



# MISSION

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

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

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

Albinas Algirdas Štuliauskas  
**CROP PRODUCTION KNOW-HOW**  
cereals and rapeseed

Albinas Algirdas Štuliauskas  
**PRAKTIŠĖ AUGALININKYSTĖ**  
javai ir rapsai



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## 1. LETTER TO THE SHAREHOLDERS

### DEAR SHAREHOLDERS,

Perhaps it would be fair for us to be called an export-oriented Group, as 75 percent of our income was received from the trade with foreign countries. Our company AB Linas Agro was the fifth largest exporter in Lithuania in 2014. Two Group companies - AB Linas Agro and Linas Agro AS - have been issued the GTP (European Good Trading Practice) certificates. We have a good reputation in the market. However, it is not always sufficient for achieving good financial performance.



There have been quiet periods, favorable for the activity, such as year 2012/13. This was not the case with the ended financial year, however, as it has brought a great number of challenges to our Group. Political disagreements over distribution of the EU funds, wars and unrest in our sourcing regions, embargoes as well as other politically driven bans, all of these have been faced in the course of the reporting year. Although this has not resulted in suspension of all our activities, yet it had a significant impact on our financial results and resulted in adjustments to the expansion plans. For example, the elimination of milk quotas in the EU and the Russian embargo on EU foodstuffs resulted in raw milk price drop to the detriment of the performance of the Group's agricultural companies; furthermore, the Russian embargo resulted in a surplus of poultry products in the European market which subsequently led to reduced prices. There have been dramatic delays in the support from the EU structural funds to farmers and they had a huge impact on the results of trade in agricultural machinery in all the three Baltic States. Ultimately, we were unable to expand the area of own agricultural land as a law imposing restrictions on expansion of the holdings of legal and natural persons came into effect in Lithuania just before the start of the reporting period.

Some of the decisions had to be revised as well as future investments, manufacturing structures had to be improved and costs optimized. For example, we have revised and reduced the investments of "Dotnuvos Projektai" in Latvia, although the situation in Latvia regarding the EU support to farmers was by far the most optimistic: the sales of agricultural machinery started "moving forward" as early as in April. However, we remain optimistic and hope that the trade in agricultural machinery will recover in October in Lithuania, and in December or in the spring of 2016 in Estonia.

Upon the closing of the Russian market, the supply of poultry meat and competition increased in the Baltic region. Therefore, this year we started the restructuring of Latvian poultry farms managed by us, in order to improve the range of products and optimize the costs. This will allow our poultry companies to be efficient and competitive producers as well as to expand the range of products. We are planning upgrades to the production lines aimed at production of more poultry products and a wider variety thereof. Furthermore, we are merging the sales and also other departments of the poultry companies that perform similar functions. These processes are to continue in the financial year of 2015/16. The brands of poultry products, managed by us, are among the most popular in Latvia. In March 2015, the list of most popular brands of foodstuffs in Latvia, published by Forbes, the brand "Kekava" owned by AS Putnu Fabrika Kekava took the 3rd place for the third year in a row, whereas SIA Lielzeltini's brand "Bauska" took the 6th place.

We remain the market leaders in Latvia, although much remains to be done to achieve the same level of popularity in Lithuania and other countries.

One of the most proven of our strategic decisions was the expansion of the services offered to farmers. This year saw an increase of amount of grains accepted to our own silos by 16 percent. The crop yield is consistently increasing in Lithuania and it is not without our contribution. We contribute by providing agronomical advice to farmers, developing and testing new technologies of production, which in turn leads to higher yields and improved crop rotation. The demand for high-quality grain preparation services in Lithuania and Latvia in particular is not yet satisfied and therefore we will continue to expand our network of grain elevators. We have invested over EUR 5 million into it in the reporting period. We have built new grain storage facilities in Jungėnai, Kalvarija municipality, in Lithuania and in Jekabpils municipality in Latvia, which will open their doors in the financial year 2015/16.

By investing into technology, we are looking for unique and effective solutions. In Dotnuva (Lithuania), we have one of the largest seed processing factories in the Baltic States. During this financial year, we completed the first phase of its modernization. We have not only increased the seed cleaning performance from 8 to 16 tons per hour, but also we were the first in the Baltic region to install low speed bucket elevators, which cause absolutely no damage to seeds. Two more phases of the modernization of the factory are impending, which are scheduled for completion in the 2016/17 financial year. The total value of the modernization works amounts to EUR 700 thousand.

Our agricultural companies are able to work rather efficiently and productively. The yields of the majority of our cultivated crop were higher this year compared to the previous year and were well above the average in Lithuania. For example, wheat yields reached 7.0 t/ha (compared to the Lithuanian average of 4.3 t/ha), 3.3 t/ha of rapeseed (compared to the Lithuanian average of 2.3 t/ha), and 6.4 tons/ha of malting barley (compared to the Lithuanian average of 3.8 t/ha). During the reporting period, an average of 8.62 tons of milk per cow were milked, which is 27 percent more than average in Lithuania. The agricultural company Šakiai District Lukšių ŽŪB was especially successful, becoming the most efficient milk supplier in the year 2014, having achieved average annual milk yield of 9.5 tons per cow. In addition, Šakiai District Lukšių ŽŪB was announced the most advanced livestock farm in Lithuania in 2015.

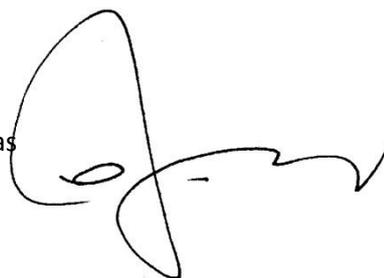
Our cooperation with farmers was not limited to the trainings offered to them, practical field days or daily counselling. This year, we completed one large-scale work: working in cooperation with our long-time partner, emeritus professor Albinas Algirdas Šiuliauskas, we published a practical large-scale publication in the field of agricultural science, in the Lithuanian language. It is the first and so far the only book of its kind in the entire history of farming of independent Lithuania.

We are pleased to know that our growth is also reflected in Deloitte's annual list of 500 largest companies in Central Europe, in which AB Linas Agro Group rose by 18 positions to the 378th position in 2015.

The financial year of 2014/15 was, in fact, not the most profitable in the history of our business, but we believe that there will be less political challenges in the future or we will be ready for them.

Sincerely yours,

Managing Director Darius Zubas



VISION

Leadership  
in Baltic  
agribusiness  
sector





## 2. 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 2014/15 financial year, and all the figures are stated as at 30 June 2015 unless it is indicated otherwise.

## 3. REFERENCES AND ADDITIONAL EXPLANATORY NOTES ON THE INFORMATION DISCLOSED IN THE ANNUAL FINANCIAL STATEMENTS

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

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

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

On 1 January 2015 the currency of Lithuanian Republic litas was replaced by the euro at the rate of 3.4528 to 1, therefore all data in this report was recalculated and presented in euros.

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Investor Relations Specialist

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## 4. THE MAIN INFORMATION ABOUT THE COMPANY AND THE GROUP

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

AB Linas Agro Group together with its directly and indirectly controlled companies (hereinafter – subsidiaries) makes the Group, which was founded in 1991 and had 39 companies at the end of the reporting period, and operates in four countries – Lithuania, Latvia, Estonia and Denmark. As at 30 June, 2015 the total headcount of the Group amounted to 2,334 employees. The financial year of the Group begins on 1 July.

The Company does not have any branches and representative offices.

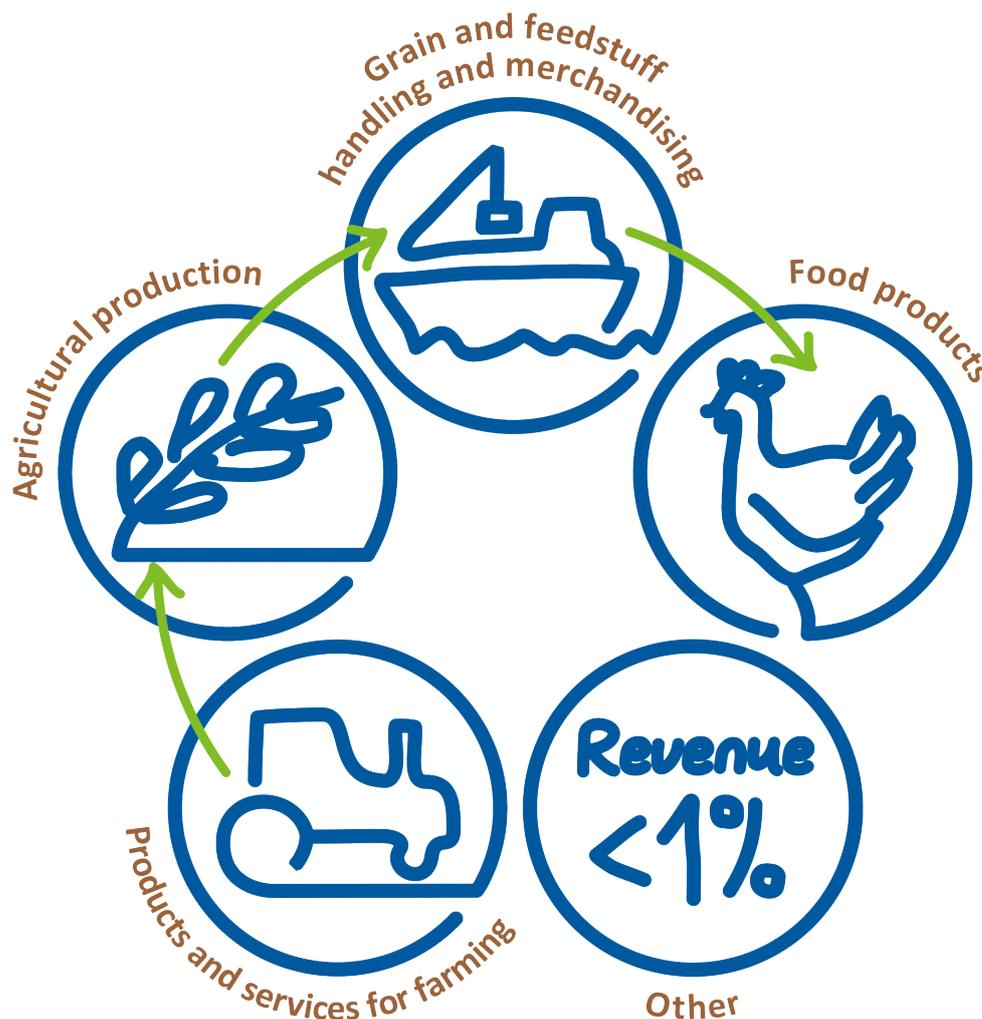
## 4. 1. ACTIVITIES

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

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

The Group's activities are subdivided into five operating Segments: *Grain and Feedstuff Handling and Merchandising*, *Products and Services for Farming*, *Agricultural Production*, *Food products* and *Other*. Division into separate Segments is dictated by different types of products and character of related activities; however, activities of the Segments are often interconnected. Business Segment *Other* is very small as includes activities, not attributable to other Segments.

*Food products* – quite a new activity Segment that appeared in 2013/14 financial year after the Company acquired a group of Latvian poultry companies.





## 4. 2. INFORMATION ABOUT SUBSIDIARIES OF THE COMPANY

As at 30 June, 2015 the Company controlled 38 companies in Lithuania, Latvia, Estonia and Denmark. Structural chart of the effective stock held by AB Linas Agro Group (as at 30 June 2015)\*:

\*Dormant companies UAB Gerera (100% shares), UAB Dotnuvos Technika (100% shares), UAB Žemės Ūkio Investicijos (100% shares, in liquidation) and SIA Erfolg Group (96.47% shares) not included.



## SHAREHOLDING STRUCTURE OF THE COMPANIES

As at 30 June 2015, AB Linas Agro Group controlled, either directly or indirectly, the following companies\*:

\*Dormant companies UAB Gerera (100% shares owned by AB Linas Agro, UAB Dotnuvos Technika (100% shares owned by UAB Dotnuvos Projektai), UAB Žemės Ūkio Investicijos (100% shares owned by UAB Linas Agro Konsultacijos) and SIA Erfolg Group (100% shares owned by AS Putnu Fabrika Kekava) are not included.

