



## CONFIRMATION OF RESPONSIBLE PERSONS

Following the Law on Securities of the Republic of Lithuania and Rules on Preparation and submission of Periodical and Additional Information of the Lithuanian Securities Commission, we, Darius Zubas, General Director of AB Linas Agro Group and Tomas Tumėnas, Finance Director of AB Linas Agro Group, hereby confirm that, to the best of our knowledge, AB Linas Agro Group Audited Consolidated and Parent Company's Financial Statements for the financial year ended 30 June 2012, prepared in accordance with International Financial Reporting Standards as adopted by the European Union, give a true and fair view of assets, liabilities, financial position, profit or losses and cash flow of AB Linas Agro Group and the Group as well. We also confirm that review of the business development and activities, together with the description of the major risks and indeterminations incurred, are correctly revealed in the Consolidated Annual Report for the 2011/2012 financial year.

AB Linas Agro Group Managing Director

Darius Zubas

25 September 2012

A blue ink handwritten signature of Darius Zubas, consisting of a large loop at the top and a series of connected strokes below.

AB Linas Agro Group Finance Director

Tomas Tumėnas

25 September 2012

A blue ink handwritten signature of Tomas Tumėnas, featuring a large, sweeping initial 'T' followed by several connected strokes.





**AB LINAS AGRO GROUP**

**CONSOLIDATED ANNUAL REPORT**

**FOR THE FINANCIAL YEAR**

**2011/2012**





our values

**teamwork**

**tolerance**

**striving for progress**

**long term partnership**

**respect for everybody**

**attention**



## MANAGING DIRECTOR'S ADDRESS



Dear shareholders,

We are pleased that Linas Agro Group's operations were successful in the last financial year: growth was recorded in several areas of activities and our turnover was not reduced by the sale of the Ukrainian company.

The volume of trade with foreign countries increased from 72% to 76%. The growth in trade volumes was recorded in such segments as feedstuffs, agricultural inputs, and other products and services.

The volume of trade in grain and oilseeds has dropped after we abandoned our trading activities in Serbia due to high risks. Considerable losses in terms of grain and rapeseeds were incurred due to the freezing of winter crops in Lithuania and Latvia in winter of 2011. The volume of agricultural inputs supply was reduced by the sale of the Ukrainian business. Given the aforementioned circumstances, we consider the trading results achieved to be very good.

At the beginning of February, shares in PJ-SC UKRAGRO NPK, a Ukrainian fertiliser production and trading company, were sold to OSTCHEM international chemical concern for consideration in amount of LTL 90.8 million. We decided to withdraw from the Ukrainian market because of the strong concentration processes, and we received a good price for the shares. In our opinion, the decision was correct and timely – the company had reached the limit of its possibilities.

The proceeds from the share sale were used for the development in Lithuania. We continued to implement our investment programme aimed at strengthening of trading activities in the Baltic Region, modernising and expanding the grain storage infrastructure, modernising agricultural companies of the Group and acquiring new, and purchasing land for agricultural use. LTL 34 million were invested in the infrastructure development in 2011/2012.



Last year, new grain elevators were constructed in Pasvalys and Šakiai during a record four-month period (opened in August 2011) and the Vilkaviškis elevator storage capacity was expanded. In 2012, we are building, jointly with our partners, a new grain elevator in Panevėžys district. This year, when the crop yields are high, has made it obvious that grain storage facilities are still lacking in Lithuania.

Our operations were profitable in all segments and the gross profit of the Group grew by 17% up to LTL 95 million. This is one of the best results over the past five-year period. Upon elimination of the effect of disposal of the Ukrainian business, the profit before taxes was almost LTL 54 million.

The gross profit margin increased from 5.98% to 7.09%. This is a good result compared with the sectoral average (5.5-6.0%), showing that the Group has the potential to achieve very good results.

Upon taking over the full management of the Danish company, for the first time the Group started operating in the international markets under a single name – “Linus Agro”; the name “Rosenkrantz” is no longer in use. In our opinion, the single name will strengthen the Group’s position and international visibility in the sourcing and sale markets.

This year our sales volume has already exceeded 1.3 million tons, and we will seek to further increase it in the future.

Our vision is to become a leader in the Baltic agribusiness sector. And this vision is being transformed into reality. The number of our standing customers in Lithuania is increasing from year to year. We believe that implementation of our development plans will help us consolidate our position in Latvia and Estonia, the more so that new, unplanned opportunities are sometimes opened by the synergy between the different lines of activities.

We believe that we will meet your expectations.

Sincerely yours,

Managing Director  
Darius Zubas

**21**  
**YEARS**

creating value  
in international  
commodity trade





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## 1. REPORTING PERIOD OF THE ANNUAL REPORT

Financial year of AB Linas Agro Group starts on 1 July of each calendar year and ends on 30 June of the next year; therefore, this Annual Report has been prepared for 2011/2012 financial year, and all the figures are stated as at 30 June 2012 unless it is indicated otherwise.

## 2. 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 and have been audited unless it is indicated otherwise.

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

In this Report AB Linas Agro Group is referred to as the Company or the Group as the context may require.

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### 3. ABOUT THE COMPANY

#### AB LINAS AGRO GROUP AND ITS GROUP OF COMPANIES

AB Linas Agro Group together with its subsidiaries and joint ventures is an integrated agribusiness developing Group of companies engaged in the production of and trade in agricultural produce, feed raw materials and agricultural inputs.

The Group's activities are subdivided into five basic operating segments: Grains and Oilseeds, Feedstuffs, Farming, Agricultural Inputs, and Other Activities. Division into separate segments is dictated by different types of products and character of related activities; however, activities of the segments are often interconnected. The holding 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 secondary products of food industry in the Baltic countries and one of the leaders in supplies of agricultural inputs (such as certified seeds, fertilisers and agricultural machinery) in Lithuania. The Group is a major grains and milk producer in Lithuania, has formed and further expands an extensive network of grain storages.

The Group carries out its trading operations mostly through subsidiaries AB Linas Agro (Lithuania) and Linas Agro A/S (Denmark). Both companies enhance the international reputation, are GTP (European Good Trading Practice) certified companies and ensure their position among the key players of the European market.

The total headcount of the Group amounts to 595 employees performing their functions in four countries. The financial year of most of the companies of the Group begin on 1 July.



#### HISTORY AND DEVELOPMENT OF LINAS AGRO GROUP

1991

The Group's history dates back to 8 July 1991, when several Lithuanian individuals lead by Darius Zubas established UAB Linas ir Viza (currently named AB Linas Agro) in Lithuania. Darius Zubas remains to be actively involved in business development and currently shares the positions of the Board Chairman of the Company and the Head of the Company.

1993

With a view to ensuring supplies of grains and rapeseed, the Group started concluding cooperation agreements with Lithuanian farmers, which later on developed into the Rapeseed and Grains Cultivation Programme. The Programme was aimed at



developing the relationships with farmers by consulting them on yield improvement issues as well as at expanding the Group's activities in the area of agricultural inputs covering such products as certified seeds, fertilisers, agricultural machinery etc.

**1998**

By acquiring a 50% stake in UAB Dotnuvos projektai, the Group started its operations in the agri-supplies market. The initial business model of UAB Dotnuvos Projektai was based on the resale of agricultural machinery and agricultural produce of other producers to Lithuanian farmers; however, in 2001 the company put into operation its own seed processing factory and started trade in certified seeds of own processing.

**2002**

The Group constructed the first modern grain storage and started to provide grain processing and storage services.

**2003**

The Group entered the market of primary agricultural production and for the purpose acquired several Lithuania farms engaged in dairy farming, crop production, and cultivation of oilseed rape and sugar beet.

**2006**

The Group started trading in solid biofuel. The legal form of UAB Linas ir Viza was changed, and the company was renamed as AB Linas Agro.

**2008**

The Group acquired a grain storage facility in Šiauliai and 60% shares of its long-term trading partner Rosenkrantz A/S (since 01-07-2011 Linas Agro A/S). The legal form of holding UAB Agriveta was changed, and the company became public company AB Linas Agro Group.

**2010**

AB Linas Agro Group completed initial public offering of shares and has been listed on NASDAQ OMX Vilnius Stock Exchange starting from 17 February 2010. The Group acquired UAB Lignineko, a lignin biofuel feedstock operator, and Farmer Service centres in Joniškis and Kėdainiai, also acquired additional 50% shares of Ukrainian company PJ-SC UKRAGRO NPK. UAB Dotnuvos projektai established subsidiaries in Latvia and Estonia.

**2011**

The Group established Užupės ŽŪB. Completed construction works of grain storage facilities in Pasvalys, Šakiai district and accomplished expansion works at the Vilkaviškis elevator. Acquired 40% shares of Danish company Linas Agro A/S and took over its management control. Sold shares stake of UAB Kustodija.

**2012**

Shares stake of Ukrainian fertilizers production and trade company PJ-SC UKRAGRO NPK were sold. After reporting period 98.55% shares stake of farming company – Kėdainiai district Labūnavos ŽŪB were obtained. Signed letters of intent to acquire 50% shares of UAB Dotnuvos projektai.



## STRATEGY AND GOALS

The long-term goal of Linas Agro Group is to develop in the markets of the Baltic countries and neighbouring markets, becoming the leader of the agribusiness in the Baltic countries. The development is implemented by expanding the available market shares and acquiring promising companies and recruiting best specialists in their respective fields. In the subsidiaries and other controlled companies, the Company implements its management model based on decentralised management, advanced internal culture, and professionalism. The main emphasis is placed on the quality of services in order to ensure that our key customers will wish to cooperate with us and that such cooperation would be carried out on a long-term and win-win basis.

The goal of the Group of companies AB Linas Agro Group is to achieve the trade turnover of agricultural raw materials amounting to 1.6 million tons and to carry out activities in four countries: Lithuania, Latvia, Estonia and Denmark in 2012/2013.

