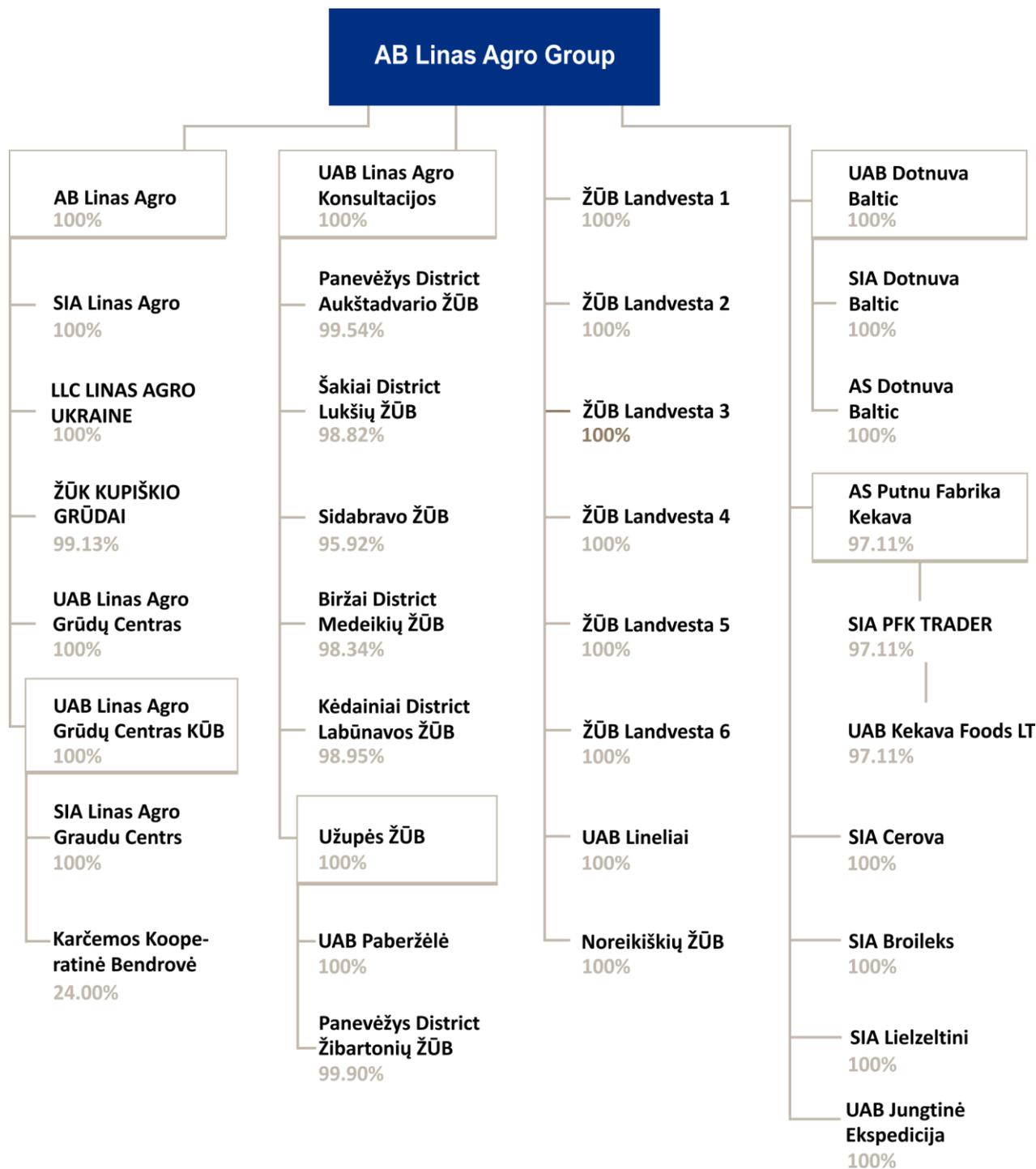


## 4.2. Information about subsidiaries of the Company

The Company either directly or indirectly controlled 38 companies in Lithuania, Latvia, Estonia, Denmark and Ukraine as at 30 June 2019.

### **Structural chart of the effective stock held by AB Linas Agro Group\***

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



## Shareholding structure of the companies

As at 3 June 2019, AB Linas Agro Group controlled, either directly or indirectly, the following companies\*:

\*Dormant companies and the companies under liquidation are not included: UAB Gerera (100% shares owned by AB Linas Agro), UAB Dotnuvos Technika (100% shares owned by UAB Dotnuva Baltic), Linas Agro A/S (100% shares owned by AB Linas Agro).

\*\* AB Linas Agro Group and UAB Linas Agro Grūdų Centras hold 50% of votes each in UAB Linas Agro Grūdų Centras KŪB.

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

Company	Status	Stock, owned directly by AB Linas Agro Group	Other sharestock holders	Share of the stock held by the Group
AB Linas Agro	Subsidiary	100%		100%
UAB Linas Agro Konsultacijos	Subsidiary	100%		100%
UAB Dotnuva Baltic	Subsidiary	100%		100%
UAB Jungtinė Ekspedicija	Subsidiary	10 %		100%
SIA Lielzeltini	Subsidiary	100%		100%
SIA Cerova	Subsidiary	100%		100%
SIA Broileks	Subsidiary	100%		100%
UAB Lineliai	Subsidiary	100%		100%
Noreikiškių ŽŪB	Subsidiary	99.96%	UAB Linas Agro Konsultacijos owns 0.04% stock	100%
ŽŪB Landvesta 2	Subsidiary	76.97%	AB Linas Agro owns 23.03% stock	100%
ŽŪB Landvesta 1	Subsidiary	76.47%	AB Linas Agro owns 23.53% stock	100%
ŽŪB Landvesta 5	Subsidiary	67.92%	AB Linas Agro owns 32.08% stock	100%
AS Putnu Fabrika Kekava	Subsidiary	60.83%	SIA Lielzeltini owns 36.28% stock	97.11%
UAB Linas Agro Grūdų centras KŪB **	Subsidiary	60.94%	AB Linas Agro owns 39.05% stock, UAB Linas Agro Grūdų Centras - 0.01% stock	100%
ŽŪB Landvesta 4	Subsidiary	26.42%	AB Linas Agro owns 73.58% stock	100%
ŽŪB Landvesta 6	Subsidiary	15.51%	AB Linas Agro owns 84.49% stock	100%
ŽŪB Landvesta 3	Subsidiary	13.91%	AB Linas Agro owns 86.09 % stock	100%
Užupės ŽŪB	Subsidiary	0.05%	UAB Linas Agro Konsultacijos owns 99.95% stock	100%

Company	Status	Stock, owned directly by AB Linas Agro Group	Other sharestock holders	Share of the stock held by the Group
Panevėžys District Žibartonių ŽŪB	Subsidiary	0.047%	UAB Linas Agro Konsultacijos owns 49.028% stock, Užupės ŽŪB owns 50.826% stock	99.90%
SIA Linas Agro Graudu centrs	Subsidiary		UAB Linas Agro Grūdų Centras KŪB owns 100% stock	100%
Panevėžys District Aukštadvario ŽŪB	Subsidiary		UAB Linas Agro Konsultacijos owns 99.54% stock	99.54%
Sidabravo ŽŪB	Subsidiary		UAB Linas Agro Konsultacijos owns 95.92% stock	95.92%
Šakiai District Lukšių ŽŪB	Subsidiary		UAB Linas Agro Konsultacijos owns 98.82% stock	98.82%
Biržai District Medeikių ŽŪB	Subsidiary		UAB Linas Agro Konsultacijos owns 98.33% stock, Kėdainiai District Labūnavos ŽŪB – 0.06% stock	98.39%
Kėdainiai District Labūnavos ŽŪB	Subsidiary		UAB Linas Agro Konsultacijos owns 98.95% stock	98.95%
LLC LINAS AGRO UKRAINA	Subsidiary		AB Linas Agro owns 100% stock	100%
SIA Linas Agro	Subsidiary		AB Linas Agro owns 100% stock	100%
UAB Linas Agro Grūdų Centras	Subsidiary		AB Linas Agro owns 100% stock	100%
SIA Dotnuva Baltic	Subsidiary		UAB Dotnuva Baltic owns 100% stock	100%
AS Dotnuva Baltic	Subsidiary		UAB Dotnuva Baltic owns 100% stock	100%
SIA PFK Trader	Subsidiary		AS Putnu Fabrika Kekava owns 100% stock	97.11%
UAB Kekava Foods LT	Subsidiary		SIA PFK Trader owns 100% stock	97.11%
UAB Paberžėlė	Subsidiary		Užupės ŽŪB owns 100% stock	100%
ŽŪK KUPIŠKIO GRŪDAI	Subsidiary		Šakiai District Lukšių ŽŪB, Aukštadvario ŽŪB and Sidabravo ŽŪB each own 6.29% stock, Biržai District Medeikių ŽŪB – 31.45% stock, AB Linas Agro – 49.69% stock	99.13%
Karčemos Kooperatinė Bendrovė***	Subsidiary		UAB Linas Agro Grūdų centras KŪB owns 20% stock, Panevėžys District Žibartonių ŽŪB – 4% stock	24%

## Activities and contact data of the companies of the Group\*

\* Dormant companies and companies under liquidation are not included:

1. UAB Gerera, private limited liability company, founded 15/1/1993, code of legal entity 147676584, address Smėlynės St. 2C, LT-35143 Panevėžys, Lithuania, company register – State Enterprise Centre of Registers (Valstybės įmonė Registrų centras);
2. UAB Dotnuvos Technika, private limited liability company, founded 25/6/1998, code of legal entity 161452398, address Parko St. 6, Akademija, LT-58351 Kėdainiai District, Lithuania, company register – State Enterprise Centre of Registers (Valstybės įmonė Registrų centras).
3. Linas Agro A/S, private limited liability company under liquidation, founded 15/3/1994, code of legal entity CVR 17689037, address Vinkel Allé 1, DK-9000 Aalborg, Denmark, register of the company – Danish Commerce and Companies Agency.

### Subsidiaries in Lithuania

Company name	Principal activities	Registration date, code of legal entity, legal form, company	Contact data
AB Linas Agro	Wholesale trade of grains and oilseeds, feedstuffs and agricultural inputs supply	8/7/1991, Code of legal entity 1473 28026, public limited liability company, Register of Enterprises of Republic of Lithuania, VĮ Registrų centras	Smėlynės St. 2C, LT-35143 Panevėžys, Lithuania Ph. +370 45 507 333 Fax +370 45 507 444 E-mail <a href="mailto:info@linasagro.lt">info@linasagro.lt</a> <a href="http://www.linasagro.lt">www.linasagro.lt</a> , <a href="http://www.rapsai.lt">www.rapsai.lt</a>
UAB Linas Agro Grūdų Centras	Management services	5/7/2002, Code of legal entity 148450944, private limited liability company, Register of Enterprises of Republic of Lithuania, VĮ Registrų centras	Smėlynės St. 2C, LT-35143 Panevėžys, Lithuania Ph. +370 45 507 365 Fax +370 45 507 344 E-mail <a href="mailto:grudai@linasagro.lt">grudai@linasagro.lt</a>
UAB Linas Agro Grūdų Centras KŪB	Grain processing and storage	10/7/2002, Code of legal entity 148451131, limited partnership, Register of Enterprises of Republic of Lithuania, VĮ Registrų centras	Smėlynės St. 2C, LT-35143 Panevėžys, Lithuania Ph. +370 45 507 343 Fax +370 45 507 344 E-mail <a href="mailto:grudu.centras@linasagro.lt">grudu.centras@linasagro.lt</a>
UAB Linas Agro Konsultacijos	Management of subsidiary farming companies	23/6/2003, Code of legal entity 248520920, private limited liability company, Register of Enterprises of Republic of Lithuania, VĮ Registrų centras	Žibuoklių St. 14, LT-57125 Kėdainiai, Lithuania Ph. +370 688 674 29 E-mail <a href="mailto:konsultavimas@linasagro.lt">konsultavimas@linasagro.lt</a>
ŽŪB Landvesta 1	Rent and management of agricultural purposes land	21/10/2005, Code of legal entity 300501060, agricultural company, Register of Enterprises of Republic of Lithuania, VĮ Registrų centras	Smėlynės St. 2C, LT-35143 Panevėžys, Lithuania Ph. +370 45 507 406 Fax +370 45 507 404 E-mail <a href="mailto:info@landvesta.lt">info@landvesta.lt</a>
ŽŪB Landvesta 2	Rent and management of agricultural purposes land	21/10/2005, Code of legal entity 300501085, agricultural company, Register of Enterprises of Republic of Lithuania, VĮ Registrų centras	Smėlynės St. 2C, LT-35143 Panevėžys, Lithuania Ph. +370 45 507 406 Fax +370 45 507 404 E-mail <a href="mailto:info@landvesta.lt">info@landvesta.lt</a>

Company name	Principal activities	Registration date, code of legal entity, legal form, company	Contact data
ŽŪB Landvesta 3	Rent and management of agricultural purposes land	21/10/2005, Code of legal entity 300501092, agricultural company, Register of Enterprises of Republic of Lithuania, VĮ Registrų centras	Smėlynės St. 2C, LT-35143 Panevėžys, Lithuania Ph. +370 45 507 406 Fax +370 45 507 404 E-mail <a href="mailto:info@landvesta.lt">info@landvesta.lt</a>
ŽŪB Landvesta 4	Rent and management of agricultural purposes land	23/04/2007, Code of legal entity 300709428, agricultural company, Register of Enterprises of Republic of Lithuania, VĮ Registrų centras	Smėlynės St. 2C, LT-35143, Panevėžys, Lithuania Ph. +370 45 507 406 Fax +370 45 507 404 E-mail <a href="mailto:info@landvesta.lt">info@landvesta.lt</a>
ŽŪB Landvesta 5	Rent and management of agricultural purposes land	16/8/2007, Code of legal entity 301019661, agricultural company, Register of Enterprises of Republic of Lithuania, VĮ Registrų centras	Smėlynės St. 2C, LT-35143 Panevėžys, Lithuania Ph. +370 45 507 406 Fax +370 45 507 404 E-mail <a href="mailto:info@landvesta.lt">info@landvesta.lt</a>
ŽŪB Landvesta 6	Rent and management of agricultural purposes land	14/1/2008, Code of legal entity 301520074, agricultural company, Register of Enterprises of Republic of Lithuania, VĮ Registrų centras	Smėlynės St. 2C, LT-35143 Panevėžys, Lithuania Ph. +370 45 507 406 Fax +370 45 507 404 E-mail <a href="mailto:info@landvesta.lt">info@landvesta.lt</a>
UAB Dotnuva Baltic	Sale of agricultural machinery, equipment for grain elevators and farms, seeds production	5/3/1996, Code of legal entity 261415970, private limited liability company, Register of Enterprises of Republic of Lithuania, VĮ Registrų centras	Parko St. 6, Akademija, 58351 Kėdainiai district, Lithuania Ph.+370 347 370 30 Fax +370 347 370 40 E-mail <a href="mailto:info@dotnuvabaltic.lt">info@dotnuvabaltic.lt</a> <a href="http://www.dotnuvabaltic.lt">www.dotnuvabaltic.lt</a>
Noreikiškių ŽŪB	Rent and management of agricultural purposes land	16/8/2012, Code of legal entity 302841649, agricultural company, Register of Enterprises of Republic of Lithuania, VĮ Registrų centras	Žibartonių St. 70, Žibartoniai vill. LT-38323 Panevėžys district, Lithuania Ph.+370 45 507 333 Fax +370 45 507 444 E-mail <a href="mailto:noreikiskes@linasagro.lt">noreikiskes@linasagro.lt</a>
Užupės ŽŪB	Mixed agricultural activities	6/4/2011, Code of legal entity 302612561, agricultural company, Register of Enterprises of Republic of Lithuania, VĮ Registrų centras	Liaudės St. 81, Užupės vill. LT-58311 Kėdainiai district, Lithuania Ph. +370 698 58583 E-mail <a href="mailto:uzupe@linasagro.lt">uzupe@linasagro.lt</a>
UAB Paberžėlė	Rent and management of agricultural purposes land	30/6/2008, Code of legal entity 301772627, private limited liability company, Register of Enterprises of Republic of Lithuania, VĮ Registrų centras	Liaudės St. 81, Užupės vill., LT-58311 Kėdainiai district, Lithuania Ph. +370 698 58583 E-mail <a href="mailto:paberzele@linasagro.lt">paberzele@linasagro.lt</a>