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

Company	Status	Share of the stock held by companies					Share of the stock held by the Group
		AB Linas Agro Group	AB Linas Agro	UAB Linas Agro Konsultacijos	UAB Linas Agro Grūdų Centras	UAB Dotnuvos Projektai	
AB Linas Agro	Subsidiary	100%					100%
Linus Agro A/S	Subsidiary		100%				100%
SIA Linas Agro	Subsidiary		100%				100%
UAB Linas Agro Grūdų Centras	Subsidiary		100%				100%
UAB Linas Agro Grūdų Centras KŪB**	Subsidiary	24.69%	75.29%		0.02%		100%
SIA Linas Agro Graudu Centrs	Subsidiary	UAB „Linus Agro“ Grūdų centras KŪB owns 100% shares of the company					100%
UAB Linas Agro Konsultacijos	Subsidiary	100%					100%
Noreikiškių ŽŪB	Subsidiary	99.93%		0.07%			100%
Panevėžys District Aukštadvario ŽŪB	Subsidiary			97.41%			97.41%
Sidabravo ŽŪB	Subsidiary			95.20%			95.20%
Šakiai District Lukšių ŽŪB	Subsidiary			98.82%			98.82%
Biržai District Medeikių ŽŪB	Subsidiary			98.39%			98.39%
Kėdainiai District Labūnavos ŽŪB	Subsidiary			98.64%			98.64%
Užupės ŽŪB	Subsidiary	0.05%		99.95%			100%



Company	Status	Share of the stock held by companies					Share of the stock held by the Group
		AB Linas Agro Group	AB Linas Agro	UAB Linas Agro Konsultacijos	UAB Linas Agro Grūdų Centras	UAB Dotnuvos Projektai	
UAB Paberžėlė	Subsidiary	Užupės ŽŪB owns 100% shares of the company					100%
UAB Lineliai	Subsidiary	100%					100%
Panevėžys District Žibartonių ŽŪB	Subsidiary	0.10%		99.70%			99.80%
ŽŪB Landvesta 1	Subsidiary	76.47%	23.53%				100%
ŽŪB Landvesta 2	Subsidiary	76.97%	23.03%				100%
ŽŪB Landvesta 3	Subsidiary	13.91%	86.09%				100%
ŽŪB Landvesta 4	Subsidiary	19.77%	80.23%				100%
ŽŪB Landvesta 5	Subsidiary	41.48%	58.52%				100%
ŽŪB Landvesta 6	Subsidiary	15.51%	84.49%				100%
ŽŪK KUPIŠKIO GRŪDAI	Subsidiary	Lukšių ŽŪB, Aukštadvario ŽŪB and Sidabravo ŽŪB holds 9.09%, Medeikių ŽŪB – 45.46%, AB Linas Agro – 27.27% shares of the company					98.48%
UAB Dotnuvos Projektai	Subsidiary	100%					100%
SIA DOTNUVOS PROJEKTAI	Subsidiary					100%	100%
AS Dotnuvos Projektai	Subsidiary					100%	100%

Company	Status	Share of the stock held by companies			Share of the stock held by the Group
		AB Linas Agro Group	AS Putnu Fabrika Kekava	SIA Lielzeltini	
UAB Jungtinė ekspedicija	Subsidiary	100%			100%
AS Putnu Fabrika Kekava	Subsidiary	60.19%		36.28%	96.47%
SIA PFK Trader	Subsidiary		100%		96.47%
SIA Lielzeltini	Subsidiary	100%			100%
SIA Cerova	Subsidiary	100%			100%
SIA Broileks	Subsidiary	100%			100%
Karčemos Kooperatinė Bendrovė***	Subsidiary	UAB Linas Agro Grūdų centras KŪB owns 20% parts of the company and Panevėžys District Žibartonių ŽŪB own 3.99% parts of the company			23.99%

\*\*\* The Group owns 23.98% shares of Karčemos Kooperatinė Bendrovė, but controls this company and consolidates in the financial statements.

## ACTIVITIES AND CONTACT DATA OF THE COMPANIES OF THE GROUP

### SUBSIDIARIES IN LITHUANIA \*

\* Dormant companies are not included:

1. UAB Gerera, private limited liability company, founded 15/1/1993, code of legal entity 147676584, address Smėlynės St. 2C, LT-35143 Panevėžys, Lithuania, company register – State Enterprise Centre of Registers (Valstybės įmonė Registrų centras);
2. UAB Dotnuvos Technika, private limited liability company, founded 25/6/1998, code of legal entity 161452398, address Parko St. 6, Akademija, LT-58351 Kėdainiai District, Lithuania, company register – State Enterprise Centre of Registers (Valstybės įmonė Registrų centras).
3. The company on liquidation: UAB Žemės Ūkio Investicijos, private limited liability company, founded 6/10/2003, code of legal entity 126343167, address Smolensko St. 10, 03201 Vilnius, Lithuania, company register – State Enterprise Centre of Registers (Valstybės įmonė Registrų centras).
4. SIA Erfolg Group, private limited liability company, founded 30/11/2009, code of legal entity 50103261581, address Gaismas iela 2A-48, Kekava, Kekava district, Latvia, company register – Register of Enterprises of the Republic of Latvia.



Company name	Principal activities	Registration date, code of legal entity, legal form, company register	Contact data
AB Linas Agro	Wholesale trade of grains and oilseeds, feedstuffs and agricultural inputs supply	8/7/1991, Code of legal entity 1473 28026, public limited liability company, Register of Enterprises of Republic of Lithuania, VĮ Registrų centras	Smėlynės St. 2C, LT-35143 Panevėžys, Lithuania Ph. +370 45 507 333 Fax +370 45 507 444 E-mail <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>
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>

Company name	Principal activities	Registration date, code of legal entity, legal form, company register	Contact data
ŽŪB Landvesta 4	Rent and management of agricultural purposes land	23/04/2007, Code of legal entity 300709428, agricultural company, Register of Enterprises of Republic of Lithuania, VĮ Registrų centras	Smėlynės St. 2C, LT-35143, Panevėžys, Lithuania Ph. +370 45 507 406 Fax +370 45 507 404 E-mail <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 Dotnuvos Projektai	Sale of seeds, agricultural machinery	5/3/1996, Code of legal entity 261415970, private limited liability company, Register of Enterprises of Republic of Lithuania, VĮ Registrų centras	Parko St. 6, Akademija, 58351 Kėdainiai district, Lithuania Ph.+370 347 370 30 Fax +370 347 370 40 E-mail <a href="mailto:info@dotnuvosprojektai.lt">info@dotnuvosprojektai.lt</a> <a href="http://www.dotnuvosprojektai.lt">www.dotnuvosprojektai.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	Growing and sale of crop	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 register	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. +370 459 529 16 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>

Company name	Principal activities	Registration date, code of legal entity, legal form, company register	Contact data
UAB Jungtinė Ekspedicija	Logistics and forwarding services	17/2/1998, Code of legal entity 141642963, private limited liability company, Register of Enterprises of Republic of Lithuania, VĮ Registrų centras	I. Kanto g. 12-3, LT-92235 Klaipėda, Lithuania Ph. +370 46 310 163 Fax +370 46 312 529 E-mail <a href="mailto:info@je.lt">info@je.lt</a> <a href="http://www.je.lt">www.je.lt</a>
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>

## SUBSIDIARIES OPERATING IN FOREIGN COUNTRIES

Company name	Principal activities	Registration date, code of legal entity, company register	Contact data
Linus Agro A/S	Wholesale trade of grains and oilseeds, feedstuffs and other similar products and services	15/3/1994, Code of legal entity CVR 17689037, register of the company – Danish Commerce and Companies Agency	Vinkel Allé 1, DK-9000 Aalborg, Denmark Ph. +45 988 430 70 Fax +45 988 440 07 E-mail <a href="mailto:info@linasagro.dk">info@linasagro.dk</a> <a href="http://www.linasagro.dk">www.linasagro.dk</a>
SIA Linas Agro	Wholesale trade of grains and oilseeds, agricultural inputs supply	23/4/2003, Code of legal entity 53603019011, Register of Enterprises of the Republic of Latvia	Bauskas St. 2, LV-3001 Jelgava, Latvia Ph. +371 630 840 24 Fax +371 630 842 24 E-mail <a href="mailto:info@linasagro.lv">info@linasagro.lv</a> <a href="http://www.rapsim.lv">www.rapsim.lv</a>



Company name	Principal activities	Registration date, code of legal entity, company register	Contact data
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	Bauskas St. 2, LV-3001 Jelgava, Latvija Ph. +371 630 840 24 Fax +371 630 842 24 E-mail <a href="mailto:graudu.centrs@linasagro.lv">graudu.centrs@linasagro.lv</a>
SIA DOTNUVOS PROJEKTAI	Sale of seeds, agricultural machinery	26/04/2010, Code of legal entity 43603041881, Register of Enterprises of the Republic of Latvia	Jūrmalas St. 13C, Pinki, LV-2107 Babītes district, Latvia Ph. +371 679 131 61 Fax +371 677 602 52 E-mail <a href="mailto:info@dotnuvosprojektai.lv">info@dotnuvosprojektai.lv</a> <a href="http://www.dotnuvosprojektai.lv">www.dotnuvosprojektai.lv</a>
AS Dotnuvos Projektai	Sale of seeds, agricultural machinery	11/11/2010, Code of legal entity 12019737, Estonian Central Register of Securities (Eesti Väärtpaberikeskus AS)	Savimäe 7, Vahi 60534, Tartu district, Estonia Ph. +372 661 2800 Fax +372 661 8004 E-mail <a href="mailto:info@dotnuvosprojektai.ee">info@dotnuvosprojektai.ee</a> <a href="http://www.dotnuvosprojektai.ee">www.dotnuvosprojektai.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>

Company name	Principal activities	Registration date, code of legal entity, company register	Contact data
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>

### 4. 3. STRATEGY AND OBJECTIVES

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

The main Group's objective is sustainable growth. The Group will strengthen its position in the Baltic and Scandinavian markets, plans to expand operations in Central European countries. Due to the political risk the Group does not plan investments in the CIS countries in the near future, but will actively develop commercial relations.

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

1. *Grain and Feedstuff Handling and Merchandising*: expansion of grain trade in the Baltics, by opening new grain elevators and strengthening warehousing positions in the ports.
2. *Products and Services for Farming*: expansion of fertilizer trade business in Lithuania, Latvia, Poland and other CE countries; build the largest and best serving network of agricultural machinery services in the Baltics.
3. *Food products*: implementation of investment program, going from mio 62 Eur to mio 90 Eur sales within 3 years period.
4. *Agricultural Production*: increasing productivity of agricultural companies.



## 5. ACTIVITY AND FINANCIAL RESULTS OF THE GROUP



Consolidated revenue of AB Linas Agro Group in 2014/15 financial year totaled EUR 574 million and went down 2% as compared to previous year (EUR 585 million).



The Group's gross profit was above EUR 41.5 million and went down 4% as compared to the previous year (EUR 43.2 million).



Consolidated EBITDA declined to EUR 21.7 million from EUR 34.7 million last year. Excluding one-off effects for FY2013/14, Group's EBITDA stayed almost unchanged compared to EUR 21.5 million in previous year.



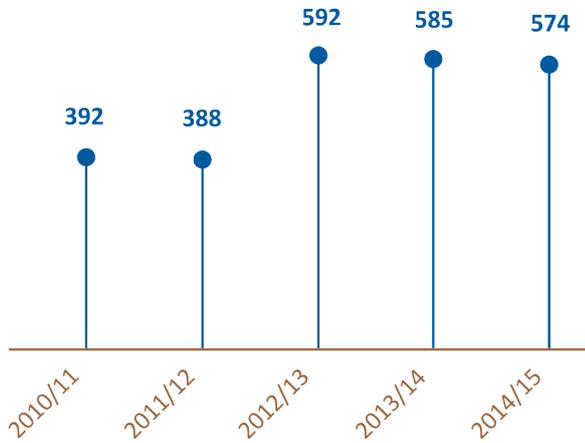
The Group's operating profit reached EUR 12.3 million or was 53% less as compared to the respective period of the previous year (EUR 26.3 million). Excluding one-off effects (EUR 13 million) on Group's profit-loss statement of 2013/14 financial year, the operating profit was 5% less as compared to the previous year (EUR 13 million).



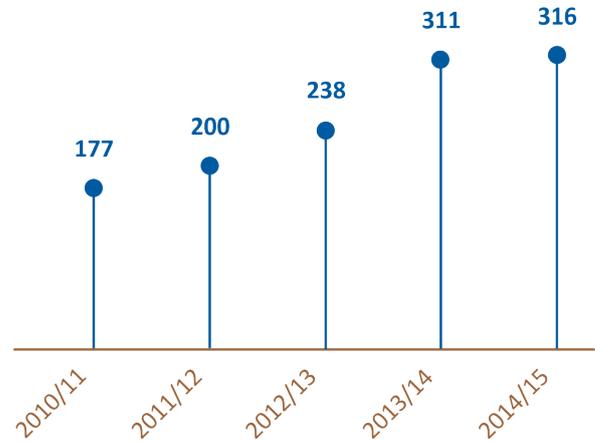
Profit before taxes was over EUR 10 million (compared to EUR 24 million in previous year). The net profit attributable to the Group stood at almost EUR 9 million (previously EUR 24 million or EUR 10 million excluding one-off effects).