## MISSION

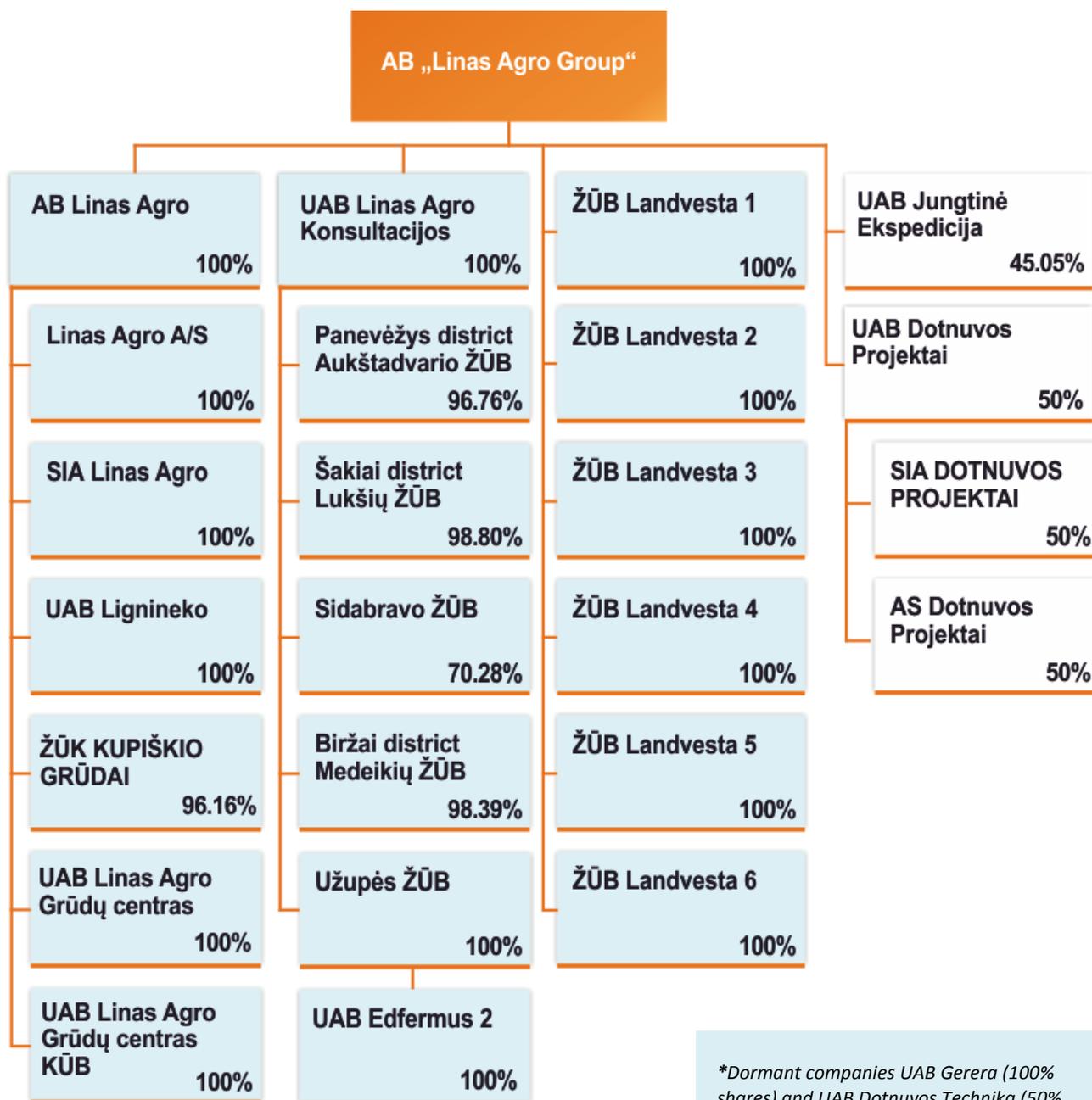




## STRUCTURE OF THE GROUP OF COMPANIES

Controlling company AB Linas Agro Group consolidates twenty seven companies in Lithuania, Latvia, Estonia and Denmark, which are controlled or significant influence in control is exercised.

### STRUCTURE OF AB LINAS AGRO GROUP (AS OF 30 JUNE 2012)\*:



*\*Dormant companies UAB Gerera (100% shares) and UAB Dotnuvos Technika (50% shares) and Karčemos kooperatinė bendrovė (20% shares) not included into structure.*



## KEY EVENTS

On November - December months 2011, authorized capital of AB Linas Agro increased from LTL 31 million to LTL 45 million.

On 29 February 2012 UAB Linas Agro Grūdų centras KŪB purchased LTL 24,300 worth of shares of Karčemos KB.

On 10 May 2012 UAB Linas Agro Konsultacijos contributed member share worth LTL 2,000 into Kėdainiai district Labūnavos ŽŪB and has been accepted as a member of the company.

On 23 May 2012, authorized capital of UAB Lignineko increased from LTL 1,729,600 to LTL 2,209,600.

In 2011/2012 financial year UAB Linas Agro Konsultacijos purchased LTL 580.24 worth of shares of Biržai district Medeikių ŽŪB, LTL 22,520 worth of shares of Šakiai district Lukšių ŽŪB, LTL 52,645.37 shares of Sidabravo ŽŪB and LTL 287,398.55 Panevėžys district Aukštadvario ŽŪB shares.

In 2011/2012 financial year AB Linas Agro Group increased share capital of ŽŪB Landvesta 1 to LTL 323 thousand, ŽŪB Landvesta 2 – to LTL 855,000, ŽŪB Landvesta 4 – to LTL 426,000, ŽŪB Landvesta 5 – to LTL 1,014,493 and ŽŪB Landvesta 6 – to LTL 310,000.

## EVENTS AFTER REPORTING PERIOD

On 12 July 2012 AB SEB bank increased credit limit to AB Linas Agro from LTL 103 to LTL 149,8 million.

On 13 July 2012 a subsidiary of AB Linas Agro Group, UAB Linas Agro Konsultacijos acquired 98.55% shares of Kėdainiai district Labūnavos agricultural company for LTL 22.5 million.

On 6 August 2012 AB Linas Agro Group signed agreements on acquisition of 50% of shares of UAB Dotnuvos Projektai. AB Linas Agro Group is planning to spend LTL 32 million on the acquisition of shares.

On 16 August 2012 Group founded farming company Noreikiškių ŽŪB.

On 16 August 2012, authorized capital of UAB Linas Agro Konsultacijos increased from LTL 3,109 thousand to LTL 9,720 thousand.

Other events after reporting period are disclosed in the note **34** of consolidated financial statements.



## 4. THE COMPANY'S ACTIVITY RESULTS

### MAIN FINANCIAL RATIOS

	2008/2009	2009/2010	2010/2011	2011/2012	Change 2011/2012 compared to 2010/2011 (LTL in thousands)	Change 2011/2012 compared to 2010/2011 (%)
<b>Sales</b>	<b>1,113,880</b>	<b>834,116</b>	<b>1,353,976</b>	<b>1,337,961</b>	<b>-16,015</b>	<b>-1%</b>
<b>Gross profit</b>	<b>75,739</b>	<b>70,341</b>	<b>80,969</b>	<b>94,863</b>	<b>13,894</b>	<b>17%</b>
<b>EBITDA</b>	<b>56,001</b>	<b>49,658</b>	<b>30,120</b>	<b>127,020</b>	<b>96,900</b>	<b>322%</b>
<b>Profit from operations</b>	<b>44,531</b>	<b>39,684</b>	<b>15,215</b>	<b>114,581</b>	<b>99,366</b>	<b>653%</b>
<b>Earnings before taxes (EBT)</b>	<b>40,348</b>	<b>39,988</b>	<b>14,522</b>	<b>115,576</b>	<b>101,054</b>	<b>696%</b>
<b>Net profit</b>	<b>31,771</b>	<b>33,510</b>	<b>18,970</b>	<b>94,299</b>	<b>75,329</b>	<b>397%</b>
<b>MARGINS</b>						
<b>Gross margin</b>	6.80%	8.43%	5.98%	7.09%	1.11%	19%
<b>EBITDA margin</b>	5.03%	5.95%	2.22%	9.49%	7.27%	327%
<b>Operating profit margin</b>	4.00%	4.76%	1.12%	8.56%	7.44%	664%
<b>Earnings before taxes margin</b>	3.62%	4.79%	1.07%	8.64%	7.57%	707%
<b>Net profit margin</b>	2.85%	4.02%	1.40%	7.05%	5.65%	404%
<b>SOLVENCY RATIOS</b>						
<b>Current ratio</b>	1.21	1.95	1.44	1.78	0.34	24%
<b>Debt / Equity ratio</b>	0.98	0.53	0.81	0.65	-0.16	-20%
<b>Net financial debt / EBITDA</b>	2.58	2.10	7.28	1.38	-5.90	-81%
<b>Return on equity (ROE)</b>	20.36%	12.72%	6.78%	26.48%	19.70%	291%
<b>ROCE</b>	16.00%	10.60%	3.95%	20.02%	16.07%	407%
<b>Basic and diluted earnings per share (LTL) (EPS)</b>	0.69	0.30	0.12	0.56	0.44	367%
<b>Price earnings ratio (P/E)*</b>	-	6.23	14.56	3.10	-11.46	-79%
<b>Return on assets (ROA)</b>	8.20%	7.47%	3.11%	13.65%	10.54%	339%
<b>Total volume (in tons)</b>	<b>1,386,721</b>	<b>1,211,865</b>	<b>1,483,064</b>	<b>1,348,619</b>	<b>- 134,445</b>	<b>-9%</b>

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

### INFORMATION ON ACTIVITY RESULTS OF THE COMPANY

Consolidated turnover of AB Linas Agro Group during July 2011–June 2012 totaled LTL 1,338 million. The Group's turnover remained on the level of financial year 2010/2011 (LTL 1,354 million) despite disposal of a fertiliser production and trade company in Ukraine. Trading operations of the Group were successful: sales of feedstuffs, turnovers of agricultural companies controlled by the Group, and volumes of services provided by grain elevators have been growing.