Company name	Principal activities	Registration date, code of legal entity, legal form, company	Contact data
UAB Lineliai	Rent and management of agricultural purposes land	9/3/2012, Code of legal entity 302740714, private limited liability company, Register of Enterprises of Republic of Lithuania, VĮ Registrų centras	Smėlynės St. 2C, LT-35143 Panevėžys, Lithuania Ph. +370 45 507 406 Fax +370 45 507 404 E-mail <a href="mailto:lineliai@linasagro.lt">lineliai@linasagro.lt</a>
Šakiai District Lukšių ŽŪB	Mixed agricultural activities	30/10/1992, Code of legal entity 174317183, agricultural company, Register of Enterprises of Republic of Lithuania, VĮ Registrų centras	Lukšių vill. 2, LT-71176 Šakiai district, Lithuania Ph. +370 345 442 88 Fax +370 345 442 25 E-mail <a href="mailto:luksiai@linasagro.lt">luksiai@linasagro.lt</a>
Kėdainiai District Labūnavos ŽŪB	Mixed agricultural activities	25/2/1992, Code of legal entity 161228959, agricultural company, Register of Enterprises of Republic of Lithuania, VĮ Registrų centras	Barupės St. 9, Labūnavos vill. LT-58173 Kėdainiai district, Lithuania Ph. + 370 347 34 4166 Fax + 370 347 34 180 E-mail <a href="mailto:labunava@linasagro.lt">labunava@linasagro.lt</a>
Biržai District Medeikių ŽŪB	Growing and sale of crop	5/10/1992, Code of legal entity 154771488, agricultural company, Register of Enterprises of Republic of Lithuania, VĮ Registrų centras	Biržų St.32, Medeikių vill., LT-41462 Biržai district, Lithuania Ph. +370 450 584 22 Fax +370 450 584 12 E-mail <a href="mailto:medeikiai@linasagro.lt">medeikiai@linasagro.lt</a>
ŽŪK KUPIŠKIO GRŪDAI	Grain processing and storage	8/4/1999, Code of legal entity 160189745, co-operative society, Register of Enterprises of Republic of Lithuania, VĮ Registrų centras	Technikos St. 6D, LT-40122 Kupiškis, Lithuania Ph./Fax +370 459 529 16 E-mail <a href="mailto:info@kupiskiogrudai.lt">info@kupiskiogrudai.lt</a>
Panevėžys District Aukštadvario ŽŪB	Mixed agricultural activities	9/3/1993, Code of legal entity 168573274, agricultural company, Register of Enterprises of Republic of Lithuania, VĮ Registrų centras	Pirties St. 3, Aukštadvario vill. LT-38255 Panevėžys district, Lithuania Ph./fax +370 45 592 651 E-mail <a href="mailto:aukstadvaris@linasagro.lt">aukstadvaris@linasagro.lt</a>
Sidabravo ŽŪB	Mixed agricultural activities	20/4/1993, Code of legal entity 171331516, agricultural company, Register of Enterprises of Republic of Lithuania, VĮ Registrų centras	Pergalės St. 1A, Sidabravas, LT-82251 Radviliškis district, Lithuania Ph. +370 422 477 27 Fax +370 422 476 18 E-mail <a href="mailto:sidabravas@linasagro.lt">sidabravas@linasagro.lt</a>
UAB Jungtinė Ekspedicija	Logistics and forwarding services	17/2/1998, Code of legal entity 141642963, private limited liability company, Register of Enterprises of Republic of Lithuania, VĮ Registrų centras	Nemuno g. 2A, LT-91199 Klaipėda, Lithuania Ph. +370 46 310 163 Fax +370 46 312 529 E-mail <a href="mailto:info@je.lt">info@je.lt</a> <a href="http://www.je.lt">www.je.lt</a>

Company name	Principal activities	Registration date, code of legal entity, legal form, company	Contact data
Panevėžys District Žibartonių ŽŪB	Mixed agricultural activities	22/5/1992, Code of legal entity 168521815, agricultural company, Register of Enterprises of Republic of Lithuania, VĮ Registrų centras	Žibartonių St. 74, Žibartoniai vill., LT-78323 Panevėžys district, Lithuania Ph. +370 45 557 444 Fax +370 45 557 486 E-mail <a href="mailto:zibartoniai@linasagro.lt">zibartoniai@linasagro.lt</a>
Karčemos Kooperatinė Bendrovė	Grain processing and storage	9/3/2010, Code of legal entity 302487798, co-operative society, Register of Enterprises of Republic of Lithuania, VĮ Registrų centras	Šiaulių St. 72, Gustonys vill. LT-38355 Panevėžys district, Lithuania Ph. +370 45 454 051 Fax +370 45 454 054 E-mail <a href="mailto:priemimas@karcemoskb.lt">priemimas@karcemoskb.lt</a>
UAB Kekava Foods LT	Retail in specialized stores	8/3/2018, Code of legal entity 304784428, private limited liability company, Register of Enterprises of Republic of Lithuania, VĮ Registrų centras	Subačiaus St. 5, 01302 Vilnius, Lithuania Ph. +370 612 03 958 E-mail <a href="mailto:kekava.foods@linasagro.lt">kekava.foods@linasagro.lt</a>

### Subsidiaries operating in foreign countries

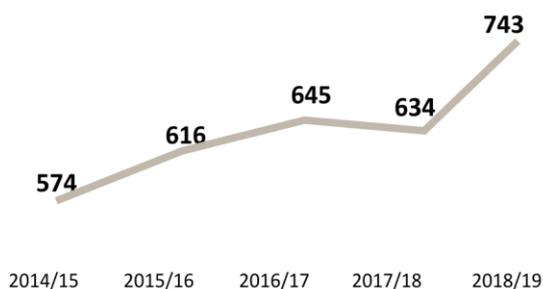
Company name	Principal activities	Registration date, code of legal entity, company register	Contact data
SIA Linas Agro	Wholesale trade of grains and oilseeds, agricultural inputs supply	23/4/2003, Code of legal entity 53603019011, Register of Enterprises of the Republic of Latvia	“Iecavas baze”, Iecavas novads, LV-3913 Jelgava, Latvia Ph. +371 630 840 24 Fax +371 630 842 24 E-mail <a href="mailto:info@linasagro.lv">info@linasagro.lv</a> <a href="http://www.rapsim.lv">www.rapsim.lv</a>
SIA Linas Agro Graudu Centrs	Grain processing and storage	2/5/2013, Code of legal entity 43603059101, Register of Enterprises of the Republic of Latvia	“Jaunsalieši”, LV-5202 Jekabpils, Latvia Ph. +371 220 001 82 E-mail <a href="mailto:graudu.centrs@linasagro.lv">graudu.centrs@linasagro.lv</a>
LLC LINAS AGRO UKRAINE	Representative office	30/07/2018, Code of legal entity 42340549, The United State Register of Legal Entities, Individual Entrepreneurs and Public Organizations of Ukraine	Legal address: Verhniy Val St. 28, Kiev, 04071, Ukraine Ph. + 380 96 634 24 02 E-mail <a href="mailto:info.ukraine@linasagro.lt">info.ukraine@linasagro.lt</a>
SIA Dotnuva Baltic	Sale of agricultural machinery and equipment for grain elevators	26/04/2010, Code of legal entity 43603041881, Register of Enterprises of the Republic of Latvia	Jūrmalas St. 13C, Pinki, LV–2107 Babītes district, Latvia Ph. +371 679 131 61 Fax +371 677 602 52 E-mail <a href="mailto:info@dotnuvabaltic.lv">info@dotnuvabaltic.lv</a> <a href="http://www.dotnuvabaltic.lv">www.dotnuvabaltic.lv</a>

Company name	Principal activities	Registration date, code of legal entity, company register	Contact data
AS Dotnuva Baltic	Sale of agricultural machinery and equipment for grain elevators	11/11/2010, Code of legal entity 12019737, Estonian Central Register of Securities (Eesti Väärtpaberikeskus AS)	Savimäe 7, Vahi 60534, Tartu district, Estonia Ph. +372 661 2800 Fax +372 661 8004 E-mail <a href="mailto:info@dotnuvabaltic.ee">info@dotnuvabaltic.ee</a> <a href="http://www.dotnuvabaltic.ee">www.dotnuvabaltic.ee</a>
AS Putnu Fabrika Kekava	Poultry farming, production and marketing of poultry and poultry products	11/6/1991, Code of legal entity 50003007411, Register of Enterprises of the Republic of Latvia	Kekava, Kekava district, LV-2123 Latvia Ph. +371 6787 4000 Fax +371 6787 4001 E-mail <a href="mailto:info@pfkekava.lv">info@pfkekava.lv</a> <a href="http://www.vistas.lv">www.vistas.lv</a>
SIA PFK TRADER	Food retail	26/8/2013, Code of legal entity 40103703853, Register of Enterprises of the Republic of Latvia	Kekava, Kekava district, LV-2123 Latvia Ph. +371 6787 4000 Fax +371 6787 4001 E-mail <a href="mailto:info@pfkekava.lv">info@pfkekava.lv</a> <a href="http://www.vistas.lv">www.vistas.lv</a>
SIA Lielzeltini	Poultry farming, production and marketing of poultry and poultry products, feed production	7/7/1994, Code of legal entity 40003205232, Register of Enterprises of the Republic of Latvia	“Mazzeltini”, Janeikas, Bauskas district, Latvia Ph. +371 6396 0770 Fax +371 6396 0768 E-mail <a href="mailto:lielteltini@lielteltini.lv">lielteltini@lielteltini.lv</a> <a href="http://www.lielteltini.lv">www.lielteltini.lv</a>
SIA Broileks	Chicken breeding and sale	7/12/2009, Code of legal entity 50103262981, Register of Enterprises of the Republic of Latvia	Gaismas St. 2A-48, Kekava LV-2123, Latvia Ph./Fax +371 67313182
SIA Cerova	Egg incubation and chicken sale	8/10/2003, Code of legal entity 43603019946, Register of Enterprises of the Republic of Latvia	Centra St. 11, Musa, Bauskas district, Latvia Ph. +371 2633 4110 Fax +371 6392 6234 E-mail <a href="mailto:cerova@latnet.lv">cerova@latnet.lv</a>

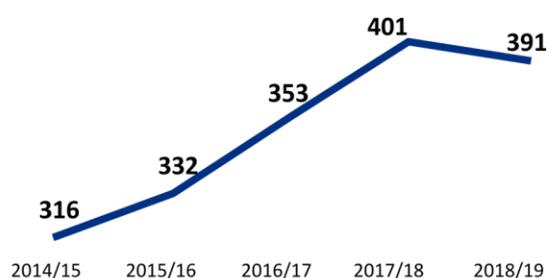
## 5. Activity and financial results of the Group

- Consolidated revenue of AB Linas Agro Group in 2018/19 financial year totaled EUR 743 million and was 17% more as compared to previous year (EUR 634 million).
- The Group's sales volume in tons reached 2.53 million and was 15% more as compared to previous year (2.2 million tons).
- The gross profit reached EUR 29 million and was 37% less than a year before (EUR 46 million).
- Consolidated EBITDA amounted to EUR 5.6 million and was 73% less as compared to the previous year (EUR 20.3 million).
- The Group's operating loss was EUR 3.3 million as compared to EUR 9.6 million profit gained during the previous year.
- Loss before taxes amounted to EUR 6.4 million (compared to EUR 7.5 million profit in previous year).
- The net loss attributable to the Group stood at EUR 4.9 million (EUR 9.0 million net profit previous year).

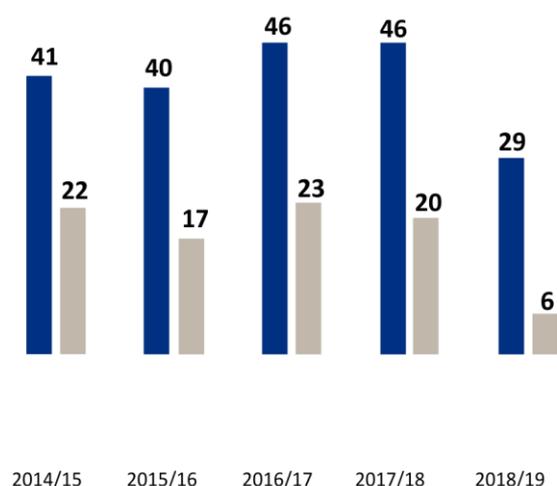
### Sales revenue, EUR million



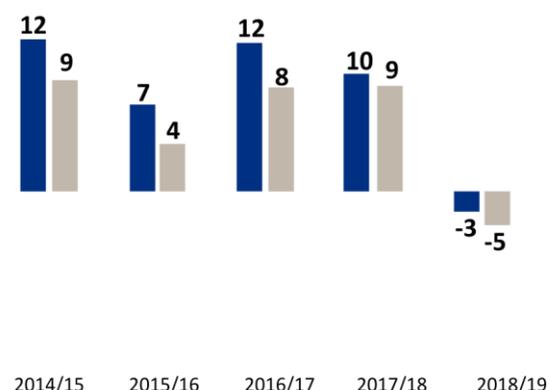
### Assets, EUR million



### Gross profit and EBITDA, EUR million



### Operating and Net profit, EUR million



■ Gross profit

■ EBITDA

■ Operating profit

■ Net profit

## 5.1. Financial ratios

	2015/16	2016/17	2017/18	2018/19	Change 2018/19 compared to 2017/18 (thousand EUR)	Change 2018/19 compared to 2017/18 (%)
Sales revenues (thousand EUR)	615,961	644,952	634,243	742,542	108,119	17.0
Sales in tons	2,187,388	2,364,713	2,206,745	2,529,711	322,966	14.6
Gross profit (thousand EUR)	39,881	46,276	45,848	28,871	(16,977)	(37.0)
EBITDA (thousand EUR)	17,135	22,716	20,300	5,578	(14,722)	(72.5)
Operating profit (thousand EUR)	7,232	12,054	9,597	(3,336)	(12,933)	(134.8)
Earnings before taxes EBT (thousand EUR)	5,316	10,045	7,523	(6,430)	(13,953)	(185.5)
Net profit (thousand EUR)	3,944	8,408	9,463	(4,830)	(14,293)	(151.0)
<b>Margins, %</b>						
Gross profit margin	6.47	7.18	7.23	3.89	(2.93)	(46.2)
EBITDA margin	2.78	3.52	3.02	0.75	(2.45)	(76.6)
Operating profit margin	1.17	1.87	1.51	(0.45)	(1.96)	(129.6)
Earnings before taxes margin	0.86	1.56	1.19	(0.86)	(2.05)	(172.7)
Net profit margin	0.64	1.30	1.49	(0.65)	(2.14)	(143.4)
<b>Solvency ratios</b>						
Current ratio	1.42	1.43	1.38	1.26	(0.12)	(8.5)
Debt / Equity ratio	0.59	1.09	1.26	1.30	0.04	3.3
Net financial debt / EBITDA	5.13	4.40	7.02	25.54	18.52	263.8
Adjusted Net financial debt / EBITDA*	2.01	2.06	3.31	17.0	13.69	413.6
Return on equity (ROE), %	2.43	4.98	5.34	(2.84)	(8.18)	(153.1)
Return on capital employed (ROCE), %	2.82	4.33	2.90	(1.04)	(3.94)	(135.9)
Return on assets (ROA), %	1.19	2.38	2.36	(1.23)	(3.59)	(152.3)
Basic and diluted earnings per share (EPS)	0.03	0.05	0.06	(0.03)	(0.09)	(150.0)
Price earnings ratio (P/E)**	22.17	12.88	12.34	(20.83)	(33.17)	(268.8)
Dividends for the financial year paid per share, in euros	0.0076	0.0076	0.0076			

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

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

## 5.2. Overview

As per updated data, cereal yield in Lithuania in 2018 amounted to almost 4 million tons and was 21% less as compared with previous year, while rapeseed yield has shrunken by 20% amounting to 0.43 million tons. In Latvia cereal yield decreased by 24% amounting to 2 million tons and rapeseed yield dropped 30%. In Estonia wheat and barley production have shrunken by 43% to 0.8 million tons and rapeseed production dropped 31%.

The lower yield of various cereals, oilseeds and pulses in all Baltic states intensified competition in grain sourcing activity and reduced trade margins. The global grain prices were volatile and quite difficult to predict. For instance, the price of wheat on Euronext exchange in H1 ranged between 180 and 205 euros per ton compared to 150-180 price range a year ago, while in H2 it dropped sharply from 190 euros per ton to 165 euros per ton. All that affected prices of other grains. The international grain and oilseed markets were challenging throughout the reporting period, and this had a negative impact on the Group's performance. This particularly affected the operating margins of traditional products like wheat, barley and rapeseed. In addition, the decline in cereal demand in China as a result of swine fever and the decision by Saudi Arabia, the largest barley buyer, to use heavily its carry-over stocks and make a pause in barley purchase until the beginning of the new harvest strongly affected barley sales and thus the Group's profitability. A part of the products has been sold at negative margins.

Due to the deterioration of the financial situation of farmers, the market for agricultural inputs shrank in all Baltic countries, which intensified competition in selling goods to farmers, negatively influenced the quantities of sold goods and also trade margins, which shrank to a minimum.

Having quite a large products portfolio allowed the Group to increase its sales volumes during the reporting period from 2.2 million to 2.5 million tons. Sales of some products have increased, some have declined. The 6.3% drop was observed in traditional products – wheat and rapeseed – as their sales in tons plunged to 1.08 million tons. The decreased yield had a negative impact on performance of Group controlled grain elevators as total volume of various grains they processed was over 356 thousand tons or almost 27% less as compared to previous year. Appositively, a sound harvest in Russia and Ukraine and increased demand for various feedstuffs boosted their sales volumes in tons 50%.

Group's consolidated revenue of the respective period had an increase of 17% from EUR 634 million to EUR 742 million. Revenue of the largest Group's business Segment 'Grain and Feedstuff Handling and Merchandising' increased by 29% to EUR 513 million. The growth in sales was mitigated by the increase in feedstuff sales, which soared by 64% to EUR 162 million. Revenue went up also due to the global grain price increase of 8%. Sales in business Segment 'Products and Services for Farming' decreased by 7.5%, while revenue from fertilizers and plant protection products businesses went up 18% and 2% accordingly, although revenue from sales of agricultural machinery fell by 18% due to the stagnation of the market caused by the fall in yield and the deterioration of the financial situation of farmers. Sales in business Segment 'Food products' grew 12%, however, growing energy and feedstuff prices negatively affected operating margin of this business segment. Due to the drought the crop production and sales volume in tons in Group's farming companies was 24% less as compared to previous year, but the drop in their sales was 15%, not that big because of the high grain prices, making revenue equal to EUR 26 million.