## SALES REVENUE, EUR MILLION



## ASSETS, EUR MILLION

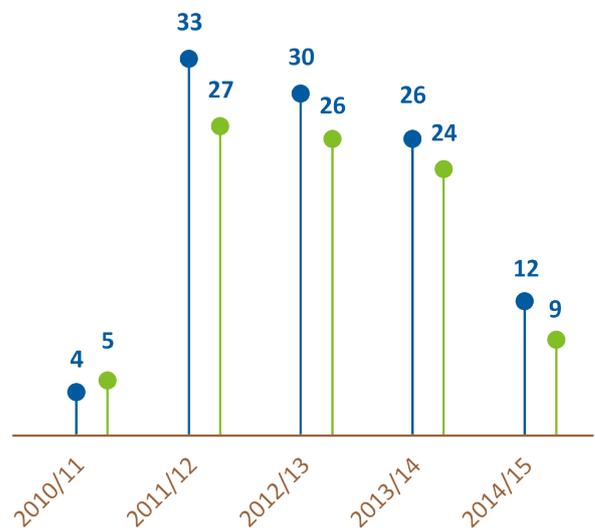


## GROSS PROFIT AND EBITDA, EUR MILLION



● Gross profit ● EBITDA

## OPERATING AND NET PROFIT, EUR MILLION



● Operating profit ● Net profit



## 5. 1. FINANCIAL RATIOS

	2011/12	2012/13	2013/14	2014/15	Change 2014/15 compared to 2013/14 (thousand EUR)	Change 2014/15 compared to 2013/14 (%)
<b>Sales revenues (thousand EUR)</b>	<b>387,500</b>	<b>591,734</b>	<b>584,557</b>	<b>573,766</b>	<b>-10,787</b>	<b>-1.85</b>
<b>Sales in tons</b>	<b>1,348,619</b>	<b>1,767,224</b>	<b>2,339,135</b>	<b>1,968,469</b>	<b>-370,666</b>	<b>-15.85</b>
Gross profit (thousand EUR)	27,474	45,831	43,199	41,480	-1,719	-4.00
<b>EBITDA (thousand EUR)</b>	<b>36,788</b>	<b>36,828</b>	<b>34,731</b>	<b>21,736</b>	<b>- 12,950</b>	<b>-37.29</b>
Operating profit (thousand EUR)	33,185	30,138	26,287	12,337	- 13,950	-53.07
Earnings before taxes EBT (thousand EUR)	33,473	29,282	24,005	10,360	- 13,645	-56.84
<b>Net profit (thousand EUR)</b>	<b>27,311</b>	<b>26,210</b>	<b>23,640</b>	<b>9,194</b>	<b>- 14,445</b>	<b>-61.11</b>
<b>Margins, %</b>						
Gross profit margin	7.09	7.75	7.39	7.23	-0.16	-2.17
EBITDA margin	9.49	6.22	5.94	3.79	-2.15	-36.19
Operating profit margin	8.56	5.09	4.50	2.15	-2.35	-52.19
Earnings before taxes margin	8.64	4.95	4.11	1.81	-2.30	-56.03
Net profit margin	7.05	4.43	4.04	1.60	-2.44	-60.38
<b>Solvency and efficiency ratios</b>						
Current ratio	1.78	1.76	1.63	1.59	-0.04	-2.45
Debt / Equity ratio	0.65	0.47	0.66	0.63	-0.03	-4.55
Net financial debt / EBITDA	1.38	1.35	2.63	4.31	1.68	63.50
Return on equity (ROE), %	26.48	20.54	15.54	5.79	-9.75	-62.74
Return on capital employed (ROCE), %	20.02	16.72	10.5	3.99	-6.51	-62.00
Return on assets (ROA), %	13.65	11.02	7.60	2.91	-4.69	-61.71
Basic and diluted earnings per share (EUR) (EPS)	0.16	0.17	0.15	0.06	-0.09	-60.16
Price earnings ratio (P/E)*	3.10	4.42	4.55	11.42	6.87	150.92

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

## 5. 2. OVERVIEW

The consolidated revenue of AB Linas Agro Group of this financial year amounted to EUR 574 million and was 2% less as compared to the same period last year (EUR 585 million). The main reason for the drop in revenue was 8–10% reduction in world market prices for grain and feedstuff (*Source – Matif*). This was affected by a big world grain harvest and high level of carryover stocks (according to data of International Grains Council, world carryover grain stocks amounted to 444 million tons in 2014/15 year as compared to 407 million tons in 2013/14). According to IGC data, world grain harvest amounted to 2.013 billion tons in 2014/15 - compared to 2.006 billion tons in 2013/14 marketing year. The decline in prices for other raw materials like oil, gas and etc. also had an impact for drop in grain price.

The Group's sales volume in tons reached almost 2 million tons of various grains, agricultural inputs and other products and was 16% less as compared to previous year (2.34 million tons), that also have included sale of lignin stock of 0.39 million tons. Therefore, excluding the sale of lignin, Group's sales volumes in tons grew by slightly from 1.94 million tons to 1.97 million tons. Sales volumes by tons increased in grains (7.4%), products and services for farming (5.2%). Sales in oilseeds and feedstuffs have shrunken (20%). There was an increase in agricultural production (13.2%) and poultry production (140%).

Sales of grain and feedstuffs made up the greatest share of the Group's revenue and accounted for EUR 388 million or 68 percent of the Group's total revenue, while EUR 125 million or 22 percent of the total revenue was derived for products and services for farming. The poultry business generated 11 percent of the Group's total revenue (EUR 62 million).

The greater part of the Group's production is sold in foreign markets, i.e. trade with foreign countries accounts for 75 percent of the turnover. The main regions for export were Europe (50 percent), Asia (20 percent) and African countries (3 percent).

The Group exported its production to more than 28 countries around the world, where major export regions were Scandinavian countries, Saudi Arabia and Iran. The Group also entered into a new export market such as Mozambique. The main flows of goods were shipped from the Baltic seaports: 1.8 million tons of cargo departed from these ports with 1.3 million tons of cargo being sent from Lithuanian ports. The Group remained one of the largest grain exporters in the Baltic region.

The Group's revenue from its largest business segment, which is the international trade in grain and feedstuff, fell from EUR 422 million to EUR 388 million. Another important reason, that negatively influenced revenue of the Group, was absence of subsidy program from the EU structural funds, which caused decrease in revenue from trade in agricultural machinery and grain processing equipment from EUR 50 million to EUR 44 million, resulting in 11% decrease in revenue of UAB Dotnuvos Projektai. Due to decline in raw milk purchase price (approx. 21%), the revenue from this activity has also shrunken from almost EUR 8.9 million to EUR 7.5 million. Revenue from the poultry business's amounted to EUR 62 million (EUR 34 million in FY 2013/14, when the Group's consolidated revenue included the operating results of AS Putnu Fabrika Kekava for 8 months and the operating results of other poultry companies for 5 months).

The Group's cost of the goods sold (COGS) dropped from EUR 541 million to EUR 532 million (1.7 %). The main reason why COGS has dropped was 8-10% decline in grain prices on global markets. The increased



sales volume in trade of various grains lifted logistic costs from EUR 34.5 million to EUR 42.6 million, which account for 8% of total COGS.

The fall in grain and milk purchase prices had a negative effect on the profitability of the Group's agricultural companies. Moreover, the fact that the governments had not protractedly approved the subsidy program from the EU structural funds had negative effect on trade in agricultural machinery throughout the Baltic countries. The excess supply of grains in the world market and tough competition had a pressure on grain profit margins. The tense political, economic and financial situation in major feedstuff sourcing markets (Ukraine and Russia) also negatively affected profitability in grain and feedstuff trading business. These were the main reasons why the Group's profitability went down.

The gross profit of AB Linas Agro Group dropped 4.6% from EUR 43.2 million to EUR 41.5 this year. The Group's gross profit margin fell from 7.4% to 7.2%.

The consolidated operating costs of the Group over the reporting period made up EUR 31 million and were higher by 4 percent as compared to the previous period when it accounted for EUR 29.7 million. The main reason affected such increase was increased costs of wages and taxes thereto as those grew up by 12 percent. The number of Group employees grew by 68 over the year as the Group expanded its agricultural machinery and service and trading centers.

The EBITDA of AB Linas Agro Group amounted to EUR 21.7 million compared to EUR 34.7 million in 2013/14 financial year.

It should be noted that the operating profit for FY 2013/14 included the profit resulting from the acquisition of Panevėžys District Žibartonių ŽŪB (EUR 2.8 million) and Latvian poultry companies (EUR 3.6 million). In addition, the Group recognized the one-off revenue of EUR 4 million resulting from writing off creditor liabilities. Also it has sold a lignin stock for a EUR 2.7 million. Excluding aforementioned factors, Group's operating and net profits declined by 5% and 12% and amounted to EUR 12 million and EUR 9 million respectively (in 2014/15 financial year), while Group's EBITDA remained almost unchanged and was EUR 21.7 million as compared to EUR 21.5 million.

As no significant acquisitions or disposals were recorded, the Group's income from other activities remained quite stable and amounted to EUR 2.5 million versus EUR 13.6 million in previous financial year. Losses from other activities remained the same and stood at EUR 0.8 million (EUR 0.8 million in FY 2013/14).

Losses from financial activities amounted to EUR 2.6 million or were almost the same as compared to previous financial year (EUR 2.9 million). Financial expenses over referenced period amounted to EUR 2.6 million and declined by 11% as compared to 2013/14 financial year (EUR 2.9 million). Despite the fact that amount of financial loans slightly increased from EUR 97 million to EUR 100 million, the decline in interest rate basis resulted into lower financials costs for the Group.

The net profit of the Group amounted to nearly EUR 9 million and was by 2.5 times lower than in the financial year 2013/14 when it reached EUR 23.6 million. Net profit attributable to the shareholders of the Company amounted to EUR 8.7 million (compared to EUR 21.2 million in the 2013/14 financial year). Net profit margin of the Group made up 1.6 percent.

The land management companies of the Group could not acquire agricultural land since May 1, 2014 as restrictions on legal and natural persons to acquire agricultural land were legitimized in Lithuania. At present, the area of the farming land owned by the Group including land leased from the state is over 6.7 thousand hectares.

The Group continued a successful implementation of the investment program aimed at the strengthening of trading activities in the Baltics - development and upgrading of grain storage facilities, strengthening fertilizer marketing and agricultural production.

The Group continues to expand the network of grain storage and fertilizer warehouses to be closer to its clients. The Group will expand its own storage capacity by 16 thousand tons for the new 2015/16 marketing season by opening new grain storages in Jungenai (Kalvarijos district, Lithuania) and Jekabpils (Latvia). The total Groups' own storage capacity for grain, feedstuffs and other agricultural produce will reach 254 thousand tons.

UAB Dotnuvos Projektai invested over EUR 1.7 million in the development. The first scheduled stage of modernization of a seed factory Dotnuva was completed: the annual seed preparation capacity increased from 15 thousand up to 22 thousand tons. The company's branches in Vilkaviškis and Joniškis (Lithuania) have been renovated, the agricultural machinery tire fitting service in Dotnuva (Lithuania), a branch in Valmiera, Latvia and a modern trade and service center in Talačkonys village of Pasvalys district (Lithuania) were opened.

The agricultural companies have invested almost EUR 2 million in the necessary renovation of agricultural machinery, equipment and buildings.

The group embarked on a program of investment in poultry companies managed by it, which is aimed at modernization of this activity and improving of its efficiency. In the reporting period, the Group invested EUR 2.2 million in the development of the rearing of poultry and renovation of poultry processing equipment and other machinery. The further investment in the companies mentioned above is planned during the next three years, with the aim of increasing the operating income from EUR 62 million to EUR 90 million.

The Group companies introduced a number of new products to the market - seeds of twelve varieties, two kinds of water-soluble fertilizers, specialized fertilizers for lawns, four kinds of plant protection products. This year, Linas Agro was granted exclusive rights to trade in several varieties of cereal and rapeseed in Lithuania for the first time. The seed storage service was launched in Kėdainiai. UAB Dotnuvos Projektai has opened an online shop and has ventured into a new field of activity - the trade in innovative and extremely cow-friendly milking equipment produced by BouMatic Robotics. A great number of new seasonal products are produced in Latvian poultry companies each year.