The trading volumes of the Group went down 9% from the previous year to 1.348 million tons. Decrease in trading volumes was mainly conditioned by sales of the Ukrainian fertiliser production and



distribution company PJ-SC UKRAGRO NPK. If eliminating the company's fertiliser trading volume, the Group's trade tonnage remained almost unchanged and totaled 1.115 million tons (1.148 million tons in financial year 2010/2011).

The biggest turnover was in grains and oilseeds, amounting to LTL 534 million (38% of total sales), and agricultural inputs, amounting to LTL 415 million (30% of total sales).

The major part of production was sold abroad, trade with foreign countries increased and accounted for 76% of total sales. The main export regions were Europe (40%), CIS (21%), Asia (10%).

During the financial year, the Group has taken over the management of the Danish company (former Rosenkrantz A/S, currently Linas Agro A/S) and marketing of Linas Agro name in the foreign markets has started. All trade transactions are concluded in the name of Linas Agro, therefore, export of the products makes the name of Lithuania known worldwide.



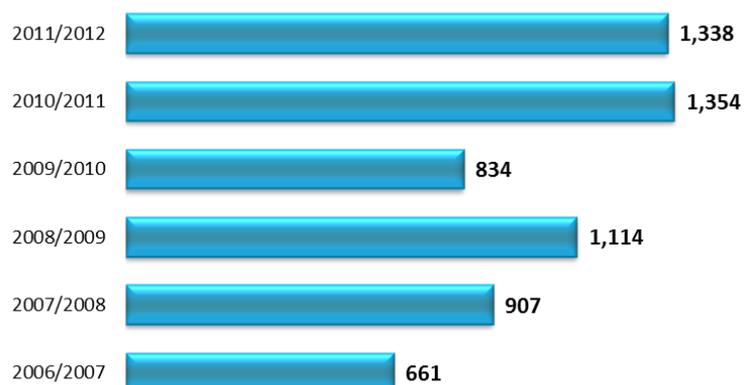
In addition to strengthening its position in such strategic export markets as the Nordic countries, AB Linas Agro Group expands its sales to Saudi Arabia, Germany, Spain and Poland. The Group exports its products to over 30 countries of the world; the new export markets include Tanzania, Czech Republic, Slovakia and Kirgызstan. Major part of products was shipped through Baltic Sea ports. Cargoes dispatched through Baltic Sea ports amounted to 906 thousand tons, with the biggest volumes transhipped by the Lithuanian ports (703 thousand tons). Black Sea ports handled goods from Ukraine, Russia, Moldova and Romania totaling to 115 thousand tons. 40 thousand tons of products were shipped from Western European ports.

The CIS member countries were the Group's biggest supply market, where 698 thousand tons of various products were sourced, with protein feedstuffs accounting for 57% of the volume. The second largest supplier was Lithuania providing 538 (2010/2011 year – 418 thousand) thousand tons of products, mostly wheat (261 thousand tons) and rapeseed (80 thousand tons). European countries (other than Scandinavian countries and Lithuania) were the third largest supply market with a purchase volume of 184 thousand tons of products, mostly wheat (95 thousand tons).

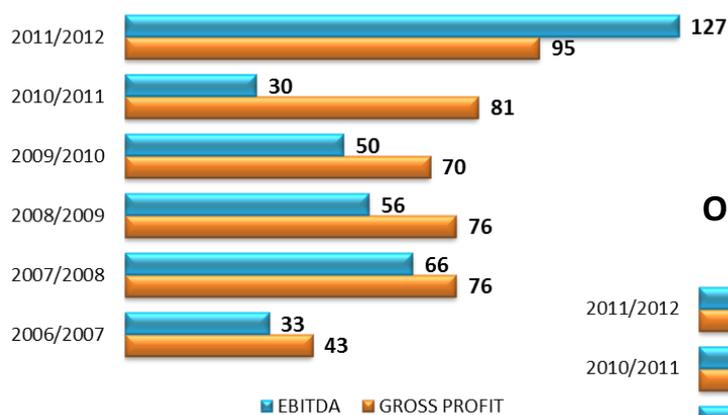
Sales volumes grew in the segments of trading feedstuffs (36%), farming (19%) and other products and services (7%). The trading volumes in the other segments decreased: turnover in grains and oilseeds trade segment went down 8%, in agricultural inputs trade segment – 14%. The decrease in turnover in grains and oilseeds trade was conditioned by termination of trade in Serbia. Drop in agricultural inputs supply was the result of sales of the Ukrainian fertilisers trade business.



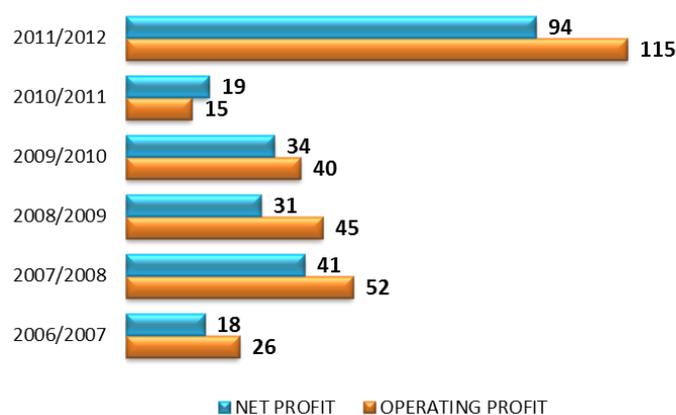
### Sales, LTL million



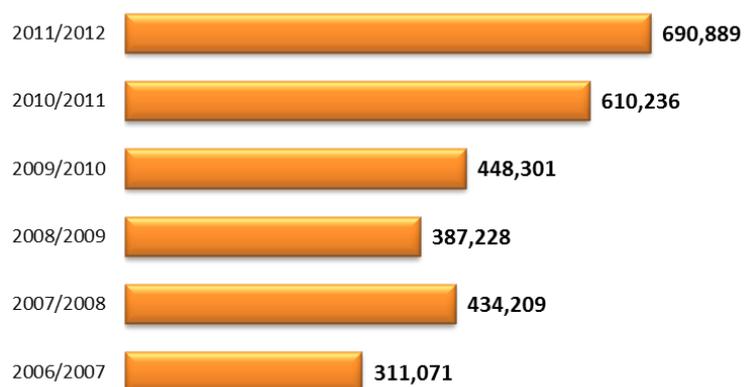
### EBITDA & GROSS PROFIT, LTL million



### OPERATING & NET PROFIT, LTL million



### Assets, thousand LTL





All business segments of the company were profitable; therefore, the Group's gross profit rose from last year's LTL 81 million to LTL 95 million. Gross profit margin increased from 5.98% to 7.09% and was higher than industry's average (5.5–6.0%). The Group's operating profit totaled LTL 114.6 million and was 7.5 times higher than that of the corresponding period of the previous year (LTL 15.2 million). The Group's earnings before taxes (EBT) reached almost LTL 115.6 million and were almost 8 times higher as compared to the FY 2010/2011 (LTL 14.5 million). If eliminating the effect of sales of the Ukrainian company on operating results, the Group's earnings before taxes reached LTL 53.6 million and were 3.7 times higher than the profit of the financial year 2010/2011 (LTL 14.5 million).

The profit before taxes, interest and depreciation (EBITDA) grew from LTL 30 million to LTL 127 million. The growth of Group's profitability shows that risk resulting in poor 2010/2011 trading season were managed successfully and proves successful business strategy of AB Linas Agro Group.

The gross profit from the activities of the main companies of the Group AB Linas Agro, Linas Agro A/S and SIA Linas Agro that trade grains, oilseeds and feedstuffs increased 2.2 times and grew to LTL 56 million from the last year's LTL 25 million. Profitability of the Group's companies has been influenced by its focus on risk management, in particular the trade debtor risk management including ongoing monitoring of credit limits, analysis of credit applications, hedge limits, and legal and financial analysis of debtor. Prior to start of a new financial year the Group's Risk Committee approves the rules for the use of hedging instruments, the hedge ratio and the Group's value at risk, which is determined on a weekly basis.

The cost of the Group's products and services was LTL 1,243 million (LTL 1,273 million in 2010/2011). The cost of inventories were almost the same LTL 1,136 million compared to LTL 1,137 in FY 2010/2011. Logistics expenses, which normally account for up to 10% of the total cost, amounted to LTL 89 million, i.e. 4.7% up from the previous year (LTL 85 million) as a result of higher transportation rates and volumes. Over the accounting period the Group's consolidated operating expenses totaled LTL 48.9 million, down 25% from LTL 65.6 million in the previous period. The decrease is primarily due to sales of the Ukrainian company PJ-SC UKRAGRO NPK as well as due to diminished provision for bad debts. Due to disposal of the Ukrainian operations, income from other activities grew from LTL 5 million (2010/2011) to LTL 70 million. The growth was influenced, among other factors, by profit from currency exchange rate fluctuations as the Group had successfully used derivative financial instruments for the management of currency exchange risks.

As regards income from financial activities, the majority of this income (over LTL 6 million) has resulted from the positive effect of loan discounting made by the Ukrainian company PJ-SC UKRAGRO NPK and the interest income that the Group received from investing its spare funds in the money market deposits and bonds. Interest costs account for the larger part of financial costs; due to growth of the interest rate base, interest costs increased from LTL 8.3 million (2010/2011) to LTL 9.8 million (2011/2012).



Net profit of AB Linas Agro Group amounted to almost LTL 94.3 million and was almost 5 times higher (or twice as high if considering sales effect of the Ukrainian company) than that of the corresponding period in 2010/2011 (LTL 18.9 million).