The cost of goods and services of the Group increased from EUR 589 million to EUR 714 million (21.4%). The main reason for such increase in the COGS was a growth from 2% to 10% of worldwide prices for various cereals as well as increase in traded quantities of various products from 2.2 million to 2.5 million tons. Due to increased quantities of various products, logistic expenses, accounting for 6% of the total costs, grew by 3.9% from EUR 41.2 million to EUR 42.8 million. Accordingly, gross profit of AB Linas Agro Group dropped by 37% to EUR 28.9 million (EUR 45.8 million a year before).

To reduce operating costs, the Group is carrying out some transformations in the organizational structure: closed the dormant company in Latvia SIA Erfolg Group; merged the fertilizer warehousing company SIA Paleo to the grain elevators company SIA Linas Agro Graudu Centrs; is closing the Danish company Linas Agro A/S. The Group also implements other programs to increase efficiency of the internal

processes and reduce operational costs, they cut operating costs of AB Linas Agro Group by 8% or EUR 3.1 million to EUR 35.2 million.

The operating profit of AB Linas Agro Group plunged from EUR 9.6 million to a EUR 3.3 million operating loss. At the end of the financial year the change in the market value of crops, animals and poultry was positive and accounted for EUR 1.7 million. Change in the value of biological assets in the previous financial year was positive as well and amounted to EUR 1.4 million.

Group's EBITDA was EUR 5.6 million as compared to EUR 20.3 million in 2017/18 financial year.

Group's other income amounted to EUR 4.9 million as compared to EUR 3.5 million in 2017/18 financial year (that item of income mainly increased due to sale of long term assets and accounted subsidies received by agricultural companies). Other operating expenses accounted for EUR 1.9 million compared to EUR 1.5 million to that of the previous year.

The Group suffered a loss of EUR 3.0 million from its financial and investment operations, compared to EUR 2.0 million in 2017/18 financial year. Financial costs during the accounting period reached EUR 3.7 million, and was up by 38% from those in 2017/18 financial year (EUR 2.6 million). The reason of such increase was growth on interest rates of banking loans.

The volume of the Group's financial debts (including leasing) decreased from EUR 154 million to EUR 150 million. Amount of financial debts slightly decreased or by EUR 4 million since the beginning of the year as Group's stocks and amount of debtor's dropped by EUR 6 million and EUR 5 million accordingly.

The net loss of the Group was EUR 4.8 million as compared to EUR 9.5 million of net profit in FY 2017/18). The net loss attributable to shareholders of the Company was EUR 4.9 million (EUR 9.0 million of the net profit in FY 2017/18).

### **5.3.Cash flow and liquidity**

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

As of the balance sheet date the Group had nearly EUR 7.6 million in cash and cash equivalents (EUR 10.5 million in FY 2017/18), its current solvency ratio was 1.26. The debt and equity ratio (total liabilities / total equity) was 1.30 (1.26 last year).

The Group's net debt and the consolidated earnings before interest, taxes, depreciation and amortization (EBITDA) ratio increased from 7.02 to 25.5. The Group's adjusted net financial debt to EBITDA ratio, which takes into account the Group's readily marketable inventories and reduces financial debt respectively, increased from 3.31 to 17.0. Adjusted ratio evaluates that in case of a quick sale of various grains and other stocks they can be converted into cash at a discount to their book value at the end of financial year, and reduce financial debt accordingly. A 25% discount rate for quick liquidation applies to grain and raw materials, a discount rate of 35% applies for agricultural machinery, spare parts and equipment. Such quick products sales would reduce financial debt by EUR 28.8 million and EUR 26.4 million accordingly. In such a case financial Group's debt could be diminished by EUR 55.2 million. The Group's management believes that this adjusted ratio is much more accurate in order to evaluate the Group's net financial debt / EBITDA ratio.

The Group's financial loans portfolio (not taking into account leasing and financial leasing obligations) amounted to EUR 147 million as compared to EUR 152 million a year ago and decrease by 3%. The Group's short-term debt share accounted for 86%, their major part was allocated for funding of the working capital, such debts are secured by inventories and amounts receivable. Borrowings slightly decreased mainly due to drop in stock's and accounts receivable or by EUR 6 million and EUR 5 million accordingly. Amount of long-term loans decreased by EUR 7 million due to repayment schedules.

Group's cash flow from operating activities before the changes in working capital were positive and amounted to EUR 4.9 million as compared to EUR 20.6 million of the corresponding period of the previous year. Cash flow from operating activities after changes in working capital was positive and amounted to EUR

20.3 million (negative EUR 20.0 million over the respective period of 2017/18 financial year), the reason was drop in Group's stocks/accounts receivable and prepayments by approx. EUR 16.0 million.

The Group's cash flow from investment activity was negative and amounted to EUR 10.8 million (compared to EUR 17.6 million in the financial year 2017/18). During the reporting period all companies managed by the Group were actively involved in development including the expansion of the grain storage network, upgrading and renewal of non-current assets used by agricultural companies, and investments into poultry business.

The Group's cash flow from financial activity was negative and were reported at EUR 12.4 million, to a large extent the figure was determined by the increase in the financial loans (change in the debt amounted to EUR 5.3 million).

The Group's cash equivalents at the end of the reporting period accounted for EUR 7.6 million compared to EUR 10.5 million in FY 2017/18.

AB Linas Agro Group is fully able to finance its main and investment activities. The Group finances its working capital and long-term investments at four major banks - AB SEB Bank, ABN AMRO Bank N.V., Swedbank AB and AB Luminor bank. The overall credit line held in these banks exceeds EUR 185 million.

## 5.4. Investments

During the reporting period, the Group's subsidiaries have invested over EUR 17 million. Major investments of the Group by character:

Investment object	Investment amount, thousand EUR
Grain storage equipment, warehouses, buildings, various appliances and other machinery	5,360
Purchase and upgrade of agricultural machinery, vehicles, equipment, buildings and purchase of land	7,477
Modernization and renovation of poultry farms	4,211

Over 2.4 million euros were invested during the reporting period to expand grain storage network and improvement of the existing infrastructure. In Latvia, the Group launched two grain elevators - in Grobina and Rezekne. The volume of grain processed in Group's elevators in Latvia grew almost 26% as compared to previous year up to 72 thousand tons.

Over 277 thousand euros were invested during the reporting period to expand fertilizers storage and seed processing facilities, almost 2.7 million euros - to build the mutual Dotnuva Baltic and Linas Agro office and farmers' service center in Latvia. A grass seed mixing and packaging line has been installed in Dotnuva, which has improved mixtures quality and packing capacity.

Around EUR 5.9 million were invested to update agricultural machinery and vehicles fleet and farming facilities, also almost EUR 2 million were spent to obtain arable land for further expansion of husbandry farming. A part of the cow herd was moved to a new and modern farm with milking parlor at the Šakiai District Lukšiu ŽŪB agricultural company. A new slurry storage tank was mounted at Panevėžys District Žibartonių ŽŪB agricultural company, also farms are being reconstructed. Panevėžys District Aukštadvario ŽŪB agricultural company installed a new grain dryer, together with its partners constructed a drainage system in 126 hectares area and repaired over 3 km of drainage ditches. A cattle-breeding barn was reconstructed at the agricultural company Sidabravo ŽŪB.

Almost EUR 4 million were invested during the referenced period for the development and renovation of poultry farms: building new poultry-houses, improvement of birds raising conditions, improvement of water quality, upgrading of meat processing equipment. As much as 21 poultry houses were renovated and 6 newly built, which will allow to produce extra 1,500 tons of poultry meat per year.

## 5.5. Performance results of the Segments

Activities of the Group are divided into four main operating Segments and other minor non-regular activities that cannot be attributed to any of the major Segments:

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

### ***Operating profit (loss) by Segments, thousand euro***

	2014/15	2015/16	2016/17	2017/18	2018/19
Grain and Feedstuff Handling and Merchandising	7,484	9,583	7,989	3,984	(8,640)
Products and Services for Farming	965	2,816	3,806	5,657	2,950
Agricultural Production	3,532	758	3,329	3,146	3,230
Food products	3,193	(1,246)	1,545	3,904	2,431
Other	97	(176)	(196)	(92)	471

### ***Grain and feedstuff handling and merchandising***

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

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

‘Oilseeds’ means rapeseed, sunflower and flax seeds.

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

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

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

The company AB Linas Agro is the holder of the European Good Trading Practice certificate. The companies AB Linas Agro and SIA Linas are ISCC (International Sustainability and Carbon certification) certified. In addition, AB Linas Agro holds a certificate in trade of organic plant production issued by the PE

Ekoagros, and has GMP+ (European Good Manufacturing Practice) certification. At the end of the reporting period the Group's own storage capacity for various grains and other agricultural commodities in Lithuania and Latvia was almost 331 thousand tons, while the capacity of the storage facilities at ports operated by the Group was 184 thousand tons. AB Linas Agro has established a subsidiary company LLC LINAS AGRO UKRAINE during the reporting period with the aim to strengthen the sourcing business in Ukraine.

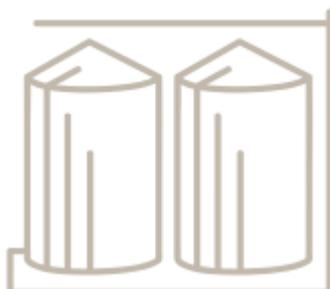
The lower wheat, rapeseed and beans yield in the Baltic States as well as the trends of international grain trade had a significant influence on the purchase and sales volume of agricultural commodities, and the quality of the harvested grains reduced the necessity for drying services in the Group's grain elevators. This year, the Group's grain traders have faced some challenges to sell wheat, barley and peas. Marketing of high quality wheat, which is usually in high demand in the market, was complicated as the major importers of such a wheat, Spain and Turkey, refused to buy it. Spain itself has grown the necessary quantity of wheat and imported only small quantities from Kazakhstan, while Turkey, having improved relations with Russia, has renewed wheat imports from Russia through the Black Sea. However, barley sales have been the most challenging, since the imposition of duties on imports of barley into China and the decline in demand in Saudi Arabia have reduced the global demand for this product, which has negatively affected the profitability of trade. India, the largest consumer of peas, banned the import of peas from the EU, which made marketing of peas difficult, as other buyers (f. i., Scandinavian countries) were buying peas in small batches.

The total sales volume of grain, oilseed and feedstuff went up almost 17% to 2.1 million tons during the reporting period. The sales of traditional crops (wheat, rapeseed, barley) increased by 11% to 1.7 million tons. Due to increased world prices for various cereals, the sales revenue of the above-mentioned products went up 19% and amounted to EUR 348 million, however, price fluctuations have reduced trade margins to a minimum. The Group-owned grain elevators prepared 356 thousand tons of grain for exports or 27% less than a year before, their performance was strongly influenced by significantly lower yields and increased grain reception capacities in the Baltic ports.

The increased demand for feed grade grain in Western Europe and the Baltic States due to poor harvest in the area, a record harvest of maize in Ukraine and the establishment of subsidiary LLC LINAS AGRO UKRAINE were the main reasons that positively affected sales of various feedstuffs, sales of feedstuff in tons accelerated by 50% to 441 thousand tons and sales revenue went up 64% to EUR 162 million.

The total revenue of this business Segment went up from EUR 397 million to EUR 513 million, but the operating profit was negative and amounted to EUR 8.6 million as compared to operating profit of EUR 3.9 million a year before.

	2014/15	2015/16	2016/17	2017/18	2018/19	Change 2018/19 compared to 2017/18 (%)
Sales in tons	1,596,754	1,815,937	2,023,794	1,833,359	2,146,893	17.1
Sales revenue, thousand EUR	388,313	386,906	415,333	397,425	513,304	29.2
Gross profit, thousand EUR	13,318	15,835	15,561	11,343	37	(99.7)
Gross profit margin, %	3.4	4.1	3.7	2.9	0.01	(99,7)



## ***Products and services for farming***

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

A supply of agricultural inputs (certified seeds, fertilizers, plant protection products) to farmers is a long term activity of the Group that trace back to 1993 and is currently run in Lithuania, Latvia and Estonia. The companies mostly engaged in this activity are: AB Linas Agro (Lithuania), SIA Linas Agro (Latvia), UAB Dotnuva Baltic (Lithuania) with its subsidiaries in Latvia and Estonia.

The Group represents worldwide known brands. The total Group's storage capacity for warehousing seeds, fertilizers and plant protection products in Lithuania and Latvia increased by 6 thousand tons during the reporting period and exceeded 104 thousand tons at the end of the period. The Group sold the rarely used warehouse in Tukums, Latvia during the reporting period.

The subsidiary AB Linas Agro is one of the largest suppliers of fertilizers, plant protection products, certified seed to Lithuanian farmers, and SIA Linas Agro supplies agricultural inputs to Latvian farmers.

The subsidiary UAB Dotnuva Baltic is a wholesaler and retailer of agricultural machinery and grain storage facilities, has an agricultural machinery service network in the Baltic States and a seed processing plant. During the reporting period, 'Dotnuva Seeds' branded seed produced by the Group had 30% of the certified seed market in Lithuania. The company has a certificate in preparation and trade of organic seeds issued by the PE Ekoagros. During the reporting period, the line for mixing and packing grass seeds was launched at the Dotnuva seed factory to further improve the quality of the mixtures and the packing efficiency. Dotnuva Baltic is the only representative of the 'Case IH', 'Kverneland', 'Agrifac', and 'Jeantil' brands in the Baltic States. Dotnuva Baltic is the leading distributor of plows and self-propelled sprayers in Lithuania and one of the largest sellers of the new western tractors in Lithuania. In order to ensure high standards of customer service and to provide quality service to the market, Dotnuva Baltic has joined the 'Red Excellence' Case IH international quality campaign, which unites Case IH dealers in Europe.

In order to improve the service of farmers and to avoid internal competition between the subsidiaries, changes in the organizational structure of Products and Services for Farming business are taking place. Seed sales have been transferred from UAB Dotnuva Baltic to AB Linas Agro. It is planned that in the next financial year the offices of Dotnuva Baltic and Linas Agro in Latvia will be located in one agricultural service and trade center that is being built and will open on October. It will lodge the back offices of the companies, machinery department with machinery exposition, service workshop, warehouses of spare parts, also agricultural inputs will be traded there.

The increased winter crop area that survived winter well and readiness of the salesmen for the spring season have had a positive impact on the sales of fertilizers, plant protection products and micro-nutrients. Fertilizer sales grew 18% up to EUR 54 million. Although the drought in the spring reduced the size of the plant protection products market, the Group managed to maintain or even slightly increase its market share: total sales of plant protection products and micronutrients increased by 2% up to EUR 17 million.

The Group's sales and exports of spring barley, grass, catch crop mixtures seeds increased, while demand for and sales of conventional crops - winter and spring wheat and peas - shrank as farmers, due to the worsening financial situation, saved costs and used their own non-certified seeds, which were of relatively good quality.

The market of certified seeds in Lithuania shrank 16% during the reporting period. The Group's seed processing plant in Dotnuva produced almost 22 thousand tons of certified seed over the reporting period, or 10% less than in previous year, but its market share remained almost unchanged and equal to 30.4%. The traded volumes of certified seeds were 22% less than in previous year and almost reached 22 thousand tons. However, more expensive seeds have been traded, therefore revenue, gained from seed sales decreased by only 10% to EUR 18.7 million.

Several in a row unfavorable growing seasons affected sales of agricultural machinery. The second consecutive year of poor harvest in the Baltic States and a more complicated financial and economic situation

of farms have significantly decreased farmers' investments into grain complexes, new agricultural machinery and other equipment.

The prolonged drought in Lithuania in spring did not predict a good future harvest, therefore farmers have completely stopped major investments into agricultural machinery, especially because bank financing became hardly obtainable. In Lithuania, there were very few investments into grain processing equipment as only a very small number of farmers expect EU support and invest. In March and April, Lithuanian farmers applied for EU support for the purchase of agricultural machinery, so a boost in trade is expected in the next financial year. Small dairy farms are planning only small investments in farm equipment and development of milk production, and only with the support of EU funds. Therefore, the Group is planning to increase sales of farm equipment only in the next financial year.

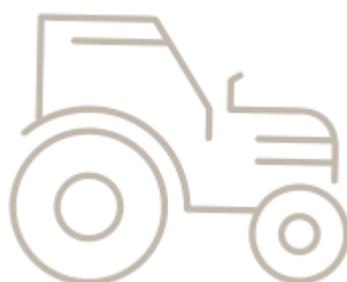
In Latvia, farmers have a strong interest in grain processing equipment and the reconstruction of existing warehouses, but the investment will be dependent on EU funding and the projects will only be implemented in 2020/21. Latvian farmers also plan to purchase agricultural machinery only having support from EU funds.

In Estonia, sales have been hampered by the aforementioned several-year low harvest situation, coupled with a worsening economic situation for farmers, delays in EU support and banks' decisions to limit leasing of agricultural machinery, considering farming as a risky business. Farmers are actively interested in renting instead of purchasing agricultural machinery.

Group's sales of the new agricultural machinery have shrunken in all Baltic States. The Group's revenue from the sale of new agricultural machinery decreased by 25% to almost EUR 32 million. Also, the demand for used machinery has increased notably, sales of used machinery went 14% up to EUR 2.4 million. Sales revenue from trading spare parts went up 16% to EUR 8.2 million. Revenue gained from grain processing equipment was almost EUR 11 million or 46% less as compared to previous year (EUR 21 million). A part of the Group's planned elevators construction projects will be completed in the next financial year due to the increased size of the objects: they are larger than in previous year.

Revenue from this business Segment decreased by 8% to EUR 149 million. The gross profit went down 11% and amounted to EUR 16 million, while operating profit decreased by 48% to EUR 2.95 million.