The Group companies have been consistently improving their collaboration with partners and customers, actively providing agronomic advice, conducted trainings for farmers. Seminars in agricultural science have been organized in early spring in five regions of the country, small groups of farmers have been formed in spring - a period of intense agricultural activities - in districts for dealing with relevant issues in the fields, demonstration tours of agricultural machinery have taken place in Latvia. In June, field days have been organized in five regions of Lithuania. In spring, a weekly radio broadcast was aired, presenting a brief overview of the most relevant problems related to crops, and their solutions.



"Dotnuvos Projektai" has implemented a customer relationship management system and direct advising of clients on its website, updated a customer database, founded the service department at Vilnius branch, increased the number of employees in Viljandi and Tartu branches in Estonia, is planning to open a branch in the city of Jekabpils (Latvia). In order to boost sales, the company started offering an extended warranty service period for some products sold in Estonia and started offering an opportunity for the farmers to test agricultural machinery in their fields in Latvia. In order to select the most promising varieties, company launched the precision cultivation trials of 28 well-known and new winter wheat varieties in Lithuania.

The issue of an extensive practical publication in the field of agricultural science was funded by the Group, which covers all major cereal and rapeseed cultivation techniques. Communication with farmers has been intensified in social networks as well.

UAB Dotnuvos Projektai was awarded a medal in the exhibition "Ką pasėsi... 2015" (Lithuania). The tractors brought by "Dotnuvos Projektai" won the first, second and two fourth places in the annual exhibition Traktordienās 2015 which took place in May 2015 in Latvia.

On 28 November 2014, AB Linas Agro received the marketing authorization from PI Ekoagros to trade organic products. Two Group companies - AB Linas Agro and Linas Agro AS - have been granted the GTP (European Good Trading Practice) certificates.

### 5. 3. CASH FLOWS AND LIQUIDITY

The Group's goal is to have sufficient financial resources, retain a high liquidity level and the quality of balance, secure some flexibility and freedom in borrowing as well as meet the Group's needs for working capital and investment.

On its balance sheet date, the Group had almost EUR 7 million of cash and cash equivalents (in 2013/14 the amount was EUR 9 million) while its current solvency ratio was 1.59. The debt-to-capital ratio reached 0.63 (last year it was 0.66). The Group's net debt and EBITDA ratio increased from 2.63 to 4.30. This is due to a lower Group's EBITDA which over the year dropped from EUR 34.7 million to EUR 21.8 million. The total financial debt of the Group (excluding financial lease contracts) amounted to EUR 100.3 million (in 2013/14 it was EUR 97.4 million) and increased moderately by 3 percent (mainly due to new financial loans granted for construction of two new grain elevators). The short-term debts of the Group accounts to 77 percent, the major part of which are used for working capital financing and are covered with inventory and receivables.

The Group's cash flow from operating activities before changes in working capital decreased from EUR 24.7 million to EUR 18.3 million. Cash flow from operating activities after the change in working capital was positive and amounted to EUR 15.4 million (in the same period of the financial year 2013/14 it amounted to EUR 2.9 million). This is the normal business situation as the season ended and majority of Group's stocks has been sold, what had a positive impact on Group's operating cash flow.

The Group's cash flow from investment activity was negative and amounted to EUR 16.0 million (compared to EUR 16.9 million in the financial year 2013/14). All Group-owned companies were actively involved in development including the expansion of the grain storage network, renewal of the fixed assets of agricultural companies, and investments into poultry business.

The Group's cash flow from financial activity was negative amounting to EUR 1.3 million, which was basically determined by an increase in the financial loans (EUR 12.6 million).

AB Linas Agro Group is fully able to finance its main and investment activities. The Group finances its working capital and long-term investments in mainly four banks - AB SEB Bank, ABN AMRO Bank N.V., Swedbank AB and AB DNB bank. The overall credit line held in these banks exceeding EUR 150 million.

## 5. 4. ACTIVITY RESULTS BY SEGMENTS

Activities of the Group are divided into five business segments:

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

### OPERATING PROFIT (LOSS) BY SEGMENTS, THOUSAND EUR:

	2014/15	2013/14	2012/13	2011/12
Grain and feedstuff handling and merchandising	7,484	10,978	23,379	9,189
Product and services for farming	965	1,796	7,645	25,835
Agricultural production	3,532	4,848	8,232	2,479
Food products	3,193	9,888	n.d.	n.d.
Other	97	2,745	(72)	446



## GRAIN AND FEEDSTUFF HANDLING AND MERCHANDISING

Being the largest operating Segment, this one includes the sale of grain, oilseeds and feedstuffs, as well as grain storage and logistics services. The Group has been operating in this field since 1991. This activity generates most of the Group's revenue.

"Grains" 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.). "Feedstuff" 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 logistics services.



## PERFORMANCE RESULTS OF GRAIN AND FEEDSTUFF HANDLING AND MERCHANDISING SEGMENT

Main financial indicators	2010/11	2011/12	2012/13	2013/14	2014/15	Change 2014/15 compared to 2013/14 (%)
Sales in tons	941,875	962,970	1,541,250	1,621,885	1,596,754	-1.5
Sales revenue, thousand EUR	252,036	262,538	472,629	421,622	388,313	-7.9
Gross profit, thousand EUR	4,275	13,346	29,227	18,795	13,318	-29.1
Gross profit margin	6.0%	4.6%	6.2%	4.5%	3.4%	-23.9

Due to the impact of lower world market prices for grain and oilseed, the revenue of this operating segment went down from EUR 421 million to EUR 388 million and the operating profit was EUR 7.5 million (EUR 10.9 million in FY 2013/14). Operating profit margin dropped from 2.6% to 1.9%. High supply of grains for export had a negative impact on grain trading profitability, also unstable situation in major feedstuff sourcing markets like Ukraine and Russia negatively affected their trading profitability as well. Nonetheless, the decrease in traded volume was insignificant and made 1.5% - from 1.62 to 1.59 million tons. The volume of traded grain went up from 1.1 to 1.2 million tons, but the volume of traded feedstuff dropped from 533 thousand tons in FY 2013/14 to 427 thousand tons.

The Group's grain elevators collected and processed almost 497 thousand tons of grain which was 16% more than over the same period last year (429 thousand tons).



## PRODUCTS AND SERVICES FOR FARMING

This business Segment includes the sale of seeds, plant protection products, fertilizers, agricultural and forestry machinery, grain storage and other equipment.

Supply of certified seeds, fertilizers, plant protection products to farmers is a long term activity of the Group. The grounds of this activity trace back to 1993, when the Group began entering into future production purchase contracts with farmers and crediting agricultural activities in exchange for the grown products. A great share of certified seeds is prepared at UAB Dotnuvos Projektai seed processing factory.

Supply of agricultural machinery is business activity, developed in three countries – Lithuania, Latvia and Estonia. This activity includes wholesale and retail trade of new and used agricultural and forest machinery and spare parts, as well as design and installation of grain cleaning, drying and storage facilities.

## PERFORMANCE RESULTS OF PRODUCTS AND SERVICES FOR FARMING SEGMENT

Main financial indicators	2010/11	2011/12	2012/13	2013/14	2014/15	Change 2014/15 compared to 2013/14 (%)
Sales in tons	450,006	333,469	144,197	205,298	215,947	5.2
Sales revenue, thousand EUR	139,383	120,172	114,920	127,962	125,376	-2.0
Gross profit, thousand EUR	12,915	11,120	11,684	13,243	12,426	-6.2
Gross profit margin	9.3%	9.3%	10.2%	10.3%	9.9%	-4.4

This operating segment experienced fall and there were objective reasons for that: absence of funding from the EU structural funds for purchase of agricultural machinery in all three Baltic countries, low grain prices and a strong decrease in milk purchase price.

The revenue of this operating segment went down from EUR 128 million to EUR 125 million, while operating profit has shrunken by 46% amounting to EUR 0.9 million.

Sales in agricultural machinery fell most, i.e. from EUR 49.7 million to EUR 44.1 million, which represents 11% reduction, although sales have started to pick up in the last months of the financial year. The sub-group of UAB Dotnuvos Projektai, which is trading these products, first time in its history finished financial year with a EUR 1.7 million loss. Despite that, the Group has sold 914 units of new and used agricultural machinery and equipment in the Baltic States - almost the same as in previous year (920 units). Also it has constructed 21 grain storage and collecting facilities or 28% less than in FY 2013/14 (27 grain storage and collecting facilities).

Sales of agricultural machinery went up in Lithuania, but had a big decline in Estonia, where the market has not yet started to recover since EU support program "Investments for increasing the productivity of agricultural companies" was missing during the reporting period. Tractor sales in Estonia have shrunken by 2.5 times up to 19 units, meanwhile in Lithuania they have grown by 16% to 108 units and in Latvia - by 76% up to 30 units.

Trade in fertilizers grew from EUR 51.8 million to EUR 52 million, and trade in plant protection products went up from EUR 11.8 million to EUR 14.9 million. Although the winter was favorable to farmers, they did not almost lost winter crops and the demand for seeds was lower in spring, seeds sales remained almost unchanged and amounted to EUR 14.4 million (EUR 14.6 million in FY 2013/14).

The governments of the Baltic countries have approved of the current rules of allocation of the EU support for the acquisition of agricultural machinery by the end of the reporting period. However, the implementation of respective projects is about to start, f. i., the Estonian market recovery is expected as early as spring 2016.

The Group has signed quite a number of supply contracts for sales agricultural machinery and installation of grain storage and preparation facilities, but their implementation will start only when the



farmers will have received the support funds, therefore, major of the contracts will only be finalized in FY 2015/16. The first sales orders under EU structural funds support will commence at the earliest in October 2015.

According to the Group's forecast, the sales volume and profitability of this operating segment will grow next financial year.



## 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 seven agricultural companies situated on fertile land across Lithuania – Panevėžys District Aukštadvario ŽŪB, Panevėžys District Žibartonių ŽŪB, Kėdainiai District Labūnavos ŽŪB, Šakiai District Lukšių ŽŪB, Biržai District Medeikių ŽŪB, Užupės ŽŪB and Sidabravo ŽŪB. Agricultural companies are cultivating 16,911 ha of land. The Group owns 5,556 ha of own land and 1,188 ha is under long term lease from the State.

On September 2013 the Group acquired agricultural company Panevėžys District Žibartonių ŽŪB. The company has been consolidated into the Group since September 2013.

### PERFORMANCE RESULTS OF AGRICULTURAL PRODUCTION SEGMENT

Main financial indicators	2010/11	2011/12	2012/13	2013/14	2014/15	Change 2014/15 compared to 2013/14 (%)
Sales in tons	41,221	42,907	77,484	100,319	113,531	13.2
Sales revenue, thousand EUR	11,424	13,622	23,305	27,603	25,153	-8.9
Gross profit, thousand EUR	5,574	3,554	4,890	4,344	6,049	39.2
Gross profit margin	48.8%	26.1%	21.0%	15.7%	24.0%	52.8

The farming companies of the Group harvested 42.6 thousand tons of wheat, 17.7 thousand tons of malting barley and 10.4 thousand tons of rapeseed over the reporting period. Also 13.36 thousand tons of sugar beet was grown or 10.5% more than a year before. Beans have been cultivated for the first time and 1,645 tons gained.

The average yield for wheat was 7.0 tons/ha (last year – 6.1 tons/ha), rapeseed – 3.3 tons/ha (the same in previous year), malting barley – 6.4 tons/ha (5.7 tons/ha in previous year).

The Group's agricultural companies sold almost 79 thousand tons of crop products over the reporting period, which is 13% more than last year (70 thousand tons). 67 thousand tons accounted for a various grains and 11.7 thousand tons for sugar beet.

There are 3,209 dairy cows in the Group's farms, i.e. 7% more than last year (2,999). The average milk yield per cow was 8.62 tons over the reporting period or 8% more than the previous year (7.96 tons). As many as 31 thousand tons of raw milk were sold, i.e. 17% more than last year (27 thousand tons). The purchase price of raw milk fell by as many as 21% as compared to the previous reporting period. The Group estimates that it has not received up to EUR 1.4 million in revenues because of decrease in milk purchase price (if milk purchase price would have remained similar to that in FY 2013/14).

In 2014, farming company Šakiai district Lukšių ŽŪB was announced the most efficient milk producer in Lithuania. It is also the sixth largest milk producer in Lithuania.

1,279 tons of beef cattle were sold – almost the same like a year before (1,299 tonnes). As compared to the previous year, the purchase price for meat went down by 16%.

Low purchase prices of grain and milk had a negative impact on the revenue of this operating segment which went down from EUR 28 million to EUR 25 million. Meanwhile, due to increased yields and already made provisions in 2013/14 for decline in milk prices what negatively affected Group's biological assets, operating profit of this business segments amounted to EUR 3.5 million as compared to EUR 4.8 million in FY 2013/14 (If the profit gained from acquisition of the agricultural company, amounting to EUR 2.8 million and accounted in FY 2013/14 would be eliminated, the operating profit for the respective period of FY 2013/14 would have been EUR 2.1 million).