The Group continued to successfully implement its investment programme. Investments were focussed on the intensification of trading activities in the Baltic Region, modernisation of elevators, development of agricultural companies, and acquisitions of land for agricultural use. As part of consistent implementation of its market development strategy, the Group established Užupė agricultural company thus increasing the number of companies under its control to five. The area of arable land of the Group's companies totals 11,400 ha, with the crops yield being about 40,000 tons and the consolidated sales totalling LTL 47 million. The agricultural companies of the Linas Agro are among the largest milk suppliers in Lithuania (up to 12,000 tons/year). The average milk yield is about 8 tons, which is much more than the national average (5.0 to 5.5 tons). During the reporting period, ŽŪB Landvesta agricultural companies forming part of the Group has increased its land area up to almost 4,000 ha after buying additional 174 ha. The Group will continue to purposefully invest in the acquisitions of agricultural companies and arable lands. Its target is to achieve that the total land area of the companies is 20,000 ha and the grain yield reaches 80,000 tons.

To improve customer service construction of new grain storage facilities with total 25,200 tons grain storage capacity in Pasvalys, Vilkaviškis and Šakiai districts were completed. Upon putting the facilities into operation, the aggregate capacity of UAB Linas Agro Grūdų centras KŪB storage facilities has reached 177,000 tons, out of which grain storage facilities 155,000 tons. Investments in the development of grain storage facilities over two years total LTL 17.8 million, including LTL 4.6 million in 2011/2012.

The Group continued to develop its electronic services to farmers: its website [www.rapsai.lt](http://www.rapsai.lt) was updated significantly, with a version for mobile devices prepared.

In winter of 2012, the Group organised a series of seminars for farmers at which unique Linas Agro growing technologies for winter and summer wheat, oilseed rape, barley and peas were presented. In spring, these technologies were awarded a gold medal in “Ką pasėsi...2012” agricultural exhibition.



For a fourth time already, the Group has transformed a 5 ha field of Aukštadvaris agricultural company near the Via Baltic highway (Panevėžys district) into a production testing area as part of an experimental project. In autumn of 2011, AB Linas Agro jointly with Aukštadvaris agricultural company and UAB Dotnuvos Projektai sowed demonstration crops where the Group's technologies for crops of various density were tested; the qualitative parameters of specific summer wheat and peas species were compared. The yield of winter wheat in the fields was 6.6 – 9.0 t/ha (Class II-III) and 6.94 – 7.19 t/ha (Extra, Class II), whereas that of peas was 3 t/ha.



Apart from sound investments that strengthen the Group's position in the Baltic market, the Group has been successfully selling those companies under its control which were not closely related to its core activities and regions. Sale of operations in the Ukraine is one of the examples. The Group is investing the proceeds from the sale of PJ-SC UKRAGRO NPK, a Ukrainian fertiliser production and trading company, in the expansion of its share of the domestic market – the Baltic States. This is aimed at increasing the value of the Group's shares in the long term.

Financial year 2011/2012 was among the most successful years in the history of the Group. The profit before taxes was almost LTL 54 million (upon elimination of the effect of the Ukrainian transaction), which is one of the best achievements of the Group over the past five years. As the year 2012 is forecast to be good for crops in the Baltic Region, the Group's management expects that the operating result for financial year 2012/2013 will be good as well.

"This is undoubtedly one of the most successful transactions in the history of capital markets of Lithuania. We have estimated that the value of UKRAGRO NPK was about LTL 100 million but over LTL 90 million will be received for just 58% of the shares. LAG managed to increase the value of the acquired block of shares about 7 times during almost two years, proving once again its capabilities in both trading in agricultural products and completing successful transactions in foreign markets".

**Tadas Povilauskas,**  
**Financial Analyst, Finasta bank.**

## CASH FLOW AND LIQUIDITY

The objective of the Group is to have sufficient financial resources, maintain high liquidity and quality of the balance sheet, have sufficient flexibility and space for borrowing and satisfying the Group's needs in working capital and investments.

As of the balance-sheet date, the Group had LTL 54.8 million in cash and money equivalents, and its current solvency ratio was 1.8 (compared to 1.4 in FY 2010/2011). The debt to equity ratio was 0.65 (in the previous year, it was equal to 0.8). The Group's relative net debt to EBITDA ratio was 1.4 (compared to previous year 7.3). Group's liquidity and solvency ratios improved due to profitable business activity, controlled risk in trading operations, what negatively affected 2010/2011 year's appropriate financial ratios. The Group's financial net debts totaled LTL 230 million (LTL 227 million in 2010/2011 season) with long-term debts accounting for 17%. All short-term debts of the Group, the major part of which is allocated to financing of working capital, are covered with inventories and receivables.

Group's Cash flow from operating activities before the changes in working capital increased and reached LTL 61 million, as compared to LTL 33 million of the corresponding period of the previous year. Cash flow from operating activities after changes in working capital was LTL 44 million (minus LTL 35 million in 2010/2011 accordingly). This was the result of profitable activity of the Group.

The Group's investment cash flow was positive and amounted to LTL 12 million. This was determined by the disposal of the Group's investment/financial assets (the Ukrainian operations). All the Group's



companies were actively engaged in the development: the network of grain elevators was expanded and the non-current assets of agricultural companies were modernised (acquisitions of agricultural machinery and equipment). The Group's investments in such assets amounted to about LTL 34 million.

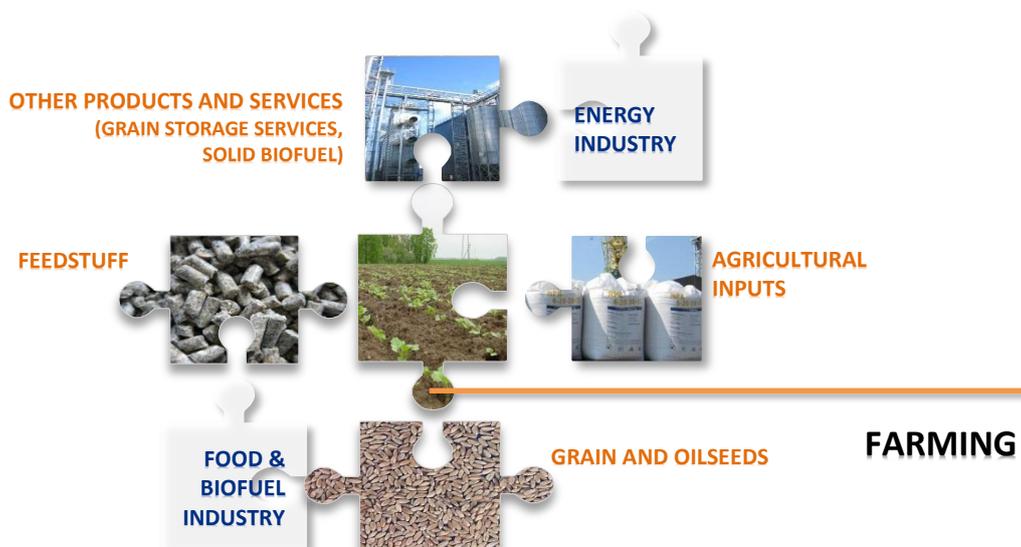
The Group's cash flows from financial activities were negative and amounted to LTL 8 million. Such cash flows were determined by increased expenses for interests (LTL 11 million) on loans. AB Linas Agro Group is firmly positioned in order to finance its main and investing activities. The Group finances its working capital in three banks: AB SEB Bankas, BNP Paribas, and ABN Amro Bank N.V, Netherlands. The credit limits in the aforementioned banks exceeds LTL 270 million.

Group's cash balance at the end of the reporting period totaled LTL 55 million (LTL 8 million in 2010/2011).

### ACTIVITY RESULTS BY SEGMENTS

The Group's activities are subdivided into five basic operating segments: Grains and Oilseeds, Feedstuffs, Farming, Agricultural Inputs, and Other Products and Services. Division into separate segments is dictated by different types of products and character of related activities. Activities of the segments are often interconnected. For example, activities in Lithuania and Latvia involve four segments - the sectors of Agricultural Inputs, Farming, Other Products and Services and Grains and Oilseeds.

### SYNERGY BETWEEN BUSINESS SEGMENTS



## ACTIVITY PROFIT (LOSS) (LTL) BY SEGMENTS

	2009/2010	2010/2011	2011/2012
Grains and oilseeds	11,657,000	-23,105,000	5,763,000
Feedstuffs	5,069,000	3,390,000	17,108,000
Agricultural inputs	10,428,000	26,504,000	88,831,000
Farming	5,856,000	15,475,000	8,441,000
Other products and services	7,994,000	6,022,000	10,733,000

## GRAINS AND OILSEEDS

The segment of grains and oilseeds is formed by supplies of and international trade in various grains and oilseeds. Grains mean wheat, barley, maize, and some other types of grains. Oilseeds mean rapeseed, sunflower seed, and linseed. The Company has been operating in this sector since 1991, and this activity generates its biggest incomes. Trade of grains grown in Lithuania and Latvia form the major part of this segment's activities.

## GRAINS AND OILSEEDS TRADING ACTIVITY RESULTS

Main financial indicators	2008/2009	2009/2010	2010/2011	2011/2012	Change 2011/2012 compare to 2010/2010 (LTL in thousands)	Change 2011/2012 compare to 2010/2011 (%)
Sales (in tons)	868,486	770,618	695,847	592,366	(103,481)	-15%
Sales (LTL in thousands)	662,145	450,736	579,480	533,670	(45,810)	-8%
Gross profit (LTL in thousands)	33,513	26,925	-6,481	10,180	16,661	-257%
Gross margin	5.1%	6.0%	-1.1%	1.9%	3.0%	-272%

One of the the most important business segment of the Group generated the sales of LTL 534 million (LTL 579 million during the corresponding period in 2010/2011) and the operating profit totaled LTL 5.8 million (loss of LTL 23 million in financial year 2010/2011). The Group sold 592 thousand tons of various agricultural commodities, i. e. 15% less than during the previous year (695 thousand tons). The decrease of total trade tonnage was conditioned by termination of corn trading in Serbia to manage the price risk more efficiently. Poor rapeseed harvest in the Baltic region resulted in drop of trading this product from 121 to 102 thousand tons. Gross profit of the major Group's activity segment reached LTL 10 million (loss of LTL



6.5 million previous financial year). Taking into account significant loss of grain and rapeseed in Lithuania and Latvia due to severe frost damage to winter crops in winter of 2011 and also termination of trade in Serbia, the management of the Company considers the achieved trading results to be very positive.