	2014/15	2015/16	2016/17	2017/18	2018/19	Change 2018/19 compared to 2017/18 (%)
Sales in tons	215,947	224,184	203,541	218,110	247,884	13.7
Sales revenue, thousand EUR	125,376	168,071	164,945	160,779	148,662	(7.5)
Gross profit, thousand EUR	12,426	16,286	17,256	18,918	16,162	(14.6)
Gross profit margin, %	9.9	9.7	10.5	11.8	10.9	(7.6)



## Agricultural production

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

Agricultural companies were cultivating 17,266 ha of land. At the end of the reporting period the Group owned 7,655 ha of arable land. Of the 9,398 hectares of winter crops sown in the autumn, 33 hectares of winter crops were destroyed, and the condition of the remaining crops varied from very good to poor. The negative impact of drought is particularly strong in Žibartonių ŽŪB and Aukštadvario ŽŪB agricultural companies of Panevėžys district, as well as in agricultural company Sidabravo ŽŪB.

In spring, 4,711 ha area was sown with summer crops, including 2,394 ha of barley. Barley was in good condition at the end of the reporting period, but wheat, peas and beans crops are dense due to the drought, and good harvest is not expected.

Over 69 thousand tons of agricultural commodities were sold or 24% less than a year before. About 59% of the products have been sold to the other companies of the Group and 41% marketed outside the Group.

The Group controlled farms owned 3,206 dairy cows at the end of the reporting period, their number remained almost unchanged, although milk yields have increased. Significant increase in milk yield was observed in Kėdainiai District Labūnavos ŽŪB and Panevėžys district Žibartonių ŽŪB agricultural companies - by 9.6% and 12.2%, respectively, while the Group's total milk yield growth was 5.6%.

Almost 32 thousand tons of raw milk have been sold over the referenced period, or 5.5% more than a year before. The average milk purchase price was 8% less than a year before (declined from EUR 295 to EUR 272 per ton), therefore sales revenue dropped by 1% to EUR 11 million. Meat sales volume was 1,489 tons (1,455 tons a year before).

The revenue of this business Segment dropped almost 15% from EUR 31 million to EUR 26 million and operating profit amounted to EUR 3.2 million and remained almost unchanged compared to 3.1 million EUR profit a year before.

	2014/15	2015/16	2016/17	2017/18	2018/19	Change 2018/19 compared to 2017/18 (%)
Sales in tons	113,531	117,219	107,875	122,699	102,548	(16.4)
Sales revenue, thousand EUR	25,153	27,153	26,815	31,011	26,238	(15.4)
Gross profit, thousand EUR	6,049	3,525	6,450	6,194	3,109	(49.1)
Gross profit margin,%	24.0	13.0	24.1	20.0	11.9	(40.5)



## Food products

This business Segment includes a whole cycle poultry business, including incubation of hatching eggs, broiler breeding, production of poultry and its products, feed manufacturing for self-supply and retail sale of chicken meat and its products. Business is conducted by Latvian poultry companies AS Putnu Fabrika Kekava (incl. subsidiary SIA PFK Trader), SIA Lielzeltini, SIA Broileks, and SIA Cerova. Together they account for about 60% of the Latvian poultry market and 15% of the Lithuanian poultry market, while Swedish poultry market share has grown up to 5%.

AS Putnu Fabrika Kekava – No1 poultry producer in Latvia with full poultry manufacturing cycle, including egg incubation, chicken hatching, broiler breeding, production of fresh poultry and processed products under brand name ‘Kekava’. The company’s products are marketed under the trademark ‘Top choice poultry’ in the export markets. The subsidiary of the company, SIA PFK Trader operates 21 retail shops all over Latvia and had one outlet in Vilnius, Lithuania, which was closed at the end of the financial year due to poor sales. AS Putnu Fabrika Kekava have the right to mark their poultry meat as ‘Raised without Antibiotics’. During the reporting period AS Putnu Fabrika Kekava has received A grade BRC (British Retail Consortium) accreditation (formerly having B grade or lower rating), also has ISO 50001:2012 and ISO 22000:200 certification, and is Halal certified.

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

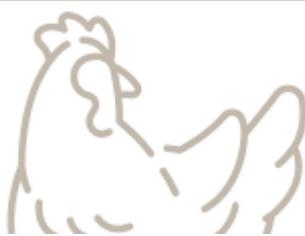
SIA Broileks grows and sells live chicken. SIA Cerova incubate eggs and sells day-old chicks.

Poultry prices in the EU are influenced by Polish producers, who produce 17% chicken in EU, and imports from third countries, as the average price of Brazilian chicken is 57% below the price of chicken in the EU. Increased imports of poultry meat from third countries - Brazil, Thailand and Ukraine - prevented the rise in poultry prices. The average EU price of poultry meat remained almost unchanged at EUR 1.866 / kg as compared with the previous reporting period. And the price of chicken breast has even dropped in recent months. Meanwhile, the cost of poultry production went up 8% as compared to previous year due to increased prices for grain, feedstuff and energy.

The poultry companies produced over 42 thousand tons of live weight or 3.6% more as compared to previous year. Companies sold over 32.6 thousand tons of poultry and poultry products or almost the same as a year before.

Revenue from this business Segment increased by almost 12% from EUR 69 million to EUR 77 million while operating profit went down 38% from EUR 3.9 million to EUR 2.4 million. The operating profit margin decreased accordingly from 5.6 to 3.9, the decline was mainly due to increase in energy and feedstuff prices.

	2014/15	2015/16	2016/17	2017/18	2018/19	Change 2018/19 compared to 2017/18 (%)
Sales in tons	40,881	30,048	29,503	32,577	32,655	0.2
Sales revenue, thousand EUR	62,180	60,334	61,032	69,078	77,029	11.6
Gross profit, thousand EUR	9,642	4,496	6,987	9,375	9,793	4.5
Gross profit margin,%	15.5%	7.5%	11.4%	13.6%	12.8%	(5.8)



## Other

This business Segment includes small activities, not attributable to other Segments, f.i., grain elevators' services to the third parties, sale of minor assets, etc.

The operating profit of this business Segment amounted to EUR 471 thousand as compared to EUR 92 thousand loss in previous year.

	2014/15	2015/16	2016/17	2017/18	2018/19	Change 2018/19 compared to 2017/18 (%)
Sales in tons	1,356	0	0	0	0	0
Sales revenue, thousand EUR	21	(246)	73	114		
Gross profit, thousand EUR	21	(261)	22	18	(231)	(1382)
Gross profit margin, %	100	(6.1)	30.1	16		

## 5.7. Strategic goals of the Group

The Group's strategy is to have a profitable growth, develop all core activities and achieve synergies between activities.

As the Group's activities are divided into four main operating segments, the objectives are different for each of them:

- The main business of the Group is international trade in grain, oilseeds and feedstuff. The Group is one of the largest grain exporters in the Baltic States. The objective of the Group's management is to export grain from the Baltic States in a sustainable manner and increase profitability in this activity. Increase operational efficiency, reduce operating costs. Further strengthen trading activities in the Ukraine.
- Products and services for farming business is the second largest Group's source of income. The main objective of this activity is to grow profitably while ensuring a good income for the farmer. Find and market solutions to help plants adapt to changing climate conditions. To have one of the best agricultural machinery service networks in the Baltic States. Increase sales of the seed brand Dotnuva Seeds by increasing seed storage capacity and creating the most efficient seed logistics chain.
- Poultry business is the third largest business of the Group. The management of the company plans to further expand the poultry farming capacity, to increase the poultry slaughtering capacity by 2020, modernize the feed production unit, install new poultry packing equipment, and improve the logistics solutions in the poultry business.
- Agricultural production is an activity whose expansion is limited by the owned and rented land area. The strategic objectives of the Group are to further increase the productivity of crop and dairy farms and expand the volume of raw milk production by modernizing production and increasing the number of dairy cows.

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

### 6.1. The publicly disclosed information

During the reporting period ended 30 June, 2019, the Company publicly disclosed and distributed via Nasdaq Vilnius GlobeNewswire system and in Company's website the following information:

31/05/2019 15:00 EEST	Correction: AB Linas Agro Group notification about interim 9 months financial results of the financial year 2018/2019	Interim Information	EN, LT
31/05/2019 10:00 EEST	AB Linas Agro Group notification about interim 9 months financial results of the financial year 2018/2019	Interim Information	EN, LT
28/2/2019 16:00 EET	AB Linas Agro Group notification about interim 6 months financial results of the financial year 2018/2019	Half-Yearly information	EN, LT
3/12/2018 16:15 EET	AB Linas Agro Group investor's calendar for the 2019	Other information	EN, LT
30/11/2018 08:00 EET	AB Linas Agro Group notification about interim 3 months financial results of the financial year 2018/2019	Interim Information	EN, LT
31/10/2018 17:17 EET	Decisions of the Annual General Meeting of AB Linas Agro Group Shareholders, held on 31 October 2018	Notification on material event	EN, LT
31/10/2018 16:48 EET	Procedure for the payout of dividends for the financial year ended 30 June 2018	Notification on material event	EN, LT
31/10/2018 16:37 EET	AB Linas Agro Group notification about the Annual information of the financial year 2017/2018	Annual information	EN, LT
18/10/2018 18:14 EEST	Supplemented agenda of the General Meeting of Shareholders of AB Linas Agro Group	Notification on material event	EN, LT
10/10/2018 10:30 EEST	Correction: Notice on Annual General Meeting of Shareholders of AB Linas Agro Group	Notification on material event	EN, LT
9/10/2018 20:27 EEST	Notice on Annual General Meeting of Shareholders of AB Linas Agro Group	Notification on material event	EN, LT
19/9/2018 15:26 EEST	CORRECTION: AB Linas Agro Group investor's calendar for the 2018	Other information	EN, LT
31/8/2018 16:12 EEST	AB Linas Agro Group notification about interim 12-month financial results of the financial year 2017/2018	Interim Information	EN, LT
13/7/2018 09:42 EEST	AB Linas Agro Group signed employee stock option contracts	Other information	EN, LT

## 6.2. Other events of the reporting period

Jan- Jun 2019	The share capital of UAB Linas Agro Konsultacijos was increased by 1,213,000 euros.
Jul 2018-Jun 2019	The capital of Noreikiškių ŽŪB was increased by 30,000 euros.
May 2019-Jun 2019	The capital of ŽŪB Landvesta 5 was increased by 45,000 euros.
31/5/2019	The capital of Panevėžys District Aukštadvario ŽŪB was increased by 1,009,605 euros.
Nov 2018- May 2019	The capital of UAB Linas Agro Grūdų Centras KŪB was increased by 1,300,000 euros.
14/3/2019	SIA Paleo was merged to SIA Linas Agro Graudu Centrs.
Oct 2018-Mar 2019	The authorized capital of LLC LINAS AGRO UKRAINE was increased by 6,500,000 hryvnas (around 205,000 euros).
30/1/2019	Liquidation of SIA Erfolg Group completed.
21/1/2019	The capital of Kėdainiai District Labūnavos ŽŪB was increased by 200,000 euros.
19/9/2018	The authorized capital of UAB Lineliai was increased by 50,000 euros.
5/12/2018	The authorized capital of SIA Linas Agro was increased by 1,000,000 euros.
6/12/2018	The authorized capital of UAB Gerera was increased by 30,000 euros.
8/11/2018	The capital of UAB Linas Agro Grūdų Centras KŪB was increased by 1,000,000 euros.
31/10/2018	The capital of Užupės ŽŪB has been reduced by paying 140,000 euros to the shareholders.
Oct 2018	The Company transferred 9,000 own shares to the employees of the Group under AB Linas Agro Group Rules for Shares Issues.
30/7/2018	AB Linas Agro founded a subsidiary in Ukraine LLC LINAS AGRO UKRAINE.

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## 6.3. Subsequent events

26/9/2019	The capital of Noreikiškių ŽŪB was increased by 35,000 euros.
3/9/2019	The member of the Board Darius Jaloveckas resigned from the Board of AB Linas Agro Group.
16/9/2019	The authorized capital of UAB Lineliai was increased by 30,000 euros.
6/8/2019	The authorized capital of LLC LINAS AGRO UKRAINE was increased by 2,600,000 hryvnas (around 102,970 euros).

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## **7.Scope of risk and management thereof**

### **7.1.Market risk**

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

This risk did not manifest itself with regards to Company and the Group in FY 2018/19.

### **7.2.Risk related to activities of subsidiaries**

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

This risk did not manifest itself as regards the Company and the Group in FY 2018/19.

### **7.3.Political risk**

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

This risk did not manifest itself as regards the Company and the Group in FY 2018/19.

### **7.4.Social risk**

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

This risk did not manifest itself as regards the Company and the Group in FY 2018/19.

### **7.5.Counterparty risk**

The Group enters forward contracts with farmers who commit the delivery of production under terms and conditions of the contract. As the prices of products increase, the risk of breach of forward contracts and

non-delivery of production by counterparties emerges. The bigger the difference between the contract price and the current market price on the day of delivery, the higher is the risk.

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

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

The Company and the Group were partially exposed to this risk in the first half of 2018 - 2019, as the Group had to negotiate with the farmers the fulfillment of their obligations.

## 7.6. Financial risk

Information on the financial risk management objectives what are covered by hedge accounting, also Group's price risk, credit risk, liquidity risk and cash flow risk, where the Group use various financial instruments and technique, which is important for assessing the assets, equity, liabilities, income and expenses of the Group is disclosed in the Group's Financial Statements, note 29.

## 8. Employees

As at 30 June 2019 the number of employees of the Group was 2,113 or 86 employees less than as at 30 June 2018 (2,199).

The number of employees of the Company was 8 (9 as at 30 June 2018).

### ***Distribution of employees of the Group by positions and average monthly salary before taxes:***

	The number of employees at the end of financial year		Average monthly salary in EUR	
	30 June 2019	30 June 2018	30 June 2019	30 June 2018
Managers	135	133	3,276	2,777
Specialists	558	543	1,296	1,232
Workers	1420	1,523	1,180	1,101
<b>Total</b>	<b>2,113</b>	<b>2,199</b>		

### ***Distribution of employees of the Group by education degree held:***

	30 June 2019	30 June 2018
Graduate academic	469	457
Higher education	291	350
Secondary education	1,067	1,026
Primary	286	366
<b>Total</b>	<b>2,113</b>	<b>2,199</b>

### ***Distribution of employees of the Group by countries:***

	30 June 2019	30 June 2018
Lithuania	945	983
Latvia	1,131	1,178
Estonia	35	35
Denmark	–	3
Ukraine	2	–
<b>Total</b>	<b>2,113</b>	<b>2,199</b>

AB Linas Agro Group has no collective agreement.

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

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

## **9. Authorized capital and shares of the Company**

On 30 June, 2019 the authorized capital of the Company amounted to EUR 46,092,715.42. The authorized capital of the Company is divided into 158,940,398 ordinary registered non-certificated shares. The nominal value of one share is EUR 0.29. ISIN code of the shares is LT0000128092.

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

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

All shares issued by the Company grant equal rights to the Company's shareholders. The Company has not issued any shares of a class other than the aforementioned ordinary shares. Each ordinary share of the Company shall grant one vote at the General Meeting of Shareholders (except ordinary shares acquired by the Company that do not give the right to vote). Neither limitations of the rights granted by the Company's shares nor special control rights for shareholders are provided for in the Company's Articles of Association.

At the end of the reporting period, the Company held 772,972 units of its own shares.

The subsidiaries of the Company have not acquired any shares of the Company.

The Company following the Rules for Granting Equity Incentives approved on 1st of June 2018 and acting in accordance with the decision of the General Shareholders Meeting of 1st of June 2018, signed options contracts with employees of the Company and of the subsidiaries, in which the Company owns 50 per cent or more of shares, for 4,610,180 ordinary registered shares of the Company. For more details refer to Note 28 of the Financial statements.

## 10. Shareholders

According to the list of shareholders provided by AB Linas Agro Group securities account operator AB Šiaulių Bankas (data for the end of 30 June 2019), the number of Company's shareholders at the end of the reporting period totaled 648.

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

Investors	Number of shares	Portion in the authorized capital and voting rights, %
<b>Non-resident investors</b>		
Companies	118,213,290	74.37%
Individuals	3,764,207	2.37%
<b>Resident investors</b>		
Companies	7,962,584	5.01%
Individuals	29,000,317	18.25%
<b>Total</b>	<b>158,940,398</b>	<b>100.00%</b>

The shareholders controlling more than 5% of the Company's shares and/or votes as at 30 June, 2018:

	Number of shares	Portion in the authorized capital and voting rights, %
Akola ApS (public company, company Code 2517487; registration address: Thistedvej 68, st., 9400 Norresundby, Denmark)	109,909,167	69.15%
Darius Zubas	17,049,995	10.73%

Shareholders of the Company have all the property and non-property rights specified in the Articles 15 and 16 of the Law of the Republic of Lithuania on Companies.

There are no Company shareholders possessing special control rights; the Company's ordinary non-certificated shares grant equal rights to all shareholders of the Company.

The Company does not have any further information about any agreements between shareholders due to which the shareholders' and/or voting rights might be limited.

## 11. The Company's bodies and their competence

The Company's bodies shall be as follows:

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

The Supervisory Board shall not be formed in the Company.

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

The Company's Board shall be elected by the Company's General Meeting of Shareholders. The Company's Board consists of 7 (seven) members to be elected for a period of 4 (four) years. The number of terms of Board members shall be unlimited. The Company's Board shall be responsible for the strategic management of the Company and other essential management functions.

The Head of the Company shall be the single-person management body of the Company. In his/her activities, the Head of the Company shall follow laws, other legal acts, the Articles of Association, decisions of the General Meeting of Shareholders and the Board, and his/her office regulations.