In the last quarter of this financial year the allocated EU support funds (EUR 2.8 million) was accounted for and recognized, and the expected harvest from the biological assets (crops) also has been evaluated.



## 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. The Group has acquired shares of Latvian poultry company AS Putnu Fabrika Kekava in October, 2013 and the companies SIA Broileks, SIA Cerova and SIA Lielzeltini in February, 2014. The company SIA Putnu Fabrika Kekava is included in the Group as from November 2013, and the other companies as from February 2014, respectively, their results are consolidated in the Group's results since then.

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 subsidiary of the company, SIA PFK Trader operates 25 retail shops all over Latvia. The company sold 18,890 tons of poultry meat over the respective period, a little bit more than a year before (18,755 tons).

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 sold 12,308 tons of poultry meat over the respective period or 14% more than during the corresponding period of previous year (10,760 tons).

SIA Broileks grows and sells live chicken. The company produced over 1,336 tons of live weight of broilers over the respective period.



SIA Cerova incubate eggs and sells day-old chicks. The company produced almost 6.5 million day-old chicks over the respective period or 2.5 % more than previous year(6.3 million).

### PERFORMANCE RESULTS OF FOOD PRODUCTS SEGMENT

Main financial indicators	2010/11	2011/12	2012/13	2013/14	2014/15	Change 2014/15 compared to 2013/14 (%)
Sales in tons	-	-	-	17,023	40,881	140.2
Sales revenue, thousand EUR	-	-	-	33,600	62,180	85.1
Gross profit, thousand EUR	-	-	-	5,657	9,642	70.4
Gross profit margin	-	-	-	16.8%	15.5%	-7.9

The poultry companies sold over 31 thousand tons of poultry and poultry products over the reporting period.

Due to favorable market prices for feedstuff and improving operational efficiency, this operating segment of the Group is one of the most profitable in comparison with others. Sales revenue of the segment amounted to EUR 62 million and its operating profit was EUR 3.2 million (as compared to EUR 9.9 million in FY 2013/14 or EUR 2.1 million after elimination of one-off effect of acquisition).



### OTHER

After the Group has sold lignin stock, this business Segment includes an insignificant remaining Group's income not attributable to the other Segments, f. i., services of elevators to the third parties, sales of minor assets, etc.

### PERFORMANCE RESULTS OF OTHER SEGMENT

Main financial indicators	2010/11	2011/12	2012/13	2013/14	2014/15	Change 2014/15 compared to 2013/14 (%)
Sales in tons	49,962	9,273	4,293	394,610	1,356	-99.7
Sales revenue, thousand EUR	3,669	2,648	3,110	1,678	21	-100.0
Gross profit, thousand EUR	686	446	31	1,159	21	-100.0
Gross profit margin	18.7%	16.8%	1.0%	69.08%	100.0%	44.8

The sales and operating profit of the Segment were the same and totalled EUR 97 thousand. The Group sold lignin stock in previous FY 2013/14, and then Segment's revenue amounted to EUR 1.67 million and operating profit stood at EUR 2.74 million.

## 5. 5. INVESTMENTS

During the reporting period the Group's subsidiaries have invested nearly EUR 14 million. Major investments of the Group by character:

Investment object	Investment amount, thousand EUR
Grain storage equipment, warehouses, buildings, various appliances and other machinery	5,002
Purchase and upgrade of agricultural machinery, vehicles, equipment, buildings and purchase of land	5,970
Modernization and renovation of poultry farms	2,561
Other investments	436

## 6. THE PUBLICLY DISCLOSED INFORMATION AND OTHER EVENTS OF THE REPORTING PERIOD

### 6. 1. THE PUBLICLY DISCLOSED INFORMATION

During the reporting period ended June 30, 2015, the Company publicly disclosed and distributed via Nasdaq GlobeNewswire system and in Company's website the following information:

28/05/2015 13:00:31 EEST	Notification about interim 9 months financial results of the financial year 2014/2015	Interim information	Lt, En
13/05/2015 11:17:32 EEST	Linus Agro Group updates processing capacities and merges sales departments in Latvian poultry companies	Notification on material event	Lt, En
04/05/2015 09:02:30 EEST	Linus Agro Group participates in ERGO pension accumulation program	Other information	Lt, En
18/03/2015 10:53:32 EET	CORRECTION: AB Linas Agro Group investor's calendar for the 2015	Other information	Lt, En
27/02/2015 10:13:32 EET	Notification about interim 6 months financial results of the financial year 2014/2015	Interim information	Lt, En



23/12/2014 09:00:32 EET	AB Linas Agro Group investor's calendar for the 2015	Other information	Lt, En
28/11/2014 10:03:31 EET	Notification about interim 3 months financial results of the financial year 2014/2015	Interim information	Lt, En
30/10/2014 16:00:31 EET	Procedure for the payout of dividends for the financial year ended 30 June 2014	Notification on material event	Lt, En
30/10/2014 16:00:31 EET	AB Linas Agro Group notification about the Annual information of the financial year 2013/2014	Annual information	Lt, En
30/10/2014 16:00:31 EET	Results of voting of the Annual General Meeting of AB Linas Agro Group, held on 30 October, 2014	Notification on material event	Lt, En
08/10/2014 09:00:31 EEST	Notice on Annual general Meeting of Shareholders of AB Linas Agro Group	Notification on material event	Lt, En
16/09/2014 09:00:34 EEST	AB Linas Agro Group presentation to investors	Other information	Lt, En
29/08/2014 09:31:42 EEST	AB Linas Agro Group notification about interim twelve months financial results of the financial year 2013/2014	Interim information	Lt, En
05/08/2014 09:00:31 EEST	Credit line of LTL 228 million granted to company AB Linas Agro by SEB Bankas	Notification on material event	Lt, En
28/07/2014 09:00:30 EEST	SEB and DNB Banks grants €30 million for SIA Linas Agro expansion	Other information	En
11/07/2014 10:57:31 EEST	Notification on Linas Agro Group AB manager's related party transaction	Notifications on transactions concluded by managers of the companies	Lt, En

## 6. 2. OTHER EVENTS DURING THE REPORTING PERIOD

Nov, 2014-Jun, 2015	The Company additionally acquired 18,688 shares of AS Putnu Fabrika Kekava.
Aug, 2014-Jun, 2015	The share capital of Noreikiškių ŽŪB was increased from 359,997.68 to 433,000 euros.
27/05/2015	Panevėžys District Žibartonių ŽŪB sold 5,630.22 shares of Karčemos Kooperatinė Bendrovė.
March-May, 2015	UAB Linas Agro Konsultacijos additionally acquired 1,272.01 shares of Panevėžys District Aukštadvario ŽŪB.

Jul, 2014-May, 2015	UAB Linas Agro Konsultacijos additionally acquired 6,729.68 shares of Sidabravo ŽŪB.
Aug, 2014-March, 2015	The authorized capital of UAB Lineliai was increased from 466,288.23 to 553,000 euros.
27/03/2015	UAB Linas Agro Konsultacijos additionally acquired 68.39 shares of Panevėžys District Žibartonių ŽŪB.
04/02/2015	The Council of SIA Linas Agro was formed and representatives of the Group from Lithuania – Darius Zubas, Vytautas Šidlauskas and Dainius Pilkauskas– were elected the members of it.
09/01/2015	The new version of the Articles of Association of UAB Dotnuvos Projektai entered into force and the newly formed Board of the company with the members Darius Zubas, Andrius Pranckevičius and Tomas Tumėnas started operating.
08/01/2015	There was made a decision to liquidate the company UAB Žemės Ūkio Investicijos.
19/12/2014	The share capital of ŽŪB Landvesta 2 was increased from 342,330.86 to 349,571.37 euros.
04/12/2014	The authorized capital of SIA Linas Agro Graudu Centrs was increased from 2,828 to 1,656,828 euros.
26/11/2014	After the completion of the reorganization of UAB Fossio the company was deregistered, and its rights and obligations were passed to UAB Linas Agro Grūdų Centras. After merging UAB Fossio, the authorized capital of UAB Linas Agro Grūdų Centras increased from 37,650.60 to 171,037.76 euros.
Jul-Oct, 2014	The authorized capital of AS Putnu Fabrika Kekava was increased from 12,768,771.95 to 18,928,084 euros.
27/10/2014	AS Putnu Fabrika Kekava acquired the company SIA Erfolg Group.
30/09/2014	The Council of SIA Lielzeltini was formed and representatives of the Group from Lithuania Darius Zubas, Andrius Pranckevičius and Gintaras Maželis were elected the members of it. They all are the members of the Council of AS Putnu Fabrika Kekava as well.
22/09/2014	UAB Linas Agro Konsultacijos and AB Linas Agro sold shares of the farming company Panevėžys District Ēriškių ŽŪB.

### 6. 3. SUBSEQUENT EVENTS

18/08/2015	The company UAB Žemės Ūkio Investicijos was liquidated and delisted from the Center of Register of Republic of Lithuania.
Jul-Aug, 2015	The share capital of Noreikiškių ŽŪB was increased from 433,000 to 449,000 euros.



30/07/2015	The Company additionally acquired 299 shares of AS Putnu Fabrika Kekava.
17/07/2015	The authorized capital of ŽŪB Landvesta 4 was increased from 553,753.48 to 603,777.11 euros.
14/07/2015	There was made a decision to increase authorized capital of UAB Lineliai from 553,000 to 638,000 euros.

## 7. SCOPE OF RISK AND MANAGEMENT THEREOF

### 7.1. MARKET RISK

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

This risk did not manifest itself as regards the Company and the Group in FY 2014/15.

### 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 2014/15.

### 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.

The Group has been affected by such risk in FY 2014/15 in several ways:

1. The abolishment of milk quotas has created a surplus of raw milk in the market. Also a Russian embargo for EU dairy products has negatively affected prices for raw milk, what eventually had a negative impact on profitability of the farming companies of the Group;

2. The delay in funding rural development by EU Structural Funds was significant. The European Commission approved the Lithuanian, Latvian and Estonian rural development programs for the period 2014-2020 in February, 2015 only and this had a negative impact on sales of agricultural machinery and equipment in all Baltic States.

3. Due to certain prohibition to acquire agricultural land in Lithuania after the new Law has come into force in May, 2014, the Group was not able to purchase new arable land.

#### **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 2014/15.

#### **7.5. COUNTERPARTY RISK**

The Group enters forward contracts with more than 1,300 clients 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.

In 2014/15 financial year, the Group according its risk management policy has been using risk management mitigating tools for forward purchases. No loss has been recorded, as the situation in the market was positive for such forward purchases. The Group continuously monitored and analyzed the market, has revised and stringent the terms of its purchase agreements, analyzed probable scenarios for losses and made certain decisions to control risk (for example, setting limits on forward contracts, evaluation and assessment of client's credit rating, capacity of cultivated land etc.).

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

This risk did not manifest itself as regards the Company and the Group in FY 2014/15.



## 8. EMPLOYEES

As at 30 June 2015 the number of employees of the Group was 2,334 or 68 employees more than as at 30 June 2014 (2,266).

The number of employees of the Company remained unchanged and was 9 (9 as at 30 June 2014).

### 8. 1. DISTRIBUTION OF EMPLOYEES OF THE GROUP BY POSITIONS AND AVERAGE MONTHLY SALARY BEFORE TAXES:

	The number of employees at the end of financial year		Average monthly salary before taxes in EUR	
	30 June 2015	30 June 2014	30 June 2015	30 June 2014
Managers	132	118	2,447	2,340
Specialists	612	583	1,336	1,247
Workers	1,590	1,565	734	409
<b>Total</b>	<b>2,334</b>	<b>2,266</b>		

### 8. 2. DISTRIBUTION OF EMPLOYEES OF THE GROUP BY EDUCATION DEGREE HELD:

	30 June 2015	30 June 2014
Graduate academic	408	388
Higher education	446	369
Secondary education	1,146	1,119
Primary	334	390
<b>Total</b>	<b>2,334</b>	<b>2,266</b>

### 8. 3. DISTRIBUTION OF EMPLOYEES OF THE GROUP BY GEOGRAPHICAL LOCATIONS:

	30 June 2015	30 June 2014
Lithuania	1,097	1,052
Latvia	1,184	1,175
Estonia	47	33
Denmark	6	6
<b>Total</b>	<b>2,334</b>	<b>2,266</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 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. STRUCTURE OF THE AUTHORISED CAPITAL

There were no changes in authorized capital since 17 of February 2010.