## FEEDSTUFFS

This segment of activities includes international supply of and trade in secondary products of the food industry (such as sunflower cake and sunflower meal, sugar beet pulp, rapeseed cake etc). Such feed-related products as soya beans, soybean cake and vegetable oil also fall within the scope of this segment. The Group purchases various secondary products of the food industry and consolidates them into bigger lots suitable for export.

### FEEDSTUFFS TRADING ACTIVITY RESULTS

Main financial indicators	2008/2009	2009/2010	2010/2011	2011/2012	Change 2011/2012 compare to 2010/2010 (LTL in thousands)	Change 2011/2012 compare to 2010/2011 (%)
Sales (in tons)	412,688	284,072	246,028	370,604	124,576	51%
Sales (LTL in thousands)	349,382	254,745	265,138	361,496	96,358	36%
Gross profit (LTL in thousands)	18,395	12,156	15,156	20,512	5,356	35%
Gross margin	5.3%	4.8%	5.7%	5.7%	-0.04%	-1%

The turnover of feedstuffs trading grew 36% and reached LTL 362 million and the operating profit totaled LTL 17 million, i.e. increased 5 times as compared to the corresponding period last year. Trade volume totaled 371 thousand tons, up by 51% from 246 thousand tons in the corresponding period last year. The growth of trade volumes was conditioned by long-lasting Group's performance on the market and increasing demand for those products in Poland, Baltics and West European countries.

## AGRICULTURAL INPUTS

This segment covers supplies of such important products for crop production as certified seeds, fertilizers, plant protection products, and agricultural machinery to farmers.

A big part of agricultural inputs is sold through the joint venture UAB Dotnuvos projektai. The operating results of this company are not shown on the segment reports because they are not consolidated in the Group (its operating results are accounted by the equity method).

## AGRICULTURAL INPUTS ACTIVITY RESULTS

Main financial indicators	2008/2009	2009/2010	2010/2011	20101/2012	Change 2011/2012 compare to 2010/2010 (LTL in thousands)	Change 2011/2012 compare to 2010/2011 (%)
Sales (in tons)	33,971	95,595	450,006	333,469	(116,537)	-26%
Sales (LTL in thousands)	58,176	101,644	481,260	414,929	(66,331)	-14%
Gross profit (LTL in thousands)	3,817	12,638	44,593	38,024	(6,569)	-15%
Gross margin	6.6%	12.4%	9.3%	9.2%	-0,1%	-1%

Agricultural inputs remained one of the largest business segments – the turnover of this activity reached LTL 415 million and went down 14% from the previous year (LTL 481 million). The drop in sales is explained due to sales of Ukrainian fertilisers trade business. Successful growth was recorded in certified seeds sales, where trading volumes grew up by 54% and totaled LTL 11 million. Operating profit of the segment, including positive effect from sales of the Ukrainian company, totaled LTL 89 million (LTL 26.5 million in financial year 2010/2011). Gross profit of the segment reached LTL 38 million and was 15% less as compared to the previous period (LTL 45 million). The profit drop was conditioned by sales of Ukrainian fertilisers trading company.

## FARMING

This segment covers primary production of agricultural produce: dairy production as well as cultivation of grains, oilseed rape, and sugar beet. The Group controls five agricultural companies which are based in the most yielding Lithuanian areas – Panevėžys district Aukštadvario ŽŪB, Šakiai district Lukšių ŽŪB, Biržai district Medeikių ŽŪB, Užupės and Sidabravo ŽŪB.

These enterprises provide a part of resources required by the Grains and Oilseed Segment. They also produce various types of feedstuffs which are mostly used for feeding the Company's own livestock.

## FARMING ACTIVITY RESULTS

Main financial indicators	2008/2009	2009/2010	2010/2011	2011/2012	Change 2011/2012 compare to 2010/2011 (LTL in thousands)	Change 2011/2012 compare to 2010/2011 (%)
Sales (in tons)	49,332	42,335	41,221	42,907	1,686	4%
Sales (LTL in thousands)	37,056	31,021	39,446	47,034	7,588	19%



Gross profit (LTL in thousands)	5,368	8,694	19,247	12,092	(7,155)	-37%
Gross margin	14.5%	28.0%	48.8%	25.7%	-23.1%	-47%

Revenues from agricultural companies increased from LTL 39 million to LTL 47 million due to establishment of a new agricultural company Užupės ŽŪB. The operating profit of the segment totaled to LTL 8.4 million (LTL 15.5 million in 2010/2011). The loss was conditioned by change in biological value, as fair value of crops and livestock was estimated, and fall in milk purchase prices.

In 2011/2012, the Group invested over LTL 10.5 million in the development of agricultural activities. The funds were used to purchase 230 ha of land and buildings and to modernise installations and equipment including grain drying facilities. A transport management system was implemented in the agricultural companies. Linas Agro Konsultacijos UAB acquired software for the planning and recording of plant-growing activities; it assists in the drawing up of accurate fertilising plans.

#### OTHER PRODUCTS AND SERVICES

This segment includes all other activities which cannot be attributed to any of the aforementioned four key segments. This segment covers sales of solid biofuel, grain elevator services as well as other products and services. This business segment is dominated by elevator services provided to farmers by the Group's elevators (grain cleaning, drying, storing, loading).

The major part of the income of this activity segment is generated by network of grain elevators controlled by the Group. Operating profit of the segment reached LTL 10.7 million and was 1.8 times as high as that of the corresponding period of the previous year (LTL 6 million). Group's investments in storage capacity increase up to 155 thousand tons resulted in growing turnover of the segment from LTL 38.3 million to LTL 40.8 million. The Group's grain elevators processed and prepared for export approximately 363 thousand tons of grains or 25% more than last year.

#### OTHER PRODUCTS AND SERVICES ACTIVITY RESULTS

Main financial indicators	2008/2009	2009/2010	2010/2011	2011/2012	Change 2011/2012 compare to 2010/2011 (LTL in thousands)	Change 2011/2012 compare to 2010/2011 (%)
Sales (in tons)	22,244	19,245	49,962	9,273	(40,689)	-81%
Sales (LTL in thousands)	43,216	33,040	38,280	40,806	2,526	7%
Gross profit (LTL in thousands)	14,645	9,928	8,454	14,054	5,600	66%



in thousands)						
Gross margin	33.9%	30.0%	22.1%	34.4%	12.3%	56%

Grain storage facilities' expansion and modernisation works were carried out using the off-season period. A new 8,000 tons grain elevator in Pasvalys and a 8,000 tons grain storage complex in Lukšiu village (Šakiai district) were built; the Vilkaviškis elevator's capacity was increased by 9,200 tons. Modernisation works were carried out at other sites as well: a railway access road was acquired and an automated management system was updated in Kėdainiai.

## 5. SCOPE OF RISK AND MANAGEMENT THEREOF

### MARKET RISK

Market risk shall be understood as a risk to generate a profit lower than planned if the tone of market prices is unfavourable. 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 Company 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 company of the Group sell the purchased grains to the agency and thus earn 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.

**Company succeeded in avoiding the declared risks.**

In FY 2011/2012 this risk did not manifest itself as regards the Company and its Group companies.

### RISK RELATED TO ACTIVITIES OF CONTROLLED COMPANIES

The companies controlled by the Group are involved in trade in agricultural inputs, implementation of crop programmes, warehousing of agricultural products and other activities. Although operations of a majority of controlled companies are profitable, negative changes in the markets, where the parent company and controlled companies operate, may affect its profitability. Managers of in charge of corresponding activities constantly monitor and analyse the activities of companies controlled by the Group, essential transactions, provide budgets of activities of the controlled companies to the Group management and, correspondingly, control their execution and material changes.

In FY 2011/2012 this risk did not manifest itself as regards the Company and its Group companies.



## **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.

In FY 2011/2012 this risk did not manifest itself as regards the Company and its Group companies.

## **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.

In FY 2011/2012 this risk did not manifest itself as regards the Company and its Group companies.

## **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 2011/2012 financial year, the Group according its risk management policy has been using risk management mitigating tools for forward purchases. As the market situation was positive for such forward purchases and that the Group has revised and stringent the terms of its purchase agreements also continuously monitored and controlled and analyzed probable scenarios for losses (for example, setting limits on forward contracts, evaluation and assessment of client's credit rating, capacity of cultivated land etc.), no such losses has been recorded.

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 rapeseeds and wheat from farmers. 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.

In FY 2011/2012 this risk did not manifest itself as regards the Company and its Group companies.

## 6. EMPLOYEES

As of 30 June 2012 the number of employees of the Group was 595 or 180 employees less as of 30 June 2011 (at that time was 775). This decrease was conditioned by sales of the Ukrainian company PJ-SC UKRAGRO NPK.

As of 30 June 2012 the number of employees of the Company was 9 (9 as of 30 June 2011).

### 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 LTL	
	30 June 2012	30 June 2011	30 June 2012	30 June 2011
Managers	43	43	6,713	8,503
Specialists	184	259	3,708	2,855
Workers	368	473	1,913	1,507
<b>Total for the Group</b>	<b>595</b>	<b>775</b>		

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

	30 June 2012	30 June 2011
Graduate academic	181	244
Higher education	110	138
Secondary education	281	369
Primary	23	24
<b>Total for the Group</b>	<b>595</b>	<b>775</b>

### Distribution of employees of the Group by geographical locations:

	30 June 2012	30 June 2011
Lithuania	577	533
Latvia	12	12
Denmark	6	8
Ukraine	-	222
<b>Total for the Group</b>	<b>595</b>	<b>775</b>



AB Linas Agro Group has no collective agreement.