As from 28 October 2010 the Company has an Audit Committee which is re-elected each 4 years. Audit Committee is responsible for implementing risk management system related to composition of consolidated financial statements. The Audit Committee consists of 3 members.

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

## 11.1. General meeting of shareholders

During the reporting period, the annual general meeting of shareholders of the Company was held on October 31, 2018, and was attended by the shareholders of the Company holding 84.84% of all voting shares of the Company. The shareholders' meeting elected the Audit Committee for a four-year term.

## 11.2. Board of the Company

Bendrovės valdyba buvo išrinkta neeiliniame visuotiniame Bendrovės akcininkų susirinkime 2018 m. birželio 1 d. Bendrovės valdybos narių skaičius 2019 m. birželio 30 d. buvo 7 (septyni). Bendrovėje nėra nepriklausomų Valdybos narių.

The Board was elected on the extraordinary General meeting of shareholders on June 1, 2018. As at 30 June 2019, the number of the Company's board members was 7. The Company does not have independent members of the Board.

In 2018/19 financial year the Company convened and held 8 (eight) meetings of the Board, that were 100% attended by all members of the Board, including the voting ballots submitted by members of the Board in advance.

The members of the Board (as at 30 June, 2019):



**Darius  
Zubas**

**Andrius  
Pranckevičius**

**Dainius  
Pilkauskas**

**Tomas  
Tumėnas**

**Arūnas  
Zubas**

**Darius  
Jaloveckas**

**Jonas  
Bakšys**

Name	Number of shares held and participation in Company's authorized capital	Position within the Board	Cadence starts	Cadence ends
Darius Zubas	17,049,995 or 10.73% of shares	Chairman	1/6/2018	31/5/2022

Name	Number of shares held and participation in Company's authorized capital	Position within the Board	Cadence starts	Cadence ends
Andrius Pranckevičius	Does not have shares of the Company	Deputy Chairman	1/6/2018	31/5/2022
Dainius Pilkauskas	480,281 or 0.3% of shares	Member	1/6/2018	31/5/2022
Tomas Tumėnas	2,200 or 0.001% of shares	Member	1/6/2018	31/5/2022
Arūnas Zubas	480,281 or 0.3% of shares	Member	1/6/2018	31/5/2022
Darius Jaloveckas	Does not have shares of the Company	Member	1/6/2018	31/5/2022
Jonas Bakšys	3,400,000 or 2.14% of shares	Member	1/6/2018	31/5/2022

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

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

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

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

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

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

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

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

Name	Participation in other Companies authorized capital
Darius Zubas	Akola ApS 95%; UAB MESTILLA 14.3%.
Jonas Bakšys (joint community property with spouse together)	UAB Vividum 100 %

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

### **Activities of the Board members in other companies as at 30/6/2019:**

<b>Person / Companies</b>	<b>Position</b>	<b>Since</b>
<b>Darius Zubas</b>		
<i>Companies of the Group:</i>		
AB Linas Agro	Managing Director	1991
	Chairman of the Board	2006
AS Putnu Fabrika Kekava	Chairman of the Council	2014
SIA Lielzeltini	Chairman of the Council	2015
<i>Other companies:</i>		
Agricultural Science Council under the Ministry of Agriculture of Lithuania	Member	2018
The Lithuanian Grain Processors' Association	Vicepresident	2018
UAB MESTILLA	Chairman of the Board	2006
<b>Andrius Prancėvičius</b>		
<i>Companies of the Group:</i>		
AB Linas Agro	Deputy Chairman of the Board	2018
	Member of the Board	2006
AS Putnu Fabrika Kekava	Chairman of the Board	2015
SIA Lielzeltini	Chairman of the Board	2015
SIA Cerova	Chairman of the Board	2015
SIA Broileks	Chairman of the Board	2015
<i>Other companies:</i>		
AB Lietuvos Energija	Member of the Supervisory Board	2017
Lithuanian Agricultural Companies Association	Member of the presidium	2008
<b>Dainius Pilkauskas</b>		
<i>Companies of the Group:</i>		
AB Linas Agro	Trade Director for Baltic States	2006
	Member of the Board	2006
<b>Tomas Tumėnas</b>		
<i>Companies of the Group:</i>		
AB Linas Agro	Member of the Board	2009
UAB Gerera	Managing Director	2018
<i>Other companies:</i>		
Akola ApS	Director	2018
UAB Baltic Fund Investments	Director	2003
<b>Arūnas Zubas</b>		
<i>Companies of the Group:</i>		
AB Linas Agro	Member of the Board	2006
AS Putnu fabrika Kekava	Deputy Chairman of the Council	2018

Person / Companies	Position	Since
	Member of the Council	2015
SIA Lielzeltini	Deputy Chairman of the Council	2018
	Member of the Council	2015
<i>Other companies:</i>		
UAB MESTILLA	Deputy Chairman of the Board	2018
	Managing Director	2005
<b>Darius Jaloveckas</b>		
<i>Companies of the Group:</i>		
AB Linas Agro	Executive Director	2017
	Member of the Board	2018
UAB Dotnuva Baltic	Managing Director	2015
	Deputy Chairman of the Board	2018
	Member of the Board	2018
SIA Linas Agro	Deputy Chairman of the Council	2018
AS Dotnuva Baltic	Member of the Council	2015
<b>Jonas Bakšys</b>		
<i>Companies of the Group:</i>		
AB Linas Agro	Business Development Director	2018
	Member of the Board	2018
SIA Lielzeltini	Member of the Council	2018
AS Putnu Fabrika Kekava	Member of the Council	2018
SIA Linas Agro	Member of the Council	2019
UAB Dotnuva Baltic	Member of the Board	2019
AS Dotnuva Baltic	Member of the Council	2019
<i>Other companies:</i>		
UAB MESTILLA	Member of the Board	2018
Lobiu Sala AS	Member of the Board	2017

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

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

### 11.3. Head of the Company

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

The Head of the Company did not change during the reporting period, ended 30 June 2019.

### 11.4. Audit Committee

The term of office of the members of the Audit Committee started on October 31, 2018 and will end on October 30, 2022. The Audit Committee consists of 3 members, two of whom are independent:

Andrius Drazdys - independent member of the Audit Committee. Employed at UAB Vilniaus Margarino Gamykla as a Chief Finance Officer. Does not own shares of the Company.

Agnė Preidytė - independent member of the Audit Committee. Employed at Pricewaterhouse-Coopers, UAB as Consultant. Does not own shares of the Company.

Irma Antanaitienė – member of the Audit Committee. Employed at AB Linas Agro as Accountant. Does not own shares of the Company.

## 12. Management of the Company

Details of the Company's Management remained unchanged during the reporting period. Company Management as of 30 June 2019:



**Darius  
Zubas**

**Andrius  
Pranckevičius**

**Tomas  
Tumėnas**

**Ramutė  
Masiokaitė**

Position	Name and surname	Employed since
Managing Director	Darius Zubas	01/09/1996
Deputy Managing Director	Andrius Pranckevičius	19/11/2009
Finance Director	Tomas Tumėnas	19/11/2009
Chief Accountant	Ramutė Masiokaitė	19/11/2009

The Management of the Company work under open-ended contracts of employment.

Information about Darius Zubas, Andrius Pranckevičius, and Tomas Tumėnas is provided in the chapter *11.2. Board of the Company*.

Ramutė Masiokaitė (b. 1971) – Chief Accountant. Does not own shares of the Company. Graduated from Vilnius University in 1994 and acquired the qualifications of economics, financial and credit specialist. She started her employment with the Group in 1998.

During the reporting period the Company's management remuneration amounted to EUR 13 thousand (excluding bonus for the Board of the Company).

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

### ***Activities of the Company Management in other companies***

Information about Darius Zubas, Andrius Pranckevičius and Tomas Tumėnas is provided in the chapter *11.2. Board of the Company*.

Ramutė Masiokaitė had no activities in other companies at the end of the reporting period.

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

During the reporting period from 1 July 2017 to 30 June 2018, all 158,940,398 ordinary registered shares of the Company were included in the Official List of AB Nasdaq Vilnius Stock Exchange (ISIN Code of the shares is LT0000128092). The ticker of the shares on AB Nasdaq Vilnius Stock Exchange is LNA1L. Trading in the Company's shares on AB Nasdaq Vilnius Stock Exchange started on 17 February 2010. The securities of the subsidiaries of the Company are not traded on regulated markets.

### 13.1. Agreements concluded with intermediaries of the public securities market

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

### 13.2. Trade in the Company's shares

Information on the automated execution transactions, prices of shares sold on AB Nasdaq Vilnius Stock Exchange and turnovers during the period from 1 July 2018 to 30 June 2019:

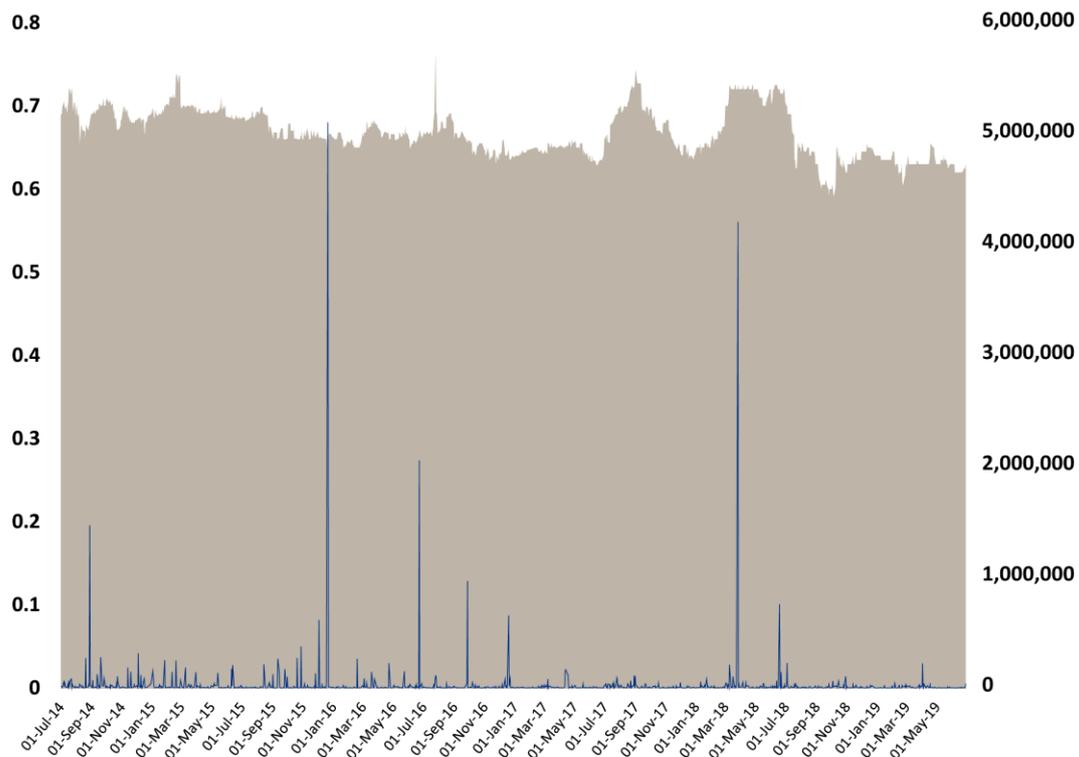
Year and quarter	Price EUR		Turnover EUR		Last trading days of the period			Total turnover	
	Max.	Min.	Max.	Min.	Price EUR	Turnover EUR	Date	Units	EUR
Q3 2018	0.700	0.595	224,500.00	0.00	0.600	1,926.00	28/09/2018	918,060	605,214.76
Q4 2018	0.655	0.590	105,274.17	0.00	0.640	0.00	28/12/2018	914,247	572,789.26
Q1 2019	0.645	0.600	41,556.50	0.00	0.630	7,170.03	29/03/2019	661,283	414,538.42
Q2 2019	0.655	0.615	221,107.32	0.00	0.630	39,277.07	28/06/2019	744,186	468,977.19

### 13.3. Capitalization of the Company's shares

Date	Capitalization, EUR	Share Price, EUR
30/09/2018	96158940.79	0.605
31/12/2018	104105960.69	0.655
31/3/2019	100132450.74	0.630
30/6/2019	100927152.73	0.635

## 13.4. AB Linas Agro Group share price and turnover

Information on changes in the prices of Company's shares and turnover from 1/7/2014 until the end of the reporting period, i. e. 30 June 2019, is presented in the following diagram:



## 13.5. Dividends paid to the Company's shareholders

Dividends paid to the Company's shareholders for the financial year 2017/18 amounted to EUR 2,926,097, which makes EUR 0.0185 per one share of the Company (calculated with taxes and excluding own shares acquired by the Company).

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

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

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

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

## 16. Major transactions with related parties

Major transactions of the Company with related parties are provided in Note 31 of the Explanatory Note to the Consolidated Annual Financial Statements for 2018/19 financial year.

## 17. Information about the governance compliance

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

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

## 18. Social and environmental responsibility

The Group strives to be the driving force of the development of agriculture in the Baltic States and to become the preferred employer in the field of agribusiness in the Baltic States. Guided by its mission and values, the Group implements its social responsibility through targeted activities in the market and social projects.

The Group's activities cover areas related to agriculture and the food industry. The business model of the Group is described in paragraph 4.1 of this report, while the business running companies, products and services are detailed in paragraph 5.5.

The Group approved its Corporate Social Responsibility Policy during the reporting period and all companies of the Group, as well as their employees, must follow this policy. Its summary is published on the website of AB Linas Agro Group. The Corporate Social Responsibility Policy of the Group stipulates that the employees of the Group shall communicate and coordinate their interests with various stakeholders : customers, employees, business partners, competitors, shareholders, governments, regulatory authorities and local communities. It is based on the following principles: assurance of the employees' rights, safety and health, respect for human rights and privacy, an ethical and transparent manner of doing business, responsibility for the environment, assurance of the wellbeing of people and animals, and anti-corruption as well as a harmonious relationship with our partners and the society.

The Social Responsibility Policy of the Group consists of:

- *Occupational Safety and Health Policy;*
- *Non-Discrimination Policy;*
- *Human Rights, Child Labor and Forced Labor Policy;*
- *Anti-Bribery and Anti-Corruption Policy;*
- *Animal Welfare Policy;*
- *Environmental Protection Policy;*
- *Personal Data Protection Policy;*
- *Code of Business Ethics;*
- *Partner Code of Ethics.*

No bribery or corruption cases have been recorded in the Group during the reporting period.

## 18.1. Social responsibility in the relationships with our employees

In its relations with its employees, the Group is guided by laws and its own values and policies: Occupational Safety and Health Policy, Non-Discrimination Policy, Human Rights, Child Labor and Forced Labor Policy and Personal Data Protection Policy.

No violations regarding human rights or personal data protection, also discrimination on the grounds of an employee's race, gender, religion, political convictions, nationality, social origin or other causes were recorded in the Group during the reporting period.

The employees of the Group are provided with the conditions to learn, to improve their qualifications, and to participate in various seminars and training courses in Lithuania and abroad. Internal management, customer service, sales, accounting and leadership training, as well as courses for increasing knowledge in MS Office programs, language courses, safe working practices and other forms of training are organized within the company. Purposeful improvement of qualifications according to everyone's specializations are also promoted.

Social guarantees are provided to the employees of all the companies of the Group. These differ slightly in different companies, but the main guarantees are similar: a benefit is paid when an employee's family member or relative dies, or if an employee is passes away; while a gift is presented to the employee in a case when a child is born or on a special birthday. The employees who work in the Group for continuous 20 years are given a 1,000 of the shares of the Company.

The Group contributes to ensuring the stability of the employees' funds at its own expense: many of the employees take part in the pension scheme and have concluded individual pension contribution contracts. The employer allots an analogous amount of payments to the employees in return for their pension contributions.

The Group strives to ensure the physical, psychological and social health of its employees at the workplace, as well as to create a safe and productive working environment. The employees of the Group are given the opportunity to use the required medical services, while the employees who work in the Group for one year are insured by voluntary health insurance. The employees' health is checked free of charge at some companies and employees are vaccinated against the flu, whereas those who work in the field are vaccinated against tick-borne encephalitis. Ergonomic tables and chairs were provided to many employees during the reporting period, and the lighting of the workplaces is being improved.

Nearly 100 employees of the poultry companies have the opportunity to live in a dormitory of the company. Many of the employees are taken to work by 8 buses every day, while 60 people have work-assigned bicycles for travelling across a large territory. An active lifestyle is promoted: for example, the entrance fee is reimbursed twice a year for everyone who wishes to take part in certain sports events (the VeloMaraton in Kekava, or running the marathon in Riga).

13 accidents occurred in the poultry companies where 1,042 people are employed; however, no serious health implications or deadly injuries were suffered. One small accident occurred at the UAB Dotnuva Baltic company, which employs 193 people. In order to reduce the number of accidents, the companies are required to analyze each accident, improve their equipment, hold training sessions, provide work clothes and protective equipment to employees, as well as to brief them at the workplace.

6 employees of the poultry sector were diagnosed with occupational diseases during the reporting period. In order to minimize the number of occupational diseases, the manufacturing processes and work schedules are analyzed and mandatory health inspections have been implemented. Domestic premises designed for the employees were renovated during the reporting period, which improved the working conditions of 75 employees.

One employee at the agricultural companies which employ 460 people was diagnosed with an occupational disease. These companies inspect the health of their employees at the workplace every year, and employees are taken to have the inspection done by specialists, if needed. Šakiai District Lukšiu ŽŪB

constructed recreational premises for 60 employees, whereas the employees' recreational premises were improved at agricultural company Panevėžys District Žibartonių ŽŪB during the reporting period.