On 30 June, 2015 the authorized capital of the Company amounted to EUR 46,032,321.01. 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	46,032,321.01	100
<b>Total</b>	<b>158,940,398</b>	<b>–</b>	<b>46,032,321.01</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 790,972 ordinary registered shares acquired by the Company that do not give the right to vote).

Neither limitations of the rights granted by the Company's shares nor special control rights for shareholders are provided for in the Company's Articles of Association.

### 9. 1. INFORMATION ABOUT THE COMPANY'S OWN SHARES

At the end of the reporting period, the Company holds 788,972 units of Company's shares which do not grant the right to vote in the General Meeting of Shareholders.

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

Annual General Meeting of AB Linas Agro Group, held on 24 of October 2013 assigned Board of the Company to purchase up to 1,589,403 ordinary registered shares of the Company, i.e. up to 1% of all Company shares, in 18 months period with the purpose to maintain and increase the price of the Company's shares. The reserve of EUR 1.825 million (LTL 6,300,000) has been formed for acquisition of the own shares. The decision has not been implemented and has ceased to be valid on April 24, 2015.



## 10. SHAREHOLDERS

The number of Company's shareholders at the end of the reporting period (30 June 2015) totaled 1,020.

### 10. 1. 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	120,902,117	75.07%
Individuals	1,363,918	0.86%
<b>Resident investors</b>		
Companies	2,820,311	1.77%
Individuals	33,854,052	21.30%
<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 in the General Meeting of shareholders as at 30 June, 2015:

	Number of shares held	Portion in the authorized capital and voting rights
Akola ApS (Company Code 2517487; registration address: c/o Advokat Henrik Christensen, Algade 31, 9000 Aalborg, Denmark)	88,984,443	55.99%
Darius Zubas	17,049,995	10.73%
SEB SA OMNIBUS (Luxembourg) clients	12,026,834	7.57%
Swedbank AS (Estonia) clients	10,720,893	6.75%

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

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

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

## 11. THE COMPANY'S BODIES AND THEIR COMPETENCE

The Company's bodies shall be as follows:

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

The Supervisory Board shall not be formed in the Company. As from 28 October 2010 the Company has an Audit Committee which was re-elected for the next 4 years cadence by Shareholders of the Company on 30 October 2014.

In their activities, the Company's bodies must follow the following principles:

1. The activities of all bodies of the Company should be focused on the implementation of the strategic goals of the Company taking into account the need of increasing the equity of the Company's shareholders.
2. The Company's management and supervisory bodies should maintain close mutual cooperation seeking maximum possible benefit to the Company and shareholders.
3. The Company's bodies should ensure that not only the rights and interests of the shareholders would be respected, but also those of other persons participating in the activities of the Company or related to those activities (employees, creditors, suppliers, customers, and local communities).
4. A member of a management body of the Company may not use the assets of the Company for private purposes, the use whereof was not discussed with him/her specifically, with his/her own assets or to use such assets or information received by such person in the capacity of a member of a body of the Company for personal benefit or for the benefit of a third person without consent of the Board of the Company.
5. A member of a management body of the Company should refrain from voting when decisions related to transactions or other issues, wherewith he/she is related by personal or business interest, are to be adopted.
6. The Company's bodies should act in a fair, diligent and responsible manner in respect to the benefits and interests of the Company and its shareholders taking into account the interests of the employees and public welfare.
7. The Company's management bodies, when adopting decisions assigned to their competence, should follow the recommendations specified in the Management Code for companies listed on AB NASDAQ OMX Vilnius Stock Exchange as far as it is reasonable and relevant according to the activities carried out by the Company and its objectives.

### 11. 1. GENERAL MEETING OF SHAREHOLDERS

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

In addition to the exclusive rights of a general meeting of shareholders specified in Article 20 of the Law of the Republic of Lithuania on Companies, the Company's General Meeting of Shareholders, with the right



of consultative vote (which is not obligatory unless it is approved by the Company's Board) has a right to consider and approve, at an Annual General Meeting of Shareholders, the following:

1. The Company's Remuneration Policy or any material change in the Company's Remuneration Policy as well as the report on the Remuneration Policy;

2. Schemes (including changes thereof), under which the Head of the Company and Board Members of the Company are to be remunerated in the form of the Company's shares, share options or other rights for the acquisition of shares, or are to be remunerated on the basis of changes in share prices. The approval should be related to the scheme itself, and the shareholders shall not be entitled to decide on the share-based benefit to be granted to separate persons according to that scheme;

3. In addition to the aforementioned schemes and changes thereof:

a. Allocation of the remuneration to the Head of the Company and Board Members of the Company on the basis of share-based schemes including share options;

b. Establishment of the maximum number of shares and basic conditions of the procedure for the granting of shares;

c. The period during which options can be exercised;

d. Conditions for establishing the change in the price of each further exercise of options provided that it is allowed by laws;

e. All other long-term schemes for the motivation of the Head of the Company and Board Members of the Company which are not offered to all other employees of the Company on similar conditions.

One general meeting of shareholders was held during FY 2014/15 – on 30th of October, 2014.

## 11. 2. BOARD OF THE COMPANY

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

The Company's Board consists of 7 (seven) members to be elected for a period of 4 (four) years. The Company's Board shall be elected by the Company's General Meeting of Shareholders pursuant to the following procedure and rules:

1. The Company shall be obliged to disclose to the Company's General Meeting of Shareholders all reasonably required information about the candidates to the Company's board members in order to enable the Company's General Meeting of Shareholders to adopt a document decision on the election of the Company's board members. The information should be provided prior to the Company's General Meeting of Shareholders, while providing the shareholders with a sufficient time reserve for deciding as for which candidate to vote.

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

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

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

The number of terms of Board members shall be unlimited.

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

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

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

The Board shall consider and approve the following:

1. The business strategy of the Company. The Board shall be responsible for preparing the Company's Business strategy. The Company's business strategy and objectives shall be made public. Shareholders shall be familiarized with the implementation of the strategy at the General Meeting of Shareholders;
2. The Company's Annual Report;
3. The Company's management structure and personnel positions;
4. Positions to which employees shall be employed only by holding competitions;
5. The Company's Remuneration Policy;
6. Reports on the Company's Remuneration Policy (with regard to the voting of the General Meeting of Shareholders);
7. The regulations of the Company's branches and representative offices.

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

The Board shall stipulate the information to be treated as commercial (industrial) secret of the Company. No information which must be public in accordance with the Law of the Republic of Lithuania on Companies and other laws of the Republic of Lithuania may be treated as commercial (industrial) secret.

The Board shall adopt the following:

1. Decisions on the Company's becoming an incorporator or participant of other legal entities;
2. Decisions on the establishment of branches and representative offices of the Company;
3. Decisions on the investment, transfer, and lease of fixed assets, the book value whereof exceeds EUR 593,721.04 (to be calculated separately for each type of the transactions);
4. Decisions on the pledge or mortgage of fixed assets, the book value whereof exceeds EUR 593,721.04 (to be calculated for the total amount of the transactions);
5. Decisions on offering surety or guarantee for the discharge of obligations of third persons, the amount whereof exceeds EUR 593,721.04;
6. Decisions on the acquisition of fixed assets, the price whereof exceeds EUR 593,721.04;



7. Decisions on the Company's transactions, the value whereof exceeds EUR 593,721.04;
8. Decisions on taking and providing loans, the value whereof exceeds EUR 593,721.04;
9. Decisions to issue the Company's bonds;
10. Decisions to restructure the Company in the cases stipulated by the Law of the Republic of Lithuania on Restructuring of Enterprises;
11. Other decisions assigned to the competence of the Board in the Articles of Association and decisions of the General Meeting of Shareholders.

The Board analyzes and evaluates the materials provided by the Head of the Company on the following:

1. Implementation of the business strategy of the Company;
2. Organization of the activities of the Company;
3. Financial condition of the Company;
4. Results of the business activities, estimates of incomes and expenses, and data of inventorying and other data of other accounting of changes in the assets.

The Board analyzes and evaluates the set of the annual financial statements and the draft of the profit (loss) appropriation of the Company, and shall provide them to the General Meeting of Shareholders alongside with the Annual Report of the Company. The Board shall establish the calculation methods for depreciation of tangible assets and amortization of intangible assets to be applied in the Company.

The Board is responsible for the timely convening and arrangement of the General Meetings of Shareholders. The Company's Board elects the Chairperson of the Board from among its members.

As at 30 June 2015, the number of the Company's board members was 7. The Company does not have independent members of the Board.

Twelve meetings of the Board have been organized and held during 2014/15 financial year, the members of the Board attended the meetings 100 percent.

#### **THE MEMBERS OF THE BOARD** (as at 30 June, 2015):



Darius  
Zubas

Vytautas  
Šidlauskas

Artūras  
Pribušauskas

Tomas  
Tumėnas

Arūnas  
Zubas

Andrius  
Pranckevičius

Dainius  
Pilkauskas

Name	Number of shares held and participation in Company's authorized capital	Position within the Board	Cadence starts	Cadence ends
Darius Zubas	17,049,995 or 10.73% of shares	Chairman of the Management Board	25/10/2012	24/10/2016
Vytautas Šidlauskas	6,003,521 or 3.78% of shares	Deputy Chairman of the Management Board	25/10/2012	24/10/2016
Dainius Pilkauskas	480,281 or 0.3% of shares	Member of the Management Board	25/10/2012	24/10/2016
Arūnas Zubas	480,281 or 0.3% of shares	Member of the Management Board	25/10/2012	24/10/2016
Artūras Pribušauskas	11,000 or 0.01% of shares	Member of the Management Board	24/10/2013	24/10/2016
Tomas Tumėnas	2,200 or 0.001% of shares	Member of the Management Board	25/10/2012	24/10/2016
Andrius Pranckevičius	Does not have shares of the Company	Member of the Management Board	25/10/2012	24/10/2016

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

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

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

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

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

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

**Andrius Pranckevičius** (b. 1976) – a graduate of Kaunas Technological University where in 1998 he obtained a bachelor's degree in Business Administration and, in 2000, master's degree in Marketing Management. He also took executive education programs in Harvard Business School, Wharton Business School, Stanford and Berkeley Business School (2004–2007) and program of leadership development in



Harvard Business School (2009). Joined the Group in 1999. Deputy Managing Director of AB Linas Agro Group since 2009.

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

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

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

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

The Group's management remuneration amounted to EUR 1,557 thousand (including EUR 1,042 thousand bonuses) for the year ended 30 June 2015. Average remuneration to the member of management board was EUR 225 thousand.

#### ACTIVITIES OF THE BOARD MEMBERS IN OTHER COMPANIES

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

Person / Companies	Position	Since	Until	Held currently
SIA Linas Agro	Deputy Chairman of the Supervisory Board	2015		Yes
<i>Other companies:</i>				
UAB MESTILLA	Member of the Management Board	2006	–	Yes
<b>Arūnas Zubas</b>				
<i>Companies of the Group:</i>				
AB Linas Agro	Member of the Management Board	2006	–	Yes
	Commerce Director	1995	2005	No
<i>Other companies:</i>				
UAB MESTILLA	Managing Director	2005	–	Yes
<b>Dainius Pilkauskas</b>				
<i>Companies of the Group:</i>				
AB Linas Agro	Trade Director for Baltic States	2006	–	Yes
	Member of the Management Board	2006	–	Yes
	Commerce Director	1991	2006	No
SIA Linas Agro	Member of the Supervisory Board	2015	–	Yes
<b>Andrius Pranckevičius</b>				
<i>Companies of the Group:</i>				
AB Linas Agro	Deputy Managing Director	2005	–	Yes
	Member of the Management Board	2006	–	Yes
	Business Development Manager	2003	2005	No
	Project Manager	2000	2003	No
	Marketing Manager of Veterinary Department	1999	2000	No
AS Dotnuvos Projektai	Member of Supervisory Board	2010	–	Yes
AS Putnu Fabrika Kekava	Member of Supervisory Board	2014	–	Yes
UAB Dotnuvos Projektai	Deputy Chairman of the Management Board	2015	–	Yes
SIA Lielzeltini	Member of the Supervisory Board	2015	–	Yes
<i>Other companies:</i>				
Lithuanian Agricultural Companies Association	Member of the Management Board	2008	–	Yes
<b>Tomas Tumėnas</b>				
<i>Companies of the Group:</i>				
AB Linas Agro	Member of the Management Board	2009	–	Yes
	Finance Director	2005	–	Yes
	Financial Analyst	2001	2005	No



Person / Companies	Position	Since	Until	Held currently
<i>Other companies:</i>				
UAB Baltic Fund Investments	Director	2003	–	Yes
<b>Artūras Pribušauskas</b>				
<i>Companies of the Group</i>				
AB Linas Agro	Member of the Management Board	2013	–	Yes
	Head of treasury	1999	–	Yes
	Advisor, financier	1993	1999	No
UAB Gerera	Chief financier, manager, advisor	1993	1999	No
<i>Other companies</i>				
UAB MESTILLA	Member of the Management Board	2013	–	Yes

### 11. 3. THE HEAD OF THE COMPANY

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

The Head of the Company shall be responsible for the following:

1. Organization of the Company's activities and implementation of its objectives;
2. Drawing up of the set of the annual financial statements and preparation of the Annual Report of the Company;
3. Conclusion of the agreement with the firm of auditors when audit is obligatory in accordance with the laws or the Company's Articles of Association;
4. Submission of information and documents to the General Meeting of Shareholders and the Board in the cases stipulated by Law of the Republic of Lithuania on Companies or at the request of the aforementioned bodies;
5. Submission of documents and particulars of the Company to the Administrator of the Register of Legal Entities;
6. Provision of the Company's documents to the Securities Commission and the Central Securities Depository of Lithuania if it is required according to the effective legal acts;
7. Publication of the information stipulated by the Law of the Republic of Lithuania on Companies in the daily newspapers specified in the Company's Articles of Association;
8. Provision of information to shareholders;
9. Performance of other duties stipulated in the Law on Companies and other laws and legal acts of the Republic of Lithuania as well as in the Company's Articles of Association and office regulations of the Head of the Company.