All employment contracts concluded by AB Linas Agro Group with the Company's employees are entered into in accordance with the Labour Code of the Republic of Lithuania. Both hiring and dismissal of employees is carried out pursuant to the requirements of the Labour 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.

## **7. AGREEMENTS BETWEEN THE COMPANY AND MEMBERS OF ITS BODIES, MEMBERS OF ESTABLISHED COMMITTEES, OR EMPLOYEES THAT PROVIDE FOR COMPENSATIONS IN CASE OF RESIGNATION OR DISMISSAL OF THE AFOREMENTIONED PERSONS WITHOUT A JUSTIFIED REASON, OR IF THEIR EMPLOYMENT IS TERMINATED AS A RESULT OF THE CHANGE IN THE CONTROL OVER THE COMPANY**

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.

## **8. MANAGEMENT BODIES AND COMPANY MANAGEMENT**

### **STRUCTURE OF THE BOARD**

The Board of the Company consists of seven members to be elected for a period of four years.

<b>Name</b>	<b>Position within the Company</b>
Darius Zubas	Chairman of the Management Board, Managing Director
Vytautas Šidlauskas	Deputy Chairman of the Management Board
Arūnas Zubas	Member of the Management Board
Dainius Pilkauskas	Member of the Management Board
Arūnas Jarmolavičius	Member of the Management Board
Andrius Pranckevičius	Member of the Management Board, Deputy Managing Director
Tomas Tumėnas	Member of the Management Board, Finance Director

As of 30 June 2012 (as well as currently), the Board of the Company consisted of the following members:

Chairman of the Management Board **Darius Zubas**, born in 1965, is the main founder of the Group. Graduated from Veterinary Academy of Lithuanian University of Health Sciences (former Lithuanian Veterinary Academy) in 1988 and obtained a diploma of Veterinarian. Darius Zubas has twenty-two years of experience in strategic management and business organization.

Since 1997, he is Managing Director of the Company. Managing Director of AB Linas Agro since 1991 and occupies the position of the Chairman of the Management Board of said company since 2006.

Responsible for the organization and strategy, development and expansion of the Group. Has 17,049,995 shares of AB Linas Agro Group equal to 10.73% of all shares and votes of the Company.



**Vytautas Šidlauskas**, Deputy Chairman of the Management Board, born in 1963, is a graduate of Faculty of Chemistry, Kaunas University of Technology (former Kaunas Polytechnic Institute), where in 1987 obtained a diploma in Public Nutrition Technology and Management. Vytautas Šidlauskas has twenty one year of experience in business management.

Since 1999 he acts as the Trade Director of AB Linas Agro, and in addition since 2006 serves as the

Member of the Management Board.

Responsible for the international trading strategy of the Group and trade risk management. Has 6,003,521 shares of AB Linas Agro Group equal to 3.78% of all shares and votes of the Company.

**Dainius Pilkauskas**, Member of the Management Board, born in 1966, is a graduate of Veterinary Academy of Lithuanian University of Health Sciences (former Lithuanian Veterinary Academy) where in 1991 he obtained a diploma of





AB LINAS AGRO GROUP, CODE OF LEGAL ENTITY 148030011, SMELYNES G. 2C, PANEVEZYS, LITHUANIA

Zoo Engineer. He is highly experienced in business management and business organization. Has twenty years of experience in business management.

He joined the Group in 1991, since 2006 he was promoted to and currently serves as the Trade Director for Baltic States and a Member of the Management Board in AB Linas Agro.

Responsible for the formation and implementation of plant cultivation programs' strategy in the Baltic States. Has 480,281 shares of AB Linas Agro Group equal to 0.30% of all shares and votes of the Company.



**Arūnas Zubas**, Member of the Management Board, born in 1962, graduated from Kaunas University of Technology (former Kaunas Polytechnic Institute) in 1985 and holds a diploma in Chemical Technology. Arūnas Zubas has over twenty-two years of experience in project, production and business management.

He joined the Group in 1995 as the Grain Trade Manager in AB Linas Agro (1996–2005). Since 2006 he serves as a Member of the Management Board in AB Linas Agro.

Responsible for the formation and implementation rapeseed processing strategy development. Has 480,281 shares of AB Linas Agro Group equal to 0.30% of all shares and votes of the Company.

**Arūnas Jarmolavičius**, Member of the Management Board, born in 1964, in 1991 graduated from Vilnius University and holds a diploma in Economics and Industry Planning. His experience in business, marketing and investments fields already counts for nineteen years.

Joined the Group eleven years ago, in 2001 he started his carrier within the Group as the Project Director in AB Linas Agro. In 2008 was elected as a Member of the Management Board.

Responsible for the production companies' strategy development and activity control, organization of investment projects of the Group. Has 39,272 shares of AB Linas Agro Group equal to 0.02% of all shares and votes of the Company.





**Tomas Tumėnas**, Member of the Management Board, born in 1972, holds the diploma in Economics from Vilnius University (in 1995) and a certificate in International Business Economics from Aalborg University (in 1995). In 2011 obtained MBA (Master of Business Administration, Program for (Full) Financial Specialist & Managers) at Manchester Business School, The University of Manchester. Tomas Tumėnas works in the spheres of investments and finance management for more than seventeen years.

Started his carrier within the Group since 2001 by becoming Finance Director in AB Linas Agro and serves in this position since then. Since 2009 acts as a Member of the Management Board in AB Linas Agro, since 2009 serves as Finance Director in AB Linas Agro Group.

Responsible for the management of finance, formation of the Group's financial strategy. Has 2,200 shares of AB Linas Agro Group equal to 0.001% of all shares and votes of the Company.

**Andrius Pranckevičius**, Member of the Management Board, born in 1976, is 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). He has considerable experience in project management, marketing, investment and finance.



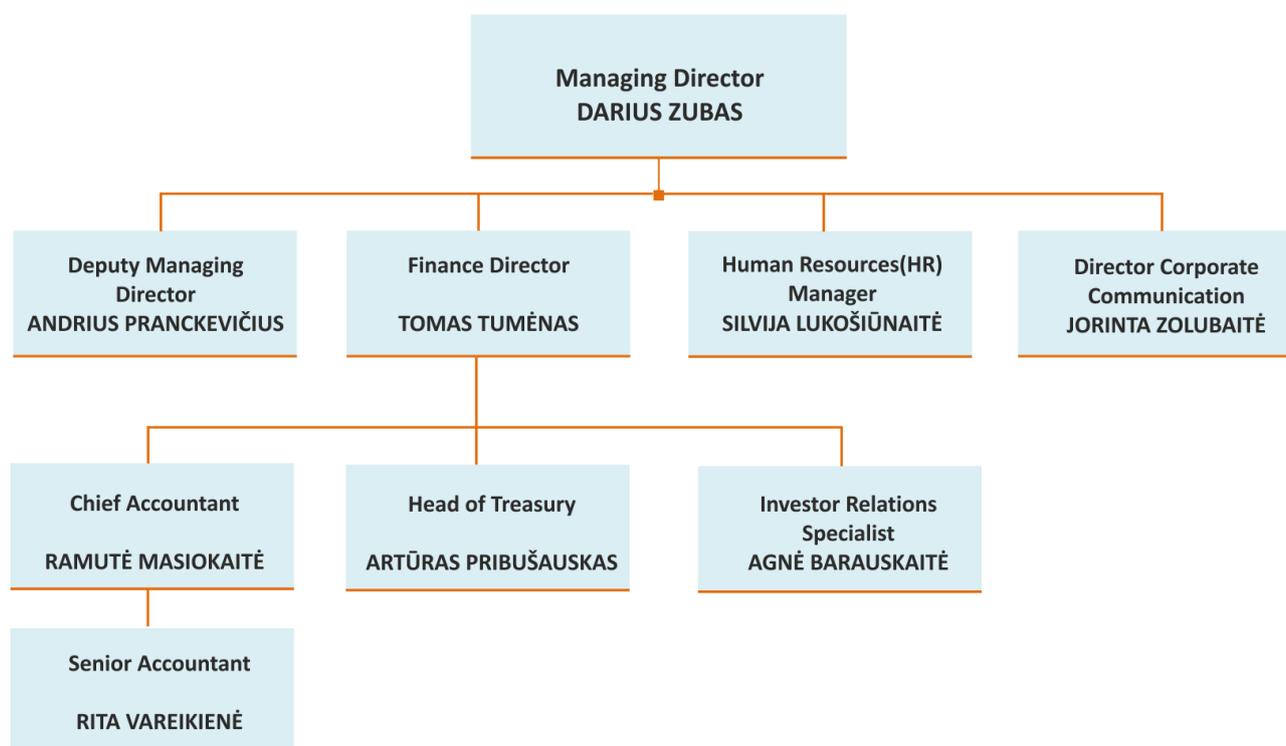
Joined the Group in 1999. Since 2005 he serves as the Deputy Managing Director and since 2006 as a Member of the Management Board in AB Linas Agro. Also occupies the position of the Deputy Managing Director in AB Linas Agro Group and holds the position of the Board Member of the Lithuanian Agricultural Companies Association.

Responsible for the coordination and management of agricultural supply companies, organization of investment projects of the Group. Does not have shares of the Company.



## COMPANY ADMINISTRATION

### THE SCHEME OF ADMINISTRATIVE MANAGEMENT



### COMPANY MANAGEMENT

Name and surname	Position	Main areas of activities
<b>Darius Zubas</b>	Managing Director	Strategy, development and expansion of the Group of Companies; organisation of everyday activities; and representation of the Group.
<b>Andrius Pranckevičius</b>	Deputy Managing Director	Expansion and development of the Group of Companies; implementation and development of investment projects of the Group; coordination and management of the activities of the companies providing services and supplying goods to agriculture entities in the Baltic states.
<b>Tomas Tumėnas</b>	Finance Director	Formation of the financial policy of the Group; management of financial resources; cooperation with financial and credit institutions.
<b>Ramutė Masiokaitė</b>	Chief Accountant	Accounting and financial control of the Group of Companies.