A new air conditioning and heating system was installed in Latvia, at the office in Skrunda, which improved the working conditions for 6 employees.

A trade union has been operating in the AS Putnu Fabrika Kekava company, while there are active Employees' Councils operating in the companies AB Linas Agro, UAB Linas Agro Grūdų centras KŪB and UAB Dotnuva Baltic.

## 18.2.Social activities

The Group actively cooperates with the local communities by participating in their cultural, civic development and education projects, as well as by continuing its long-term friendship with a number of agricultural organizations. The Group has Charity policy, a summary of which is published on the website of AB Linas Agro Group.

The Group has permanent social partners and takes part in several social projects every year. The permanent social partners of the Group are: the Academy of Agriculture of Vytautas Magnus University (since 2004); Lithuanian Research Centre for Agriculture and Forestry; Panevėžys City and Kėdainiai and Joniškis District municipalities, Directorate of Žagarė National Park, Lithuanian Association of Billiards of the Disabled, Lukšiai Centre of Culture, Fund of the ISM University of Management and Economy, Gasčiūnai School and the Panevėžys 5th Gymnasium.

As an example of the Group's activities, an annual citizenship-promotion competition titled "Citizen of the School" was together held with the Panevėžys 5th Gymnasium for the fifteenth time. Students leaders and social activists at the school, whose learning performance is deemed to be excellent, are selected in this competition. The Group has also allotted scholarships to the participants in the "100 Talents" program at ISM University for several years in a row.

The Group the third time sponsored the national "Golden Minutes" project that provided information on first aid and resuscitating people in the case of accidents, organized by the Young Doctors' Association. This year funds were allotted for the organization and implementation of the "Kėdainiai – A Safe Heart of Lithuania" event held in Kėdainiai.

The Group is a constant sponsor of the environmental clean-up event "Darom" ("Let's do it") and invited the employees of all the companies to be active participants in this event this year, and to devote some of their working day to cleaning up the environment in their region.

The companies of the Group allotted over 283 thousand euros for sponsoring various projects during the reporting period. The companies of the AB Linas Agro Group prioritized the following projects and partners, when allotting their support:

- 118,250 euros were allotted to local communities;
- 79,260 euros were allotted to agricultural organizations;
- 14,050 euros were allotted to education and science bodies and to their events;
- 6,260 euros were allotted to educational and citizenship promotion projects;
- 5,200 euros were allotted to environmental protection and public health promotion;
- 4,886 euros were allotted to the poor and disabled people, foster homes for children, children's medical institutions;
- 4,928 euros were allotted as scholarships;
- 3,300 euros were allotted to children and youth engagement projects.

The remaining 47 thousand euros were allotted to sports organizations with the aim of promoting a healthy lifestyle, as well as benefits for employees in the case of a loss of their relatives and for other small projects.

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

### **18.3. Environmental responsibility**

The companies of the Group have a significant impact in the areas where they operate and are therefore concerned about the environmental impact of their operations. In its business practices, the Group follows the environmental laws of the countries in which it operates and its own Environmental Protection Policy.

The companies of the Group have not received any fines or warnings related to a failure to follow any environmental laws or the other legislation of this field.

The companies of the Group sort paper, plastic and hazardous waste. These secondary raw materials are then handed over to the institutions which handle them. The accounting of secondary raw materials is done via GPAIS (a unified information system for the accounting of products, packages and waste). Several production companies sort wood and construction materials as well.

Most of the companies in the Group track, analyze and control their consumption of fuel of all types, as well as electricity and water; however, not all companies calculate the consumption of paper. Nevertheless, the consumption of paper has been decreasing in the Group because many documents are being transferred to electronic data carriers. Some companies rent office premises and do not have keep accounts of electricity, heating and water consumption; therefore, the Group does not calculate the total amount of raw materials and energy it uses. However, all the production companies which consume more resources calculate and track these, so some of them have the opportunity to compare their performance with other companies within the branch of industry.

The Latvian poultry company AS Putnu Fabrika Kekava has a Category-A pollution permit. The poultry-farming branch of the Latvian poultry company SIA Lielzeltini also has a Category-A pollution permit, whereas its meat processing center in Riga and its feed plant has a Category-B pollution permit. SIA Cerova has a category-C pollution permit. All these companies meet all the requirements set for them and have not received any fines.

The grain elevators of the Group constantly take care to ensure environmental protection, and the air filters and oil traps are cleaned periodically. All uneconomical outdoor lighting fixtures are currently being replaced by LED ones.

The Group has allotted funds for the asphaltting of the roads at the grain elevator of Kartena, in order to reduce the amount of dust raised by the transport activities for the surrounding residents.

Electrical carts have begun to be used in the elevator of Šiauliai, which will reduce fuel consumption and lower the environmental pollution when compared to traditional forklifts. The heating system was also renovated in the chemicals warehouse to use the production waste as fuel, as a result of which the heated area has increased by 5 times but the energy consumption remained the same.

The production waste generated in the seed plants and grain elevators is being sold as raw materials for biofuel, thus contributing to the generation of green energy.

The employees of the Group took part in the “Darom” environmental clean-up event very actively this year. The Group sponsored this event, in which teams of employees were encouraged to clean up the environment in the territories of cities, towns and villages. The territories of the cities and suburbs of Panevėžys, Šiauliai, Joniškis, Kupiškis, Kėdainiai and Vilkaviškis, as well as the bicycle and pedestrian paths and the sides of the VIA BALTICA Road in Pasvalys and the Panevėžys-Šiauliai Road, the territories of the Aukštadvaris and Žibartoniai settlements in Panevėžys District, Lukšiai, Dotnuva and Jurgėnai Towns, Dauginčiai Mound in Šakiai District and the rock exposure located in the valley of the Minija River were cleaned up. In addition, the volunteers worked in the territory of the children’s care home of Medeikiai in Biržai District.



**Annex 1**  
**to the Consolidated Annual Report**  
**of AB LINAS AGRO GROUP**  
**for financial year 2018/19**

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



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AB Linas Agro Group, following Article 12 paragraph 3 of the Law on Securities of the Republic of Lithuania and item 24.5 of the Listing Rules of AB Nasdaq Vilnius, below discloses its compliance with the Corporate Governance Code for the Companies Listed on AB Nasdaq Vilnius, and its specific provisions. In case of non-compliance with the Code and some of its provisions, the specific provisions and the reasons for such non-compliance are indicated.

## **I principle: Basic provisions**

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

### **1.1. Recommendation:**

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

#### **Company's commentary:**

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

### **1.2. Recommendation**

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

#### **Company's commentary:**

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

### **1.3. Recommendation:**

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

#### **Company's commentary:**

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

#### **1.4. Recommendation:**

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

#### **Company's commentary:**

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

## **II principle: The corporate governance framework**

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

#### **2.1. Recommendation:**

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

#### **Company's commentary:**

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

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

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

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

#### **2.2. Recommendation:**

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

#### **Company's commentary:**

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

### 2.3. Recommendation:

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

#### Company's commentary:

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

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

### 2.4. Recommendation:

The collegial supervisory body to be elected by the general shareholders' meeting should be set up and should act in the manner defined in Principles III and IV. Where a company should decide not to set up a collegial supervisory body but rather a collegial management body, i.e. the board, Principles III and IV should apply to the board as long as that does not contradict the essence and purpose of this body.<sup>1</sup>

<sup>1</sup> Provisions of Principles III and IV are more applicable to those instances when the general shareholders' meeting elects the supervisory board, i.e. a body that is essentially formed to ensure oversight of the company's board and the chief executive officer and to represent the company's shareholders. However, in case the company does not form the supervisory board but rather the board, most of the recommendations set out in Principles III and IV become important and applicable to the board as well. Furthermore, it should be noted that certain recommendations, which are in their essence and nature applicable exclusively to the supervisory board (e.g. formation of the committees), should not be applied to the board, as the competence and functions of these bodies according to the Law on Companies of the Republic of Lithuania (Official Gazette, 2003, No 123-5574) are different. For instance, item 3.1 of the Code concerning oversight of the management bodies applies to the extent it concerns the oversight of the chief executive officer of the company, but not of the board itself; item 4.1 of the Code concerning recommendations to the management bodies applies to the extent it relates to the provision of recommendations to the company's chief executive officer; item 4.6 of the Code concerning independence of the collegial body elected by the general meeting from the company's management bodies is applied to the extent it concerns independence from the chief executive officer.

#### Company's commentary:

The set principles are followed by the Board as specified in Clauses 2.1. and 2.3. The essential requirements are not violated.

### 2.5. Recommendation:

Company's management and supervisory bodies should comprise such number of board (executive directors) and supervisory (non-executive directors) board members that no individual or small group of individuals can dominate decision-making on the part of these bodies.<sup>2</sup>

<sup>2</sup> Definitions 'executive director' and 'non-executive director' are used in cases when a company has only one collegial body.

#### Company's commentary:

The Board of the Company consists of 7 (seven) members responsible for different fields of activities. The Board can adopt a decision only when at least two thirds of its members are in attendance and with a majority vote.

## 2.6. Recommendation:

Non-executive directors or members of the supervisory board should be appointed for specified terms subject to individual re-election, at maximum intervals provided for in the Lithuanian legislation with a view to ensuring necessary development of professional experience and sufficiently frequent reconfirmation of their status. A possibility to remove them should also be stipulated however this procedure should not be easier than the removal procedure for an executive director or a member of the management board.

### Company's commentary:

Not applicable. The Supervisory Board is not formed in the Company.

## 2.7. Recommendation:

Chairman of the collegial body elected by the general shareholders' meeting may be a person whose current or past office constitutes no obstacle to conduct independent and impartial supervision. Where a company should decide not to set up a supervisory board but rather the board, it is recommended that the chairman of the board and chief executive officer of the company should be a different person. Former company's chief executive officer should not be immediately nominated as the chairman of the collegial body elected by the general shareholders' meeting. When a company chooses to depart from these recommendations, it should furnish information on the measures it has taken to ensure impartiality of the supervision.

### Company's commentary:

The head of the Company - Managing Director - and the Chairman of the Board is the same person.

Managing Director reports to the Board of the Company thus the impartiality of the decision-making is ensured. The decisions are adopted in compliance with the order stipulated in the Articles of the Association of Company, which clearly indicates the competence as well as its limits of the manager's decision-making.

## III principle: The order of the formation of a collegial body to be elected by a General Shareholders' Meeting

*The order of the formation a collegial body to be elected by a general shareholders' meeting should ensure representation of minority shareholders, accountability of this body to the shareholders and objective monitoring of the company's operation and its management bodies.<sup>3</sup>*

<sup>3</sup> *Attention should be drawn to the fact that in the situation where the collegial body elected by the general shareholders' meeting is the board, it is natural that being a management body it should ensure oversight not of all management bodies of the company, but only of the single-person body of management, i.e. the company's chief executive officer. This note shall apply in respect of item 3.1 as well.*

### 3.1. Recommendation:

The mechanism of the formation of a collegial body to be elected by a general shareholders' meeting (hereinafter in this Principle referred to as the 'collegial body') should ensure objective and fair monitoring of the company's management bodies as well as representation of minority shareholders.

### **Company's commentary:**

The mechanism of the formation of the Company's Board, set in the Articles of the Association of Company, ensures the objective supervision of managing bodies.

### **3.2. Recommendation:**

Names and surnames of the candidates to become members of a collegial body, information about their education, qualification, professional background, positions taken and potential conflicts of interest should be disclosed early enough before the general shareholders' meeting so that the shareholders would have sufficient time to make an informed voting decision. All factors affecting the candidate's independence, the sample list of which is set out in Recommendation 3.7, should be also disclosed. The collegial body should also be informed on any subsequent changes in the provided information. The collegial body should, on yearly basis, collect data provided in this item on its members and disclose this in the company's annual report.

### **Company's commentary:**

These provisions are set in the Articles of the Association of Company and are followed. The information about members of the Board is on a regular basis updated and submitted in the releases prepared by the Company and on its internet website.

### **3.3. Recommendation:**

Should a person be nominated for members of a collegial body, such nomination should be followed by the disclosure of information on candidate's particular competences relevant to his/her service on the collegial body. In order shareholders and investors are able to ascertain whether member's competence is further relevant, the collegial body should, in its annual report, disclose the information on its composition and particular competences of individual members which are relevant to their service on the collegial body.

### **Company's commentary:**

The general meeting of shareholders shall be submitted the curricula vitae of the candidate members of the Board providing complete information of the respective candidate's educational background, professional experience and his/her competence.

### **3.4. Recommendation:**

In order to maintain a proper balance in terms of the current qualifications possessed by its members, the desired composition of the collegial body shall be determined with regard to the company's structure and activities, and have this periodically evaluated. The collegial body should ensure that it is composed of members who, as a whole, have the required diversity of knowledge, judgment and experience to complete their tasks properly. The members of the audit committee, collectively, should have a recent knowledge and relevant experience in the fields of finance, accounting and/or audit for the stock exchange listed companies. At least one of the members of the remuneration committee should have knowledge of and experience in the field of remuneration policy.

### **Company's commentary:**

The composition of the Board and the number of its members meets the scope of the Company's activities and the size of the current structure.

The members of the Company's Board have sufficient experience in the fields, where the Company performs its main activities; also, all members have versatile knowledge in the fields of finance, economics, investment management and maintenance.

The Audit Committee members have experience in the fields of finance and accounting of the listed companies.

Remuneration Committee has not been formed.

### **3.5. Recommendation:**

All new members of the collegial body should be offered a tailored program focused on introducing a member with his/her duties, corporate organization and activities. The collegial body should conduct an annual review to identify fields where its members need to update their skills and knowledge.

#### **Company's commentary:**

Not applicable as the Members of the Company's Board are long-term employees of the Group's companies; therefore, they are well aware of the Company's activities.

The Board's members update their skills and knowledge while performing their functions.

If an elected Company's Member of the Board is not an employee of the Group, the Company would provide full access to relevant information.

### **3.6. Recommendation:**

In order to ensure that all material conflicts of interest related with a member of the collegial body are resolved properly, the collegial body should comprise a sufficient <sup>4</sup> number of independent <sup>5</sup> members.

<sup>4</sup> *The Code does not provide for a concrete number of independent members to comprise a collegial body. Many codes in foreign countries fix a concrete number of independent members (e.g. at least 1/3 or 1/2 of the members of the collegial body) to comprise the collegial body. However, having regard to the novelty of the institution of independent members in Lithuania and potential problems in finding and electing a concrete number of independent members, the Code provides for a more flexible wording and allows the companies themselves to decide what number of independent members is sufficient. Of course, a larger number of independent members in a collegial body is encouraged and will constitute an example of more suitable corporate governance.*

<sup>5</sup> *It is notable that in some companies all members of the collegial body may, due to a very small number of minority shareholders, be elected by the votes of the majority shareholder or a few major shareholders. But even a member of the collegial body elected by the majority shareholders may be considered independent if he/she meets the independence criteria set out in the Code.*

#### **Company's commentary:**

The issue of independent members as well as their sufficient number in the collegiate managing body (the Board) shall be discussed in the future. The Audit Committee has two independent members.

### **3.7. Recommendation:**

A member of the collegial body should be considered to be independent only if he is free of any business, family or other relationship with the company, its controlling shareholder or the management of either, that creates a conflict of interest such as to impair his judgment. Since all cases when member of the collegial body is likely to become dependent are impossible to list, moreover, relationships and circumstances associated with the determination of independence may vary amongst companies and the best practices of solving this problem are yet to evolve in the course of time, assessment of independence of a member of the collegial body should be based on the contents of the relationship and circumstances rather than their form. The key criteria for identifying whether a member of the collegial body can be considered to be independent are the following:

1) He/she is not an executive director or member of the board (if a collegial body elected by the general shareholders' meeting is the supervisory board) of the company or any associated company and has not been such during the last five years;

2) He/she is not an employee of the company or some any company and has not been such during the last three years, except for cases when a member of the collegial body does not belong to the senior management and was elected to the collegial body as a representative of the employees;

3) He/she is not receiving or has been not receiving significant additional remuneration from the company or associated company other than remuneration for the office in the collegial body. Such additional remuneration includes participation in share options or some other performance based pay systems; it does not include compensation payments for the previous office in the company (provided that such payment is no way related with later position) as per pension plans (inclusive of deferred compensations);

4) He/she is not a controlling shareholder or representative of such shareholder (control as defined in the Council Directive 83/349/EEC Article 1 Part 1);

5) He/she does not have and did not have any material business relations with the company or associated company within the past year directly or as a partner, shareholder, director or superior employee of the subject having such relationship. A subject is considered to have business relations when it is a major supplier or service provider (inclusive of financial, legal, counseling and consulting services), major client or organization receiving significant payments from the company or its group;

6) He/she is not and has not been, during the last three years, partner or employee of the current or former external audit company of the company or associated company;

7) He/she is not an executive director or member of the board in some other company where executive director of the company or member of the board (if a collegial body elected by the general shareholders' meeting is the supervisory board) is non-executive director or member of the supervisory board, he/she may not also have any other material relationships with executive directors of the company that arise from their participation in activities of other companies or bodies;

8) He/she has not been in the position of a member of the collegial body for over than 12 years;

9) He/she is not a close relative to an executive director or member of the board (if a collegial body elected by the general shareholders' meeting is the supervisory board) or to any person listed in above items 1 to 8 Close relative is considered to be a spouse (common-law spouse), children and parents.

### **Company's commentary:**

According to the comment of Clause 3.6, the provision is not applicable to the Company.

### **3.8. Recommendation:**

The determination of what constitutes independence is fundamentally an issue for the collegial body itself to determine. The collegial body may decide that, despite a particular member meets all the criteria of independence laid down in this Code, he cannot be considered independent due to special personal or company-related circumstances.