The Head of the Company, within the scope of his/her competence, shall conclude transactions with third persons and represent the Company in all institutions and relations with third persons. The Head of the Company shall be obliged to receive a written approval of the Board of the Company for transactions to be concluded on behalf of the Company with third persons when the approval of such transactions lies

within the scope of the competence of the Board. The Board's approval shall not annul the responsibility of the Head of the Company for the conclusion of the transactions specified in this Clause.

The Head of the Company shall organize daily activities of the Company, employ and dismiss employees, conclude and terminate employment contracts with them, and motivate and impose penalties on them.

The Head of the Company shall establish the rates of depreciation of assets to be applied in the Company and has the right to issue procurations.

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

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

#### **11. 4. COMMITTEES FORMED BY THE COMPANY**

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

##### **THE MEMBERS OF AUDIT COMMITTEE AS AT 30 JUNE 2015:**

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

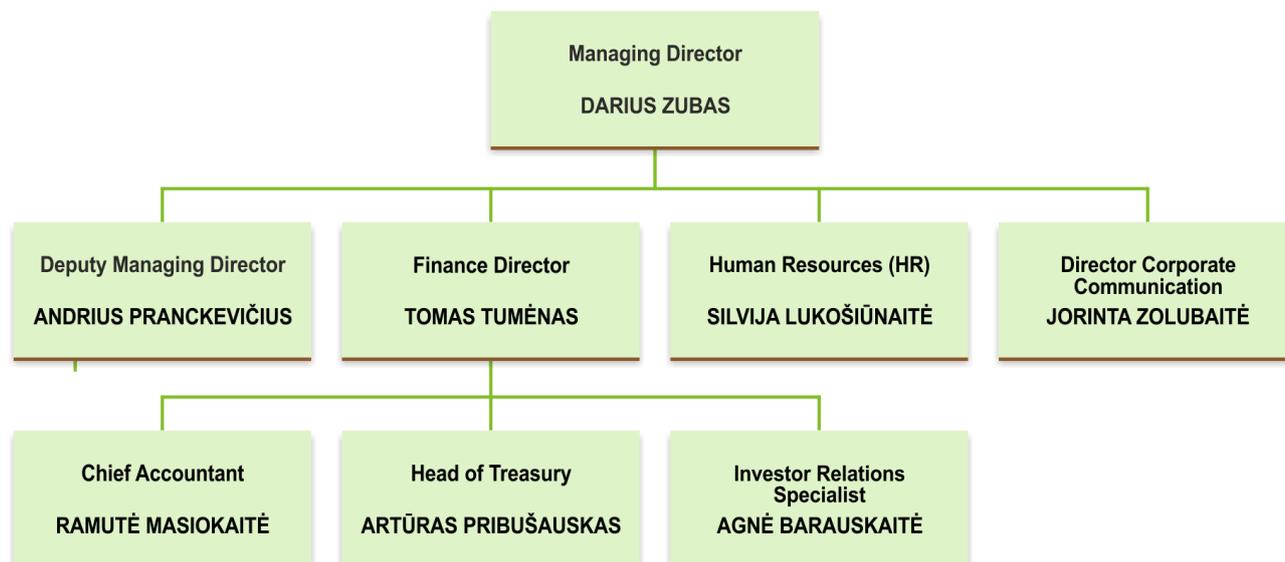
**Artūras Pribušauskas** – member of the Audit Committee. Term of office began on 30 October 2014, term of office ends on 30 October 2018. Treasury Manager of the Company and also employed as a Treasury Manager at AB Linas Agro. Elected the Member of the Board as from October 24, 2013 (look chapter **THE BOARD**). Shareholder of the Company – owns 11,000 shares of the Company or 0.01% of all shares and votes of the Company.

**Kristina Prūsienė** – member of the Audit Committee. Term of office began on 30 October 2014, term of office ends on 30 October 2018. Does not own shares of the Company. Employed at AB Linas Agro as an Accountant.



## 12. THE COMPANY'S ADMINISTRATION

### 12. 1. THE SCHEME OF ADMINISTRATIVE MANAGEMENT



### 12. 2. MANAGEMENT OF THE COMPANY

Company Management as of 30 June 2015:



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 **THE BOARD**.

**Ramutė Masiokaitė** (b. 1971) – Chief Accountant. Have no shares of the Company. Graduated from Vilnius University in 1994 and acquired the qualifications of economics, financial and credit specialist. She started her employment with the Group in 1998. In 2009 was appointed as Chief Accountant of AB Linas Agro Group.

During the reporting period the Company's management remuneration amounted EUR 4 thousand.

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

### ACTIVITIES OF THE COMPANY MANAGEMENT IN OTHER COMPANIES

Information about Darius Zubas, Andrius Pranckevičius, and Tomas Tumėnas is provided in the chapter **BOARD OF THE COMPANY**.

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

## 13. INFORMATION ABOUT TRADE IN THE COMPANY'S SECURITIES IN REGULATED MARKETS

During the reporting period from 1 July 2014 to 30 June 2015, all 158,940,398 ordinary registered shares of the Company were included in the Official List of AB NASDAQ OMX Vilnius Stock Exchange (ISIN Code of the shares is LT0000128092). The ticker of the shares on AB NASDAQ OMX Vilnius Stock Exchange is LNA1L. Trading in the Company's shares on AB NASDAQ OMX Vilnius Stock Exchange started on 17 February 2010.



### 13. 1. TRADE IN THE COMPANY'S SHARES

Information on the automated execution transactions, prices of shares sold on AB NASDAQ OMX Vilnius Stock Exchange and turnovers during the period from 1 July 2014 to 30 June 2015:

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 2014	0.738	0.652	1,466,718.88	0.00	0.707	1,820.70	30/09/2014	4,492,718	3,150,266.58
Q4 2014	0.710	0.665	312,856.63	0.00	0.690	51,429.25	30/12/2014	2,215,169	1,516,151.23
Q1 2015	0.738	0.685	250,656.22	0.00	0.693	1,403.43	31/03/2015	2,143,119	1,513,650.24
Q2 2015	0.710	0.683	205,500.00	0.00	0.685	0.00	30/06/2015	1,365,852	941,161.34

### 13. 2. CAPITALISATION OF THE COMPANY'S SHARES

Date	Capitalization, EUR	Share Price, EUR
30/09/2014	112,370,861.39	0.707
30/12/2014	109,668,874.62	0.690
31/03/2015	110,145,685.81	0.693
30/06/2015	108,874,172.63	0.685

### 13. 3. COMPANY'S SECURITIES TRADING ON THE OTC (OVER-THE-COUNTER) MARKET

Year and quarter	Price, EUR			Total turnover for the quarter units	
	Max	Min	Avg	Cash payments	Non-cash payments
Q3 2014	0.72	0.32	0.60	6,673,693	2,617,346
Q4 2014	0.70	0.34	0.63	9,643,418	2,294,187
Q1 2015	0.70	0.33	0.59	4,723,610	1,362,691
Q2 2015	0.71	0.23	0.48	5,382,926	247,000

### 13. 4. AGREEMENTS CONCLUDED WITH INTERMEDIARIES OF THE PUBLIC SECURITIES MARKET

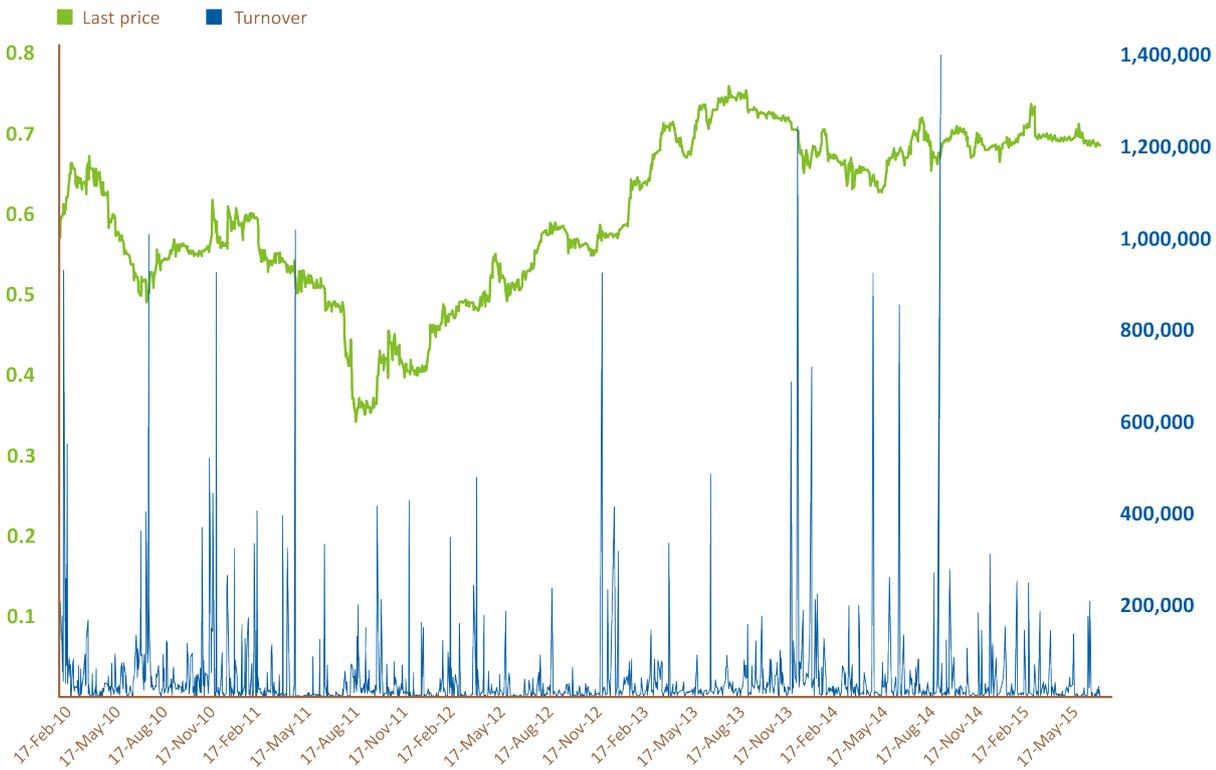
On 11 November 2009, the Company signed the Issuer's Securities Accounting Management Agreement with Swedbank, AB represented by the Securities Transactions Department (Code 112029651; address: Konstitucijos ave. 20A, LT-03502 Vilnius).

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



### 13. 5. AB LINAS AGRO GROUP SHARE PRICE AND TURNOVER

Information on changes in the prices of Company's shares and turnover from starting trade (17 February, 2010) until the end of the reporting period, i. e. 30 June 2015, is presented in the following diagram:



### 13. 6. LINAS AGRO GROUP SHARE PRICE VS OMX BALTIC BENCHMARK GI INDEX FLUCTUATION

AB Linas Agro Group is included in the composition of the comparative index OMX Baltic Benchmark of the stock exchanges of the Baltic countries from 1 July 2010.





## 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.

Following the decision by the General Meeting of Shareholders to amend the Articles of Association of the Company, the full text of the amended Articles of Association shall be drawn up and signed by the person authorized by the General Meeting of Shareholders.

All and any amendments to the Articles of Association of the Company shall enter into force only after registering them in accordance with the procedure stipulated by the legal acts of the Republic of Lithuania.