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

**Ramutė Masiokaitė**, Chief Accountant, born in 1971, graduated from Vilnius University in 1994 and acquired the qualifications of an economics, financial and credit specialist. She started her employment with the Group in 1998 in the capacity of the Chief Accountant of AB Linas Agro. In 2001, she was appointed as the Finance Controller of AB Linas Agro and holds this position so far.

**INFORMATION ON THE PAYMENTS TO THE MANAGERS DURING THE REPORTING PERIOD:**

	Group company	Position	Amount LTL in thousand	Type of payment
<b>MANAGEMENT BOARD</b>				
<b>Darius Zubas</b>	AB Linas Agro Group	Chairman of the Management Board, Managing Director	12	Salary
	AB Linas Agro	Chairman of the Management Board, Managing Director	874	Salary
			236	Bonus
<b>Total</b>			<b>1,122</b>	
<b>Vytautas Šidlauskas</b>	AB Linas Agro	Deputy Chairman of the Management Board, Trade Director	501	Salary
			175	Bonus
	UAB Gerera	Managing director	12	Salary
<b>Total</b>			<b>688</b>	
<b>Dainius Pilkauskas</b>	AB Linas Agro	Member of the Management Board, Trade Director for Baltic States	544	Salary
			59	Bonus
	<b>Total</b>		<b>603</b>	
<b>Arūnas Zubas</b>	AB Linas Agro	Member of the Management Board	162	Bonus
<b>Total</b>			<b>162</b>	
<b>Andrius Pranckevičius</b>	AB Linas Agro Group	Member of the Management Board, Deputy Managing Director	1	Salary
	AB Linas Agro	Member of the Management Board, Deputy Managing Director	528	Salary
			59	Bonus
<b>Total</b>			<b>588</b>	
<b>Tomas Tumėnas</b>	AB Linas Agro Group	Member of the Management Board, Finance Director	1	Salary
	AB Linas Agro	Member of the	280	Salary



		Management Board, Finance Director	59	Bonus
<b>Total</b>			<b>340</b>	
<b>Arūnas Jarmolavičius</b>	AB Linas Agro	Member of the Management Board, Project Director	203	Salary
			48	Bonus
<b>Total</b>			<b>251</b>	
<b>ADMINISTRATION (CHIEF ACCOUNTANT)</b>				
<b>Ramutė Masiokaitė</b>	AB Linas Agro Group	Chief Accountant	1	Salary
	AB Linas Agro	Finance Controller	141	Salary
<b>Total</b>			<b>142</b>	

#### ACTIVITIES OF THE BOARD MEMBERS AND COMPANY MANAGEMENT IN OTHER COMPANIES

Person / Companies	Position	Since	Until	Held currently
<b>Darius Zubas</b>				
<i>Group companies:</i>				
AB Linas Agro	Managing Director	1991	-	Yes
	Chairman of the Management Board	2006	-	Yes
Linas Agro A/S	Chairman of the Management Board	2005	-	Yes
<i>Other companies:</i>				
UAB MESTILLA	Chairman of the Management Board	2006	-	Yes
<b>Vytautas Šidlauskas</b>				
<i>Group companies:</i>				
AB Linas Agro	Trade Director	1999	-	Yes
	Deputy Chairman of the Management Board	2006	-	Yes
UAB Gerera	Managing Director	1993	-	Yes
Linas Agro A/S	Member of the Management Board	2004	-	Yes
<i>Other companies:</i>				
UAB MESTILLA	Member of the Management Board	2006	-	Yes
<b>Arūnas Zubas</b>				
<i>Group companies:</i>				
AB Linas Agro	Member of the Management Board	2006	-	Yes
	Commerce Director	1995	2005	-
<i>Other companies:</i>				



UAB MESTILLA	Managing Director	2005	-	Yes
<b>Dainius Pilkauskas</b>				
<i>Group companies:</i>				
AB Linas Agro	Trade Director for Baltic States	2006	-	Yes
	Member of the Management Board	2006	-	Yes
	Commerce Director	1991	2006	-
<b>Arūnas Jarmolavičius</b>				
<i>Group companies:</i>				
AB Linas Agro	Project Director	2001	-	Yes
	Member of the Management Board	2006	-	Yes
<i>Other companies:</i>				
UAB MESTILLA	Member of the Management Board	2006	-	Yes
Akola ApS	Authorised Representative in Lithuania and Ukraine	2001	-	Yes
<b>Andrius Pranckevičius</b>				
<i>Group companies:</i>				
AB Linas Agro	Deputy Managing Director	2005	-	Yes
	Member of the Management Board	2006	-	Yes
	Business Development Manager	2003	2005	-
<i>Other companies:</i>				
Lithuanian agricultural companies association	Member of the Management Board	2008	-	Yes
<b>Tomas Tumėnas</b>				
<i>Group companies:</i>				
AB Linas Agro	Finance Director	2001	-	Yes
	Member of the Management Board	2009	-	Yes
<i>Other companies:</i>				
UAB Baltic Fund Investments	Director	2003	-	Yes
<b>Ramutė Masiokaitė</b>				
<i>Group companies:</i>				
AB Linas Agro	Finance Controller	2001	-	Yes



## 9. SOCIAL AND ENVIRONMENTAL RESPONSIBILITY

### SOCIAL RESPONSIBILITY

Employees of the companies of the Group are granted social guarantees: allowance in case of death of a family member; allowance in case of birth of a child; benefit on the occasion of the 50<sup>th</sup> birthday of the employee. Each employee with an uninterrupted 20-year service record with the company receives 1000 shares of the company as a one-off benefit.

Employees are provided with conditions for education, qualification improvement, participation in various seminars and various trainings.

Employees of the companies of the Group are granted the possibility of using medical services and they are insured with voluntary health insurance.

### CHARITY AND SUPPORT

Civic education, culture and social projects are important for the Linas Agro Group of companies. In their charitable activities, the companies give priority to farmers' organisations, local cultural projects, youth education, improvement of the environment, promotion of civic initiatives, children's and disabled people organisations.

As the Group operates in a number of districts, it fosters a tradition of supporting various farmers' events in these districts, such as ploughing contests, harvesting feasts etc. In the reporting period, the Group supported such events in the districts of Akmenė, Joniškis, Panevėžys, Pasvalys, Radviliškis, Kaunas, Kupiškis and Vilkaviškis as well as the Žemaitija Contest of Ploughing 2012 and the National Ploughing Contest. The Group has also allotted funds for the events of the Lithuanian Association of Agricultural Companies, which has marked its 20th anniversary, and the Chamber of Agriculture (85th anniversary).

The Group has supported such cultural events as the Christmas Games, a social project for the children from foster homes in Lithuania, a literature festival "Literature Winter in Panevėžys", the X Bistrampolis music festival in Panevėžys district, Panevėžys and Joniškis city festivals, the Žagarė festival, the IX international Tytuvėnai Summer Music Festival and cultural events organised by various wards in Kėdainiai district.

Part of the Group's support funds were allotted to the children ill with diabetes (the *Bėdy Turgus* Charity and Support Foundation), children ill with cancer (*Rugutė* Charity and Support Foundation), Panevėžys Branch of the Lithuanian Agency SOS Children, *Linelis* centre for children with vision impairment in Panevėžys, Panevėžys Centre for Special Education, *Kitoks Matas* Charity and Support Foundation, and Centre for Development of Children with Hearing Impairment in Šiauliai.



The Group allotted funds for the planting of a garden (purchase of plantings and preparation of soil) at Šv. Juozapas child care home in Paparčiai, Kaišiadorys District, for the planting of trees in Rėkyva ward, for the acquisition of musical instruments for young people at Panevėžys Diocese, and the fitting out of a technical laboratory at Joniškis Agricultural School.

The Group has actively supported a national public clean-up campaign under the title “Let’s Do It 2012” in Panevėžys and Kėdainiai and the ecological campaign under the title “Water is Life”.

The Group has financed the commemoration of the 20th anniversary of the Panevėžys Chamber of Commerce, Industry and Trades and the events organised by the Panevėžys Football Academy.

For the eighth year already, the Group has been supporting an annual competition “Citizen of the School” organised by the Panevėžys Gymnasium No. 5. This project involves election of the leaders from among the pupils, who are both excellent students and school social activists. The elected pupils were awarded grants financed by the Group.

## ENVIRONMENTAL RESPONSIBILITY

In the course of performing their activities, the companies of the Group follow various environmental regulations stipulating the marking, use, storage, and disposal of various hazardous substances used in the activities of a certain company (with application of the Procedure for the Classification and Marking of Hazardous Chemical Substances and Preparations approved in the Republic of Lithuania by Order No 532/742 of the Minister of Environment and the Minister of Health of 29 December 2000 with regard to Directives 67/548/EEC and 1999/45/EC and others).

In order to comply with the environmental regulations and the provisions of the Nitrate Directive, Sidabravas and Aukštadvaris agricultural companies invested LTL 0.5 million in the construction of a liquid manor storage tank and the manor storage facility management works. In the financial year 2012/2013, Sidabravas agricultural company intends to install a petroleum product catcher and Aukštadvaris agricultural company to construct the liquid manor storage tank and complete the works at the manor storage facility.

Those companies of the Group that sell prepacked products, concluded agreements regarding the recycling of packaging. Relevant costs may increase depending on trade volumes and tasks for the use and recycling of packaging.

AB Linas Agro has ISCC (International Sustainability and Carbon Certification) confirming that rapeseed, triticale and rye purchased by the company from farmers are grown following ISCC requirements, i. e. not using underage workforce, deforestation nor releasing excessive amounts of CO<sub>2</sub> into the atmosphere.