### **Company's commentary:**

According to the comment of Clause 3.6, the provision is not applicable to the Company.

### **3.9. Recommendation:**

Necessary information on conclusions the collegial body has come to in its determination of whether a particular member of the body should be considered to be independent should be disclosed. When a person is nominated to become a member of the collegial body, the company should disclose whether it considers the person to be independent. When a particular member of the collegial body does not meet one or more criteria of independence set out in this Code, the company should disclose its reasons for nevertheless

considering the member to be independent. In addition, the company should annually disclose which members of the collegial body it considers to be independent.

### **Company's commentary:**

By providing candidate of new Board member the Board of the Company discloses whether it considers him/her independent.

### **3.10. Recommendation:**

When one or more criteria of independence set out in this Code has not been met throughout the year, the company should disclose its reasons for considering a particular member of the collegial body to be independent. To ensure accuracy of the information disclosed in relation with the independence of the members of the collegial body, the company should require independent members to have their independence periodically re-confirmed.

### **Company's commentary:**

According to the comment of Clause 3.6, the provision is not applicable to the Company.

### **3.11. Recommendation:**

In order to remunerate members of a collegial body for their work and participation in the meetings of the collegial body, they may be remunerated from the company's funds.<sup>6</sup> The general shareholders' meeting should approve the amount of such remuneration.

<sup>6</sup> *It is notable that currently it is not yet completely clear, in what form members of the supervisory board or the board may be remunerated for their work in these bodies. The Law on Companies of the Republic of Lithuania (Official Gazette, 2003, No 123-5574) provides that members of the supervisory board or the board may be remunerated for their work in the supervisory board or the board by payment of annual bonuses (tantiems) in the manner prescribed by Article 59 of this Law, i.e. from the company's profit. The current wording, contrary to the wording effective before 1 January 2004, eliminates the exclusive requirement that annual bonuses (tantiems) should be the only form of the company's compensation to members of the supervisory board or the board. So it seems that the Law contains no prohibition to remunerate members of the supervisory board or the board for their work in other forms, besides bonuses, although this possibility is not expressly stated either.*

### **Company's commentary:**

According to the comment of Clause 3.6, the provision is not applicable to the Company.

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

*The corporate governance framework should ensure proper and effective functioning of the collegial body elected by the general shareholders' meeting, and the powers granted to the collegial body should ensure effective monitoring<sup>7</sup> of the company's management bodies and protection of interests of all the company's shareholders.*

<sup>7</sup> *See note 3.*

#### 4.1. Recommendation:

The collegial body elected by the general shareholders' meeting (hereinafter in this Principle referred to as the 'collegial body') should ensure integrity and transparency of the company's financial accountability and the control system. The collegial body should issue recommendations to the company's management bodies and monitor and control the company's management performance.<sup>8</sup>

<sup>8</sup> See note 3. In the event the collegial body elected by the general shareholders' meeting is the board, it should provide recommendations to the company's single-person body of management, i.e. the company's chief executive officer.

#### Company's commentary:

The member of the Board responsible for the finance policy and its supervision in the Company continuously maintains the contact and holds regular meetings with the Company's Chief Accountant, the Group's Head of Treasury to discuss the financial state of the Company as well as last essential financial changes, if any. The Chairman of the Board continuously maintain the contact and regularly meets with the managers to discuss the changes that occurred or are occurring in the activities of the Company, essential issues of organization of operations, the development of the Company's activities.

The Company's Board analyses and assesses the material about the Company's activities and finance supplied by the Company's Managing Director and Finance Director, if necessary give recommendations and suggestions, initiate urgent meetings and visits.

#### 4.2. Recommendation:

Members of the collegial body should act in good faith, with care and responsibility for the benefit and in the interests of the company and its shareholders with due regard to the interests of employees and public welfare. Independent members of the collegial body should:

- a) under all circumstances maintain independence of their analysis, decision-making and actions,
- b) do not seek and accept any unjustified privileges that might compromise their independence,
- c) clearly express their objections should a member consider that decision of the collegial body is against the interests of the company.

Should a collegial body have passed decisions independent member has serious doubts about, the member should make adequate conclusions. Should an independent member resign from his office, he should explain the reasons in a letter addressed to the collegial body or audit committee and, if necessary, respective company-not-pertaining body (institution).

#### Company's commentary:

The members of the Board act responsibly and in goodwill in favor of the Company and its shareholders, seek to maintain their independence in making the decisions and taking into consideration the interests of the third parties.

#### 4.3. Recommendation:

Each member should devote sufficient time and attention to perform his duties as a member of the collegial body. Each member of the collegial body should limit other professional obligations of his (in particular any directorships held in other companies) in such a manner they do not interfere with proper performance of duties of a member of the collegial body. In the event a member of the collegial body should be present in less than a half<sup>9</sup> of the meetings of the collegial body throughout the financial year of the company, shareholders of the company should be notified.

<sup>9</sup> It is notable that companies can make this requirement more stringent and provide that shareholders should be informed about failure to participate at the meetings of the collegial body if, for instance, a member of the collegial body participated at less than 2/3 or 3/4 of the meetings. Such measures, which ensure active participation in the meetings of the collegial body, are encouraged and will constitute an example of more suitable corporate governance.

### **Company's commentary:**

Members of the Company's Board, each individually and all collectively, pay sufficient time and attention to have the function attributed to the competence of the Board duly performed. The members of the Board take part in the sessions, the time of which is agreed among the members so that all members of the Board could take part in the session. If any of the members cannot participate in the session due to a valid excuse, the conditions are arranged for the member to cast his advance vote in writing. During the 2018/19 financial year, the Members of the Company's Board were all 100 percent involved in making the decisions.

### **4.4. Recommendation:**

Where decisions of a collegial body may have a different effect on the company's shareholders, the collegial body should treat all shareholders impartially and fairly. It should ensure that shareholders are properly informed on the company's affairs, strategies, risk management and resolution of conflicts of interest. The company should have a clearly established role of members of the collegial body when communicating with and committing to shareholders.

### **Company's commentary:**

The Board of the Company seeks, in its work, to conduct in good faith and impartially with all shareholders, and, according to the available data, there has been no case, so far, that it were vice versa. The Chairman of the Board is, by adjusting and coordinating interactions with other members of the Board and managers, obliged and authorized to, in the name of the Board, communicate with the shareholders, inform the shareholders about the Company's activities, strategy, other essential matters and provide official binding clarifications.

### **4.5. Recommendation:**

It is recommended that transactions (except insignificant ones due to their low value or concluded when carrying out routine operations in the company under usual conditions), concluded between the company and its shareholders, members of the supervisory or managing bodies or other natural or legal persons that exert or may exert influence on the company's management should be subject to approval of the collegial body. The decision concerning approval of such transactions should be deemed adopted only provided the majority of the independent members of the collegial body voted for such a decision.

### **Company's commentary:**

All transactions specified in this recommendation, if they are not insignificant due to their low value, are concluded upon the decision and agreement of the Board. The decision of the Board can be adopted only in case of the required quorum and following the provisions of the Article of the Association of Company that comply with the Law on Companies. The same order is applied in all the Group's companies.

### **4.6. Recommendation:**

The collegial body should be independent in passing decisions that are significant for the company's operations and strategy. Taken separately, the collegial body should be independent of the company's

management bodies<sup>10</sup>. Members of the collegial body should act and pass decisions without an outside influence from the persons who have elected it. Companies should ensure that the collegial body and its committees are provided with sufficient administrative and financial resources to discharge their duties, including the right to obtain, in particular from employees of the company, all the necessary information or to seek independent legal, accounting or any other advice on issues pertaining to the competence of the collegial body and its committees. When using the services of a consultant with a view to obtaining information on market standards for remuneration systems, the remuneration committee should ensure that the consultant concerned does not at the same time advise the human resources department, executive directors or collegial management organs of the company concerned.

<sup>10</sup> *In the event the collegial body elected by the general shareholders' meeting is the board, the recommendation concerning its independence from the company's management bodies applies to the extent it relates to the independence from the company's chief executive officer.*

### **Company's commentary:**

The Board of the Company adopts the decision following only the interests of the Company, therefore, the independence of the members in making the decision significant to the activities and strategy of the Company have to be assessed in accordance with the interest of the Company and its shareholders. The members of the Board are provided with all possibilities and they have the right to all resources necessary to properly perform their duties, including the possibilities to apply to the independent external legal, accounting and other specialists. The Company's Managing Director ensures that the managers or employees of separate fields provide the members of the Board with all required information directly or through the Managing Director so that they are able to duly perform their functions and solve the issues attributed to their competence.

### **4.7. Recommendation:**

Activities of the collegial body should be organized in a manner that independent members of the collegial body could have major influence in relevant areas where chances of occurrence of conflicts of interest are very high. Such areas to be considered as highly relevant are issues of nomination of company's directors, determination of directors' remuneration and control and assessment of company's audit. Therefore when the mentioned issues are attributable to the competence of the collegial body, it is recommended that the collegial body should establish nomination, remuneration, and audit committees<sup>11</sup>. Companies should ensure that the functions attributable to the nomination, remuneration, and audit committees are carried out. However they may decide to merge these functions and set up less than three committees. In such case a company should explain in detail reasons behind the selection of alternative approach and how the selected approach complies with the objectives set forth for the three different committees. Should the collegial body of the company comprise small number of members, the functions assigned to the three committees may be performed by the collegial body itself, provided that it meets composition requirements advocated for the committees and that adequate information is provided in this respect. In such case provisions of this Code relating to the committees of the collegial body (in particular with respect to their role, operation, and transparency) should apply, where relevant, to the collegial body as a whole.

<sup>11</sup> *The Law of the Republic of Lithuania on Audit (Official Gazette, 2008, No 82-3233) determines that an Audit Committee shall be formed in each public interest entity (including, but not limited to public companies whose securities are traded in the regulated market of the Republic of Lithuania and/or any other member state).*

### **Company's commentary:**

The Company has formed the Audit Committee.

According to the scope of the Company's activities, results and objective needs as well as the fact that the Board consists of 7 (seven) members, the Company is not in a need of establishment of other committees indicated in this recommendation though the foundation of Nomination and Remuneration Committees will be considered in the future.

#### **4.8. Recommendation:**

The key objective of the committees is to increase efficiency of the activities of the collegial body by ensuring that decisions are based on due consideration, and to help organize its work with a view to ensuring that the decisions it takes are free of material conflicts of interest. Committees should exercise independent judgement and integrity when exercising its functions as well as present the collegial body with recommendations concerning the decisions of the collegial body. Nevertheless the final decision shall be adopted by the collegial body. The recommendation on creation of committees is not intended, in principle, to constrict the competence of the collegial body or to remove the matters considered from the purview of the collegial body itself, which remains fully responsible for the decisions taken in its field of competence.

#### **Company's commentary:**

The Audit Committee chooses its operation order and procedures autonomously and operates in accordance with the Regulations of the Audit Committee.

#### **4.9. Recommendation:**

Committees established by the collegial body should normally be composed of at least three members. In companies with small number of members of the collegial body, they could exceptionally be composed of two members. Majority of the members of each committee should be constituted from independent members of the collegial body. In cases when the company chooses not to set up a supervisory board, remuneration and audit committees should be entirely comprised of non-executive directors.

Chairmanship and membership of the committees should be decided with due regard to the need to ensure that committee membership is refreshed and that undue reliance is not placed on particular individuals.

#### **Company's commentary:**

The Audit Committee is composed of three members, including two independent members.

#### **4.10. Recommendation:**

Authority of each of the committees should be determined by the collegial body. Committees should perform their duties in line with authority delegated to them and inform the collegial body on their activities and performance on regular basis. Authority of every committee stipulating the role and rights and duties of the committee should be made public at least once a year (as part of the information disclosed by the company annually on its corporate governance structures and practices). Companies should also make public annually a statement by existing committees on their composition, number of meetings and attendance over the year, and their main activities. Audit committee should confirm that it is satisfied with the independence of the audit process and describe briefly the actions it has taken to reach this conclusion.

#### **Company's commentary:**

The Regulations of activity of the Audit Committee is approved on the General Meeting of the Company's Shareholders.

The Company's Audit Committee activity report for the financial year is announced once per financial year. The Company also announces about the members of its Audit Committee in its Consolidated Annual Report.

#### **4.11. Recommendation:**

In order to ensure independence and impartiality of the committees, members of the collegial body that are not members of the committee should commonly have a right to participate in the meetings of the committee only if invited by the committee. A committee may invite or demand participation in the meeting of particular officers or experts. Chairman of each of the committees should have a possibility to maintain direct communication with the shareholders. Events when such are to be performed should be specified in the regulations for committee activities.

#### **Company's commentary:**

The Audit Committee shall be provided all conditions for holding meetings of the committee, furthermore, at the discretion of the committee, the employees responsible for the areas considered at the committee may be invited to meetings of the committee or requested to submit complete required information.

#### **4.12. Recommendation in regards to Nomination Committee:**

4.12.1. Key functions of the nomination committee should be the following:

- 1) Identify and recommend, for the approval of the collegial body, candidates to fill board vacancies. The nomination committee should evaluate the balance of skills, knowledge and experience on the management body, prepare a description of the roles and capabilities required to assume a particular office, and assess the time commitment expected. Nomination committee can also consider candidates to members of the collegial body delegated by the shareholders of the company;
- 2) Assess on regular basis the structure, size, composition and performance of the supervisory and management bodies, and make recommendations to the collegial body regarding the means of achieving necessary changes;
- 3) Assess on regular basis the skills, knowledge and experience of individual directors and report on this to the collegial body;
- 4) Properly consider issues related to succession planning;
- 5) Review the policy of the management bodies for selection and appointment of senior management.

4.12.2. Nomination committee should consider proposals by other parties, including management and shareholders. When dealing with issues related to executive directors or members of the board (if a collegial body elected by the general shareholders' meeting is the supervisory board) and senior management, chief executive officer of the company should be consulted by, and entitled to submit proposals to the nomination committee.

#### **Company's commentary:**

Not applicable. The Nomination Committee was not formed according to the circumstances set out in Clause 4.7.

#### **4.13. Recommendation in regards to Remuneration Committee:**

4.13.1. Key functions of the remuneration committee should be the following:

- 1) Make proposals, for the approval of the collegial body, on the remuneration policy for members of management bodies and executive directors. Such policy should address all forms of compensation, including the fixed remuneration, performance-based remuneration schemes, pension arrangements, and termination

payments. Proposals considering performance-based remuneration schemes should be accompanied with recommendations on the related objectives and evaluation criteria, with a view to properly aligning the pay of executive director and members of the management bodies with the long-term interests of the shareholders and the objectives set by the collegial body;

2) Make proposals to the collegial body on the individual remuneration for executive directors and member of management bodies in order their remunerations are consistent with company's remuneration policy and the evaluation of the performance of these persons concerned. In doing so, the committee should be properly informed on the total compensation obtained by executive directors and members of the management bodies from the affiliated companies;

3) Ensure that remuneration of individual executive directors or members of management body is proportionate to the remuneration of other executive directors or members of management body and other staff members of the company;

4) Periodically review the remuneration policy for executive directors or members of management body, including the policy regarding share-based remuneration, and its implementation;

5) Make proposals to the collegial body on suitable forms of contracts for executive directors and members of the management bodies;

6) Assist the collegial body in overseeing how the company complies with applicable provisions regarding the remuneration-related information disclosure (in particular the remuneration policy applied and individual remuneration of directors);

7) Make general recommendations to the executive directors and members of the management bodies on the level and structure of remuneration for senior management (as defined by the collegial body) with regard to the respective information provided by the executive directors and members of the management bodies.

4.13.2. With respect to stock options and other share-based incentives which may be granted to directors or other employees, the committee should:

1) Consider general policy regarding the granting of the above mentioned schemes, in particular stock options, and make any related proposals to the collegial body;

2) Examine the related information that is given in the company's annual report and documents intended for the use during the shareholders meeting;

3) Make proposals to the collegial body regarding the choice between granting options to subscribe shares or granting options to purchase shares, specifying the reasons for its choice as well as the consequences that this choice has.

4.13.3. Upon resolution of the issues attributable to the competence of the remuneration committee, the committee should at least address the chairman of the collegial body and/or chief executive officer of the company for their opinion on the remuneration of other executive directors or members of the management bodies.

4.13.4. The remuneration committee should report on the exercise of its functions to the shareholders and be present at the annual general meeting for this purpose.

### **Company's commentary:**

Not applicable. The Nomination Committee was not formed according to the circumstances set out in Clause 4.7.

### **4.14. Recommendation in regards to Audit Committee:**

4.14.1. Key functions of the audit committee should be the following:

1) Observe the integrity of the financial information provided by the company, in particular by reviewing the relevance and consistency of the accounting methods used by the company and its group (including the criteria for the consolidation of the accounts of companies in the group);

2) At least once a year review the systems of internal control and risk management to ensure that the key risks (inclusive of the risks in relation with compliance with existing laws and regulations) are properly identified, managed and reflected in the information provided;

3) Ensure the efficiency of the internal audit function, among other things, by making recommendations on the selection, appointment, reappointment and removal of the head of the internal audit department and on the budget of the department, and by monitoring the responsiveness of the management to its findings and recommendations. Should there be no internal audit authority in the company, the need for one should be reviewed at least annually;

4) Make recommendations to the collegial body related with selection, appointment, reappointment and removal of the external auditor (to be done by the general shareholders' meeting) and with the terms and conditions of his engagement. The committee should investigate situations that lead to a resignation of the audit company or auditor and make recommendations on required actions in such situations;

5) Monitor independence and impartiality of the external auditor, in particular by reviewing the audit company's compliance with applicable guidance relating to the rotation of audit partners, the level of fees paid by the company, and similar issues. In order to prevent occurrence of material conflicts of interest, the committee, based on the auditor's disclosed inter alia data on all remunerations paid by the company to the auditor and network, should at all times monitor nature and extent of the non-audit services. Having regard to the principals and guidelines established in the 16 May 2002 Commission Recommendation 2002/590/EC, the committee should determine and apply a formal policy establishing types of non-audit services that are (a) excluded, (b) permissible only after review by the committee, and (c) permissible without referral to the committee;

6) Review efficiency of the external audit process and responsiveness of management to recommendations made in the external auditor's management letter.