## 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 #32 of the Explanatory Note to the Consolidated Annual Financial Statements for 2014/15 financial year.

## 17. INFORMATION ABOUT THE COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

The Company complies with the company management procedures stipulated in the Law of the Republic of Lithuania on Companies. The Company complies with the essential management principles for the companies listed on AB NASDAQ OMX 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 OMX Vilnius Stock Exchange is disclosed in Annex 1 to this Annual Report in accordance with the form approved by the Stock Exchange.

## 18. SOCIAL AND ENVIRONMENTAL RESPONSIBILITY

### 18. 1. SOCIAL RESPONSIBILITY IN RELATIONS WITH EMPLOYEES

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

Employees have the opportunity for studying, raising their qualification, participating in various seminars and trainings in Lithuania and abroad. A continuous training project was completed during the reporting period, which included studies of self-motivation, teamwork, influence making, negotiation and effective work planning. Various trainings are also organized by the Group itself: sellers of agricultural machinery are taken to manufactures and agronomists have trips to foreign producers, where they get acquainted with innovations in production of plant protection products and micronutrients).

As of 1 April 2015, AB Linas Agro contributes to the financial stability of its employees: 60 employees of the company expressed willingness to participate in the pension accumulation program: to conclude individual contracts for pension accumulation. The employer will allocate the same amount for pension accumulation. If pension accumulation program becomes successful and is enjoyed by employees, it will be implemented in the other companies of the Group.

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

A joint summer event is organized for the employees of the Group, the aim of which is to form conditions for employees working in companies in four countries to get acquainted with each other in informal surroundings, to strengthen the communication and cooperation in the collective. The majority of companies of the Group organize summer and Christmas events to their employees as well as birthdays of companies independently.

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

### 18. 2. RESPONSIBILITY TO THE SOCIETY, SOCIAL PROJECTS

The Group is actively cooperating with local communities and international organizations and participated in their projects in the fields of culture, civic education and scientific education, as well as is continuing the long-term friendship with the farmers' organizations. A total of 132 support and co-operation projects have been implemented in the reporting period. The Group's social investments were EUR 225 306.

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



1. 118,650 euros were allocated to educational and research institutions, as well as their events, from this number – 4,928 euros allocated as scholarships;
2. 32,635 euros were allocated to cultural, recreational and sports events of local communities;
3. 30,132 euros were allocated to children and youth engagement projects;
4. 11,327 euros were allocated to farmers' organizations;
5. 11,434 euros were allocated to the disabled, foster homes for children, children's medical institutions;
6. 4,445 euros were allocated to educational and public spirit promoting projects;
7. 1,148 euros were allocated to public health projects.

UAB Dotnuvos Projektai and Aleksandras Stulginskis University share the history of the years-long cooperation; the company was awarded the title of the Patron of the University back in 2004. This year, the company presented special gifts to two academic institutions where the future agricultural professionals are trained. Tractors "CASE IH Farmall U Pro 115" were donated to the Aleksandras Stulginskis University (Lithuania) and the Latvian Agricultural University, to be used for students' practical training.

### **18. 3. ENVIRONMENTAL RESPONSIBILITY**

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

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

The Group has agreements with packaging waste management companies.

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

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

The grain elevators of UAB Linas Agro Grūdų centras KŪB take constant care of the environment protection: air filters and oil traps are cleaned periodically, sales contracts of industrial waste have been concluded in all repositories of grains. Shed have been constructed above old grain reception pits in Joniškis which enabled to reduce dusting during grain discharge markedly.

In Spring AS Putnu Fabrika Kekava completed the reconstruction of the manure tank. The Latvian State Environmental Agency has issued a pollution license of category A to AS Putnu Fabrika Kekava and of category B to SIA Lielzeltini, which confirms that the companies operate in accordance with the environmental requirements applied to their activities.



ANNEX 1 TO THE CONSOLIDATED ANNUAL REPORT  
OF AB LINAS AGRO GROUP FOR FINANCIAL YEAR 2014/15

## AB LINAS AGRO GROUP

INFORMATION ON COMPLIANCE

## WITH THE CORPORATE GOVERNANCE CODE

FOR THE COMPANIES LISTED ON AB NASDAQ OMX VILNIUS



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AB Linas Agro Group, following Article 21 paragraph 3 of the Law on Securities of the Republic of Lithuania and item 24.5 of the Listing Rules of AB NASDAQ OMX Vilnius, below discloses its compliance with the Corporate Governance Code for the Companies Listed on AB NASDAQ OMX Vilnius, and its specific provisions.

## PRINCIPLE I. BASIC PROVISIONS

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

### **1.1. 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 by its corporate actions and reports to investors about the activities of the Company, communications presented in the statements of the Company's management in the press.

### **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.

## PRINCIPLE II.

### THE CORPORATE GOVERNANCE FRAMEWORK

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

#### 2.1. 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:**

So far the Board is able to properly perform the supervision of implementation of adopted strategic decisions and the 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.

## **PRINCIPLE III.**

### **THE ORDER OF THE FORMATION OF A COLLEGIAL BODY TO BE ELECTED BY A GENERAL SHAREHOLDERS' MEETING**

*The order of the formation a collegial body to be elected by a general shareholders' meeting should ensure representation of 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) may be discussed in the future.

The Audit Committee has one independent member.

### 3.7. Recommendation:

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

- 1) He/she is not an executive director or member of the board (if a collegial body elected by the general shareholders' meeting is the supervisory board) of the company or any associated company and has not been such during the last five years;
- 2) He/she is not an employee of the company or some any company and has not been such during the last three years, except for cases when a member of the collegial body does not belong to the senior management and was elected to the collegial body as a representative of the employees;
- 3) He/she is not receiving or has been not receiving significant additional remuneration from the company or associated company other than remuneration for the office in the collegial body. Such additional remuneration includes participation in share options or some other performance based pay systems; it does not include compensation payments for the previous office in the company (provided that such payment is no way related with later position) as per pension plans (inclusive of deferred compensations);
- 4) He/she is not a controlling shareholder or representative of such shareholder (control as defined in the Council Directive 83/349/EEC Article 1 Part 1);
- 5) He/she does not have and did not have any material business relations with the company or associated company within the past year directly or as a partner, shareholder, director or superior employee of the subject having such relationship. A subject is considered to have business relations when it is a major supplier or service provider (inclusive of financial, legal, counseling and consulting services), major client or organization receiving significant payments from the company or its group;
- 6) He/she is not and has not been, during the last three years, partner or employee of the current or former external audit company of the company or associated company;
- 7) He/she is not an executive director or member of the board in some other company where executive director of the company or member of the board (if a collegial body elected by the general shareholders' meeting is the supervisory board) is non-executive director or member of the supervisory board, he/she may not also have any other material relationships with executive directors of the company that arise from their participation in activities of other companies or bodies;
- 8) He/she has not been in the position of a member of the collegial body for over than 12 years;

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

**Company's commentary:**

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

**3.8. Recommendation:**

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

**Company's commentary:**

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

**3.9. Recommendation:**

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

**Company's commentary:**

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

**3.10. Recommendation:**

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

**Company's commentary:**

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

**3.11. Recommendation:**

In order to remunerate members of a collegial body for their work and participation in the meetings of the collegial body, they may be remunerated from the company's funds.<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.

## PRINCIPLE IV. THE DUTIES AND LIABILITIES OF A COLLEGIAL BODY ELECTED BY THE GENERAL SHAREHOLDERS' MEETING

The corporate governance framework should ensure proper and effective functioning of the collegial body elected by the general shareholders' meeting, and the powers granted to the collegial body should ensure effective monitoring <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 2014/15 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 one independent member.

#### 4.10. Recommendation:

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

#### Company's commentary:

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

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

#### 4.11. Recommendation:

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

#### Company's commentary:

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

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

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

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

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

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

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

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

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

- 1) Make proposals, for the approval of the collegial body, on the remuneration policy for members of management bodies and executive directors. Such policy should address all forms of compensation, including the fixed remuneration, performance-based remuneration schemes, pension arrangements, and termination payments. Proposals considering performance-based remuneration schemes should be accompanied with recommendations on the related objectives and evaluation criteria, with a view to properly aligning the pay of executive director and members of the management bodies with the long-term interests of the shareholders and the objectives set by the collegial body;
- 2) Make proposals to the collegial body on the individual remuneration for executive directors and member of management bodies in order their remunerations are consistent with company's remuneration policy and the evaluation of the performance of these persons concerned. In doing so, the committee should be properly informed on the total compensation obtained by executive directors and members of the management bodies from the affiliated companies;

- 3) Ensure that remuneration of individual executive directors or members of management body is proportionate to the remuneration of other executive directors or members of management body and other staff members of the company;
- 4) Periodically review the remuneration policy for executive directors or members of management body, including the policy regarding share-based remuneration, and its implementation;
- 5) Make proposals to the collegial body on suitable forms of contracts for executive directors and members of the management bodies;
- 6) Assist the collegial body in overseeing how the company complies with applicable provisions regarding the remuneration-related information disclosure (in particular the remuneration policy applied and individual remuneration of directors);
- 7) Make general recommendations to the executive directors and members of the management bodies on the level and structure of remuneration for senior management (as defined by the collegial body) with regard to the respective information provided by the executive directors and members of the management bodies.

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

- 1) Consider general policy regarding the granting of the above mentioned schemes, in particular stock options, and make any related proposals to the collegial body;
- 2) Examine the related information that is given in the company's annual report and documents intended for the use during the shareholders meeting;
- 3) Make proposals to the collegial body regarding the choice between granting options to subscribe shares or granting options to purchase shares, specifying the reasons for its choice as well as the consequences that this choice has.

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

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

**Company's commentary:**

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

**Company's commentary:**

The Audit Committee follows the functions assigned to it.

**4.15. Recommendation:**

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

**Company's commentary:**

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

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

## **PRINCIPLE V. THE WORKING PROCEDURE OF THE COMPANY'S COLLEGIAL BODIES**

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

**5.1. 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>.

<sup>12</sup> *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 cooperate 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.

## PRINCIPLE VI. 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 Globe Newswire information system as well as on the Company's website in the Lithuanian and English languages.

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 Globe Newswire 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 Globe Newswire 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.

## PRINCIPLE VII. THE AVOIDANCE OF CONFLICTS OF INTEREST AND THEIR DISCLOSURE

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

### 7.1. 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.

## PRINCIPLE VIII. COMPANY'S REMUNERATION POLICY

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

### 8.1. 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:**

Not applicable for the reasons specified in Clause 8.13.

**8.15. Recommendation:**

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

**Company's commentary:**

Not applicable for the reasons specified in Clause 8.13.

**8.16. Recommendation:**

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

**Company's commentary:**

Not applicable for the reasons specified in Clause 8.13.

**8.17. Recommendation:**

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

**Company's commentary:**

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

**8.18. Recommendation:**

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

**Company's commentary:**

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

**8.19. Recommendation:**

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

shareholders' approval prior to their adoption; the approval decision should be made in shareholders' annual general meeting. In such case shareholders should be notified on all terms of suggested changes and get an explanation on the impact of the suggested changes.

**Company's commentary:**

Not applicable. Such remuneration schemes are not implemented in the Company.

**8.20. Recommendation:**

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

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

**Company's commentary:**

Not applicable. The remuneration in shares is not implemented in the Company.

**8.21. Recommendation:**

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

**Company's commentary:**

Not applicable.

**8.22. Recommendation:**

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

**Company's commentary:**

Not applicable.

**8.23. Recommendation:**

Prior to the annual general meeting that is intended to consider decision stipulated in Article 8.19, the shareholders must be provided an opportunity to familiarize with draft resolution and project-related

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

**Company's commentary:**

Not applicable.

## PRINCIPLE IX. THE ROLE OF STAKEHOLDERS IN CORPORATE GOVERNANCE

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

**9.1. 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 OMX Vilnius Stock Exchange or 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 OMX Vilnius Stock Exchange and the Company.

## PRINCIPLE X. INFORMATION DISCLOSURE AND TRANSPARENCY

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

### 10.1. 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 Globe Newswire 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 OMX 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 Globe Newswire information system and on the Company's website in Lithuanian and English languages. The Company makes efforts to present all corporate actions 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 Globe Newswire 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 Globe Newswire 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.

## PRINCIPLE XI. THE SELECTION OF THE COMPANY'S AUDITOR

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

#### 11.1. Recommendation:

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

#### Company's commentary:

This recommendation is implemented partly.

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

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

#### 11.2. Recommendation:

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

**Company's commentary:**

This recommendation is fully implemented.

**11.3. Recommendation:**

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

**Company's commentary:**

The auditors provided the Company with the consultations on tax issues in the financial year 2014/15.