4.14.2. All members of the committee should be furnished with complete information on particulars of accounting, financial and other operations of the company. Company's management should inform the audit committee of the methods used to account for significant and unusual transactions where the accounting treatment may be open to different approaches. In such case a special consideration should be given to company's operations in offshore centers and/or activities carried out through special purpose vehicles (organizations) and justification of such operations.

4.14.3. The audit committee should decide whether participation of the chairman of the collegial body, chief executive officer of the company, chief financial officer (or superior employees in charge of finances, treasury and accounting), or internal and external auditors in the meetings of the committee is required (if required, when). The committee should be entitled, when needed, to meet with any relevant person without executive directors and members of the management bodies present.

4.14.4. Internal and external auditors should be secured with not only effective working relationship with management, but also with free access to the collegial body. For this purpose the audit committee should act as the principal contact person for the internal and external auditors.

4.14.5. The audit committee should be informed of the internal auditor's work program, and should be furnished with internal audit's reports or periodic summaries. The audit committee should also be informed of the work program of the external auditor and should be furnished with report disclosing all relationships between the independent auditor and the company and its group. The committee should be timely furnished information on all issues arising from the audit.

4.14.6. The audit committee should examine whether the company is following applicable provisions regarding the possibility for employees to report alleged significant irregularities in the company, by way of complaints or through anonymous submissions (normally to an independent member of the collegial body), and should ensure that there is a procedure established for proportionate and independent investigation of these issues and for appropriate follow-up action.

4.14.7. The audit committee should report on its activities to the collegial body at least once in every six months, at the time the yearly and half-yearly statements are approved.

### **Company's commentary:**

The Audit Committee follows the functions assigned to it.

#### **4.15. Recommendation:**

Every year the collegial body should conduct the assessment of its activities. The assessment should include evaluation of collegial body's structure, work organization and ability to act as a group, evaluation of each of the collegial body member's and committee's competence and work efficiency and assessment whether the collegial body has achieved its objectives. The collegial body should, at least once a year, make public (as part of the information the company annually discloses on its management structures and practices) respective information on its internal organization and working procedures, and specify what material changes were made as a result of the assessment of the collegial body of its own activities.

#### **Company's commentary:**

So far there has been no practice in the Company for the Board to perform the assessment of its activities and to separately inform the shareholders about it. Information about members of the Board is presented to shareholders before electing a new Board or before electing a separate member of the Board so that the Company's shareholders could evaluate experience, competence and determination to act in the interests of the Company of each candidate. The Company also regularly updates information about members of the Board and submits it to the semi-annual and annual reports of the Company.

The Company's management structure is also announced in the Company's annual report.

### **V principle: The working procedure of the company's collegial bodies**

*The working procedure of supervisory and management bodies established in the company should ensure efficient operation of these bodies and decision-making and encourage active co-operation between the company's bodies.*

#### **5.1. Recommendation:**

The company's supervisory and management bodies (hereinafter in this Principle the concept 'collegial bodies' covers both the collegial bodies of supervision and the collegial bodies of management) should be chaired by chairpersons of these bodies. The chairperson of a collegial body is responsible for proper convocation of the collegial body meetings. The chairperson should ensure that information about the meeting being convened and its agenda are communicated to all members of the body. The chairperson of a collegial body should ensure appropriate conducting of the meetings of the collegial body. The chairperson should ensure order and working atmosphere during the meeting.

#### **Company's commentary:**

The Chairman of the Board heads the Board, he implements all the requirements set out in this clause.

#### **5.2. Recommendation:**

It is recommended that meetings of the company's collegial bodies should be carried out according to the schedule approved in advance at certain intervals of time. Each company is free to decide how often to convene meetings of the collegial bodies, but it is recommended that these meetings should be convened at such intervals, which would guarantee an interrupted resolution of the essential corporate governance issues. Meetings of the company's supervisory board should be convened at least once in a quarter, and the company's board should meet at least once a month<sup>12</sup>.

**12** *The frequency of meetings of the collegial body provided for in the recommendation must be applied in those cases when both additional collegial bodies are formed at the company, the board and the supervisory board. In the event only one additional collegial body is formed in the company, the frequency of its meetings may be as established for the supervisory board, i.e. at least once in a quarter.*

### **Company's commentary:**

The sessions of the Company's Board are held once a quarter according to the Schedule approved in advance. In need, the sessions of the Board are held more frequently.

### **5.3. Recommendation:**

Members of a collegial body should be notified about the meeting being convened in advance in order to allow sufficient time for proper preparation for the issues on the agenda of the meeting and to ensure fruitful discussion and adoption of appropriate decisions. Alongside with the notice about the meeting being convened, all the documents relevant to the issues on the agenda of the meeting should be submitted to the members of the collegial body. The agenda of the meeting should not be changed or supplemented during the meeting, unless all members of the collegial body are present or certain issues of great importance to the company require immediate resolution.

### **Company's commentary:**

The work procedure of the Board is stipulated in the regulations of the Board's work and ensures the compliance with this clause's provisions.

### **5.4. Recommendation:**

In order to co-ordinate operation of the company's collegial bodies and ensure effective decision-making process, chairpersons of the company's collegial bodies of supervision and management should closely co-operate by co-coordinating dates of the meetings, their agendas and resolving other issues of corporate governance. Members of the company's board should be free to attend meetings of the company's supervisory board, especially where issues concerning removal of the board members, their liability or remuneration are discussed.

### **Company's commentary:**

Not applicable. Only one collegiate managing body – the Board - is formed in the Company.

## **VI principle: The equitable treatment of shareholders and shareholder rights**

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

### **6.1. Recommendation:**

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

## **Company's commentary:**

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

### **6.2. Recommendation:**

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

## **Company's commentary:**

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

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

### **6.3. Recommendation:**

Transactions that are important to the company and its shareholders, such as transfer, investment, and pledge of the company's assets or any other type of encumbrance should be subject to approval of the general shareholders' meeting<sup>13</sup>. 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.

<sup>13</sup> *The Law on Companies of the Republic of Lithuania (Official Gazette, 2003, No 123-5574) no longer assigns resolutions concerning the investment, transfer, lease, mortgage or acquisition of the long-terms assets accounting for more than 1/20 of the company's authorized capital to the competence of the general shareholders' meeting. However, transactions that are important and material for the company's activity should be considered and approved by the general shareholders' meeting. The Law on Companies contains no prohibition to this effect either. Yet, in order not to encumber the company's activity and escape an unreasonably frequent consideration of transactions at the meetings, companies are free to establish their own criteria of material transactions, which are subject to the approval of the meeting. While establishing these criteria of material transactions, companies may follow the criteria set out in items 3, 4, 5 and 6 of paragraph 4 of Article 34 of the Law on Companies or derogate from them in view of the specific nature of their operation and their attempt to ensure uninterrupted, efficient functioning of the company.*

## **Company's commentary:**

The approval of the indicated decisions in the general shareholders meeting could interfere with the effectiveness and efficiency of the Company's activity. These decisions are passed in the procedure prescribed in the Articles of Association of the Company.

### **6.4. Recommendation:**

Procedures of convening and conducting a general shareholders' meeting should ensure equal opportunities for the shareholders to effectively participate at the meetings and should not prejudice the rights and interests of the shareholders. The venue, date, and time of the shareholders' meeting should not hinder wide attendance of the shareholders.

## **Company's commentary:**

The information about the general meeting of shareholders will be announced through Nasdaq GlobeNewswire information system as well as on the Company's website in the Lithuanian and English languages, and in the source indicated in the Articles of Association of the Company.

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

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

## **6.5. Recommendation:**

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

### **Company's commentary:**

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

## **6.6. Recommendation:**

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

### **Company's commentary:**

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

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

## **6.7. Recommendation:**

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

## **Company's commentary:**

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

## **VII principle: The avoidance of conflicts of interest and their disclosure**

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

### **7.1. Recommendation:**

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

## **Company's commentary:**

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

### **7.2. Recommendation:**

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

## **Company's commentary:**

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

### **7.3. Recommendation:**

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

## **Company's commentary:**

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

### **7.4. Recommendation:**

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

## **Company's commentary:**

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

## **VIII principle: Company's remuneration policy**

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

### **8.1. Recommendation:**

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

## **Company's commentary:**

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

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

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

### **8.2. Recommendation:**

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

## **Company's commentary:**

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

### 8.3. Recommendation:

Remuneration statement should leastwise include the following information:

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

### Company's commentary:

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

### 8.4. Recommendation:

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

### Company's commentary:

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

### 8.5. Recommendation:

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

### **Company's commentary:**

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

### **8.6. Recommendation:**

Where the remuneration policy includes variable components of remuneration, companies should set limits on the variable component(s). The non-variable component of remuneration should be sufficient to allow the company to withhold variable components of remuneration when performance criteria are not met.

### **Company's commentary:**

Not applicable. There are no variable components of remuneration in the Company.

### **8.7. Recommendation:**

Award of variable components of remuneration should be subject to predetermined and measurable performance criteria.

### **Company's commentary:**

Not applicable for the reasons specified in Clause 8.6.

### **8.8. Recommendation:**

Where a variable component of remuneration is awarded, a major part of the variable component should be deferred for a minimum period of time. The part of the variable component subject to deferment should be determined in relation to the relative weight of the variable component compared to the non-variable component of remuneration.

### **Company's commentary:**

Not applicable for the reasons specified in Clause 8.6.

### **8.9. Recommendation:**

Contractual arrangements with executive or managing directors should include provisions that permit the company to reclaim variable components of remuneration that were awarded on the basis of data which subsequently proved to be manifestly misstated.

### **Company's commentary:**

Not applicable for the reasons specified in Clause 8.6.

### **8.10. Recommendation:**

Termination payments should not exceed a fixed amount or fixed number of years of annual remuneration, which should, in general, not be higher than two years of the non-variable component of remuneration or the equivalent thereof.

### **Company's commentary:**

The Company follows this recommendation, which sets up a maximum limit for a possible amount of remuneration.

### **8.11. Recommendation:**

Termination payments should not be paid if the termination is due to inadequate performance.

### **Company's commentary:**

The company follows this recommendation. If losses occur due to a inadequate performance of Executive and Managing Director or Member of the Board, termination payments are not paid.

### **8.12. Recommendation:**

The information on preparatory and decision-making processes, during which a policy of remuneration of directors is being established, should also be disclosed. Information should include data, if applicable, on authorities and composition of the remuneration committee, names and surnames of external consultants whose services have been used in determination of the remuneration policy as well as the role of shareholders' annual general meeting.

### **Company's commentary:**

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

### **8.13. Recommendation:**

Shares should not vest for at least three years after their award.

### **Company's commentary:**

Not applicable. Salaries in the Company are not based on provision shares of the Company.

### **8.14. Recommendation:**

Share options or any other right to acquire shares or to be remunerated on the basis of share price movements should not be exercisable for at least three years after their award. Vesting of shares and the right to exercise share options or any other right to acquire shares or to be remunerated on the basis of share price movements, should be subject to predetermined and measurable performance criteria.

### **Company's commentary:**

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

### **8.15. Recommendation:**

After vesting, directors should retain a number of shares, until the end of their mandate, subject to the need to finance any costs related to acquisition of the shares. The number of shares to be retained should be fixed, for example, twice the value of total annual remuneration (the non-variable plus the variable components).

### **Company's commentary:**

Not applicable for the reasons specified in Clause 8.13.

### **8.16. Recommendation:**

Remuneration of non-executive or supervisory directors should not include share options.

### **Company's commentary:**

Not applicable – there are no non-executive or supervisory directors in the Company..

### **8.17. Recommendation:**

Shareholders, in particular institutional shareholders, should be encouraged to attend general meetings where appropriate and make considered use of their votes regarding directors' remuneration.

## **Company's commentary:**

Not applicable. The Board of the Company has a right to consider and approve the Company's remuneration policy.

### **8.18. Recommendation:**

Without prejudice to the role and organization of the relevant bodies responsible for setting directors' remunerations, the remuneration policy or any other significant change in remuneration policy should be included into the agenda of the shareholders' annual general meeting. Remuneration statement should be put for voting in shareholders' annual general meeting. The vote may be either mandatory or advisory.

## **Company's commentary:**

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

### **8.19. Recommendation:**

Schemes anticipating remuneration of directors in shares, share options or any other right to purchase shares or be remunerated on the basis of share price movements should be subject to the prior approval of shareholders' annual general meeting by way of a resolution prior to their adoption. The approval of scheme should be related with the scheme itself and not to the grant of such share-based benefits under that scheme to individual directors. All significant changes in scheme provisions should also be subject to shareholders' approval prior to their adoption; the approval decision should be made in shareholders' annual general meeting. In such case shareholders should be notified on all terms of suggested changes and get an explanation on the impact of the suggested changes.

## **Company's commentary:**

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

### **8.20. Recommendation:**

The following issues should be subject to approval by the shareholders' annual general meeting:

- 1) Grant of share-based schemes, including share options, to directors;
- 2) Determination of maximum number of shares and main conditions of share granting;
- 3) The term within which options can be exercised;
- 4) The conditions for any subsequent change in the exercise of the options, if permissible by law;
- 5) All other long-term incentive schemes for which directors are eligible and which are not available to other employees of the company under similar terms. Annual general meeting should also set the deadline within which the body responsible for remuneration of directors may award compensations listed in this article to individual directors.

### **Company's commentary:**

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

### **8.21. Recommendation:**

Should national law or company's Articles of Association allow, any discounted option arrangement under which any rights are granted to subscribe to shares at a price lower than the market value of the share prevailing on the day of the price determination, or the average of the market values over a number of days preceding the date when the exercise price is determined, should also be subject to the shareholders' approval.

### **Company's commentary:**

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

### **8.22. Recommendation:**

Provisions of Articles 8.19 and 8.20 should not be applicable to schemes allowing for participation under similar conditions to company's employees or employees of any subsidiary company whose employees are eligible to participate in the scheme and which has been approved in the shareholders' annual general meeting.

### **Company's commentary:**

Not applicable.

### **8.23. Recommendation:**

Prior to the annual general meeting that is intended to consider decision stipulated in Article 8.19, the shareholders must be provided an opportunity to familiarize with draft resolution and project-related notice (the documents should be posted on the company's website). The notice should contain the full text of the share-based remuneration schemes or a description of their key terms, as well as full names of the participants in the schemes. Notice should also specify the relationship of the schemes and the overall remuneration policy of the directors. Draft resolution must have a clear reference to the scheme itself or to the summary of its key terms. Shareholders must also be presented with information on how the company intends to provide for the shares required to meet its obligations under incentive schemes. It should be clearly stated whether the company intends to buy shares in the market, hold the shares in reserve or issue new ones. There should also be a summary on scheme-related expenses the company will suffer due to the anticipated application of the scheme. All information given in this article must be posted on the company's website.

### **Company's commentary:**

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

## **IX principle: The role of stakeholders in corporate governance**

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

### **9.1. Recommendation:**

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

#### **Company’s commentary:**

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

### **9.2. Recommendation:**

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

#### **Company’s commentary:**

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

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

### **9.3. Recommendation:**

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

#### **Company’s commentary:**

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

## **X principle: Information disclosure and transparency**

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

### **10.1. Recommendation:**

The company should disclose information on:

- 1) The financial and operating results of the company;
- 2) Company objectives;
- 3) Persons holding by the right of ownership or in control of a block of shares in the company;
- 4) Members of the company's supervisory and management bodies, chief executive officer of the company and their remuneration;
- 5) Material foreseeable risk factors;
- 6) Transactions between the company and connected persons, as well as transactions concluded outside the course of the company's regular operations;
- 7) Material issues regarding employees and other stakeholders;
- 8) Governance structures and strategy.

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

### **Company's commentary:**

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

### **10.2. Recommendation:**

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

### **Company's commentary:**

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

### **10.3. Recommendation:**

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

### **Company's commentary:**

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

#### **10.4. Recommendation:**

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

#### **Company's commentary:**

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

#### **10.5. Recommendation:**

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

#### **Company's commentary:**

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

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

#### **10.6. Recommendation:**

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

#### **Company's commentary:**

The Company ensures impartial, timely and inexpensive access to the information by announcing it on the Company's website or through Nasdaq GlobeNewswire information system in Lithuanian and English languages.

#### **10.7. Recommendation:**

It is recommended that the company's annual reports and other periodical accounts prepared by the company should be placed on the company's website. It is recommended that the company should announce information about material events and changes in the price of the company's shares on the Stock Exchange on the company's website too.

## **Company's commentary:**

This recommendation is fully implemented by the Company.

## **XI principle: The selection of the company's auditor**

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

### **11.1. Recommendation:**

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

## **Company's commentary:**

This recommendation is implemented partly.

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

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

### **11.2. Recommendation:**

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

## **Company's commentary:**

This recommendation is fully implemented.

### **11.3. Recommendation:**

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

## **Company's commentary:**

The audit firm has provided with the additional consultations (amounting to approx 11,800 EUR without VAT) apart from audit in the financial year 2018/19.