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

All the shares of the Company are ordinary shares with the nominal value of LTL 1 as of 30 June 2012. The shares are subscribed and were fully paid as of 30 June 2012.

During the reporting period from 1 July 2011 to 30 June 2012, all 158,940,398 ordinary registered shares of the Company were included in the Official List of NASDAQ OMX Vilnius Stock Exchange (ISIN Code of the shares is LT0000128092). The ticker of the shares on NASDAQ OMX Vilnius Stock Exchange is LNA1L.

Trading in the Company's shares on NASDAQ OMX Vilnius Stock Exchange started on 17 February 2010.

### TRADE IN THE COMPANY'S SHARES

Information on the automated execution transactions, prices of shares sold on NASDAQ OMX Vilnius Stock Exchange and turnovers during the period from 1 July 2011 to 30 June 2012:

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
2011 III	0.505	0.333	198,933.77	0.00	0.364	15,605.73	30/09/2011	4,384,742	1,662,358.15
2011 IV	0.490	0.360	425,212.20	0.00	0.405	1,277.79	30/12/2011	5,155,206	2,090,804.56
2012 I	0.515	0.406	345,701.44	0.00	0.489	0.00	30/03/2012	3,002,940	1,401,868.50
2012 II	0.564	0.479	476,147.10	0.00	0.505	0.00	29/06/2012	3,479,305	1,702,897.14

### CAPITALISATION OF THE COMPANY'S SHARES

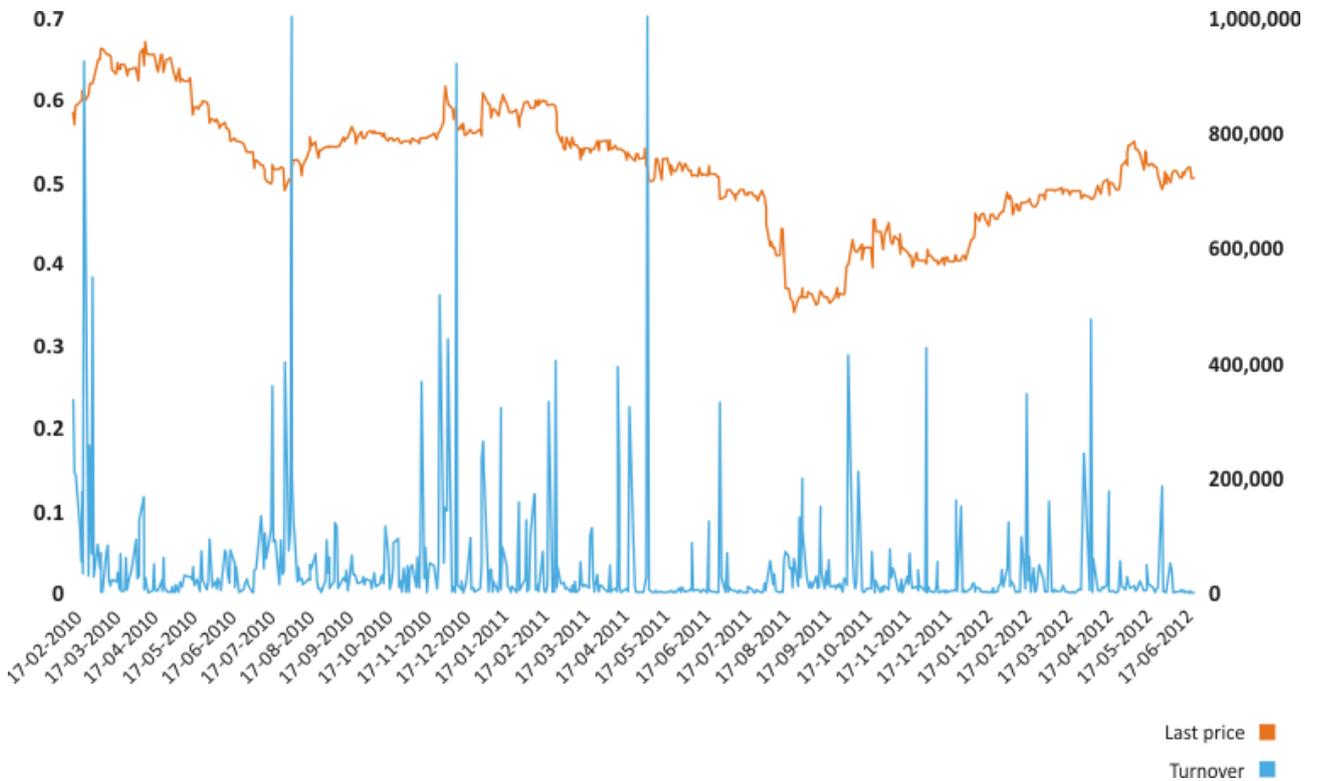
Date	Capitalization, EUR	Share Price, EUR
30/09/2011	57,854,304.87	0.364
30/12/2011	64,370,861.19	0.405
30/03/2012	77,721,854.62	0.489
29/06/2012	80,264,900.99	0.505

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

Year and quarter	Price, LTL		Total turnover for the quarter units	
	Max.	Min.	Cash payments	Non-cash payments
2011 III	2.33	0.33	4,942,895	370,603
2011 IV	1.50	0.36	6,041,676	2,456,383
2012 I	1.69	0.40	5,115,242	15,990
2012 II	1.75	0.47	6,739,155	17,000



**AB LINAS AGRO GROUP SHARE PRICE AND TURNOVER**



**AB 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.



## AGREEMENTS CONCLUDED WITH INTERMEDIARIES OF THE PUBLIC SECURITIES MARKET

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

## 11. STRUCTURE OF THE AUTHORISED CAPITAL AND SHARES OF THE COMPANY

On 30 June 2012, the authorised capital of the Company amounts to LTL 158,940,398.00 (one hundred and fifty-eight million, nine hundred and forty thousand, three hundred and ninety-eight litas). The authorized capital of the Company is divided into 158,940,398 ordinary registered non-certificated shares. The nominal value of one share is LTL 1.00 (one litas).

Type of shares	Number of shares	Nominal value (LTL)	Total nominal value (LTL)	Portion in the authorised capital (%)
Ordinary registered shares	158,940,398	1	158,940,398	100
<b>Total</b>	<b>158,940,398</b>	-	<b>158,940,398</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 with the exception of those specified in Part 13 *RESTRICTIONS OF THE TRANSFER OF SECURITIES AND RESTRICTIONS OF VOTING RIGHTS* of this Annual Report.

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.

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.

The Company and its subsidiaries (or other companies acting on their own behalf under instructions of the former) have not acquired any shares of the Company, nor acquired or transferred any shares of the Company during the reporting period. Also, the Company's bodies have not issued any authorisations for the issue or redemption of the Company's shares. The Company has not issued any convertible, variable-value, guaranteed or other securities.

The Company's ordinary shares shall grant the following rights to the shareholders:

Property rights of the shareholders:

- 1) to receive a part of the Company's profit (dividend);



- 2) to receive a part of the funds of the Company when the authorised capital of the Company is being reduced with a view to paying out the Company's funds to the shareholders;
- 3) to receive a part of the shares without payment when the authorised capital of the Company is increased from the funds of the Company, with the exception of the cases stipulated in the Law on Companies of the Republic of Lithuania;
- 4) to have the pre-emption right in acquiring newly issued shares or convertible debentures of the Company except in case when the General Meeting of Shareholders decides, in accordance with the procedure stipulated by the Law on Companies of the Republic of Lithuania, to withdraw the pre-emption right for all shareholders;
- 5) to lend money to the Company in the manners and in accordance with the procedure stipulated by the laws of the Republic of Lithuania; however, the Company shall not have the right to pledge its assets to its shareholders when borrowing from the shareholders. When the Company borrows from a shareholder, the interest rate may not exceed the average interest rate of commercial banks located in the place of residence or business of the lender effective at the moment of the conclusion of the loan agreement. In this case, the Company and shareholders shall be prohibited to agree on higher interest rates;
- 6) to receive a part of the assets of the Company in liquidation;
- 7) other property rights provided for by the laws and the Articles of Association.

Non-property rights of the shareholders:

- 8) to take part in the General Meeting of Shareholders;
- 9) to submit in advance to the Company any questions related to the issues of the agenda of the General Meetings of Shareholders;
- 10) to vote at the General Meetings of Shareholders in accordance with the rights granted by the shares;
- 11) to receive information on the business activities of the Company to the extent as stipulated in the Law on Companies of the Republic of Lithuania;
- 12) to file a claim with the court for the reparation to the Company of damage resulting from non-execution or improper execution by the Manager or Members of the Board of the Company of their duties stipulated in the laws of the Republic of Lithuania and in the Articles of Association as well as in other cases stipulated by laws;
- 13) other non-property rights provided for by the laws and the Articles of Association.

The voting right at the General Meeting of Shareholders shall be granted only by fully paid shares. A shareholder's right to vote at the General Meeting of Shareholders may be prohibited or limited in the cases stipulated by the laws of the Republic of Lithuania as well as when the right of ownership of the share is disputed.



Each share of the Company shall grant one vote at the General Meeting of Shareholders.

The shareholders shall have no property obligations towards the Company with the exception of the obligation to pay all subscribed shares at the issue price in the established procedure.

## **12. SHAREHOLDERS POSSESSING SPECIAL CONTROL RIGHTS AND AGREEMENTS BETWEEN SHAREHOLDERS**

### **SHAREHOLDERS POSSESSING SPECIAL CONTROL RIGHTS**

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.

### **AGREEMENTS BETWEEN SHAREHOLDERS**

The General Meeting of Shareholders of the Company has approved the Company's Dividend Payment Plan, according to which up to 20 (twenty) per cent of the net consolidated Company's profit of each financial year will be allocated for paying dividends to shareholders during 3 years in succession starting from the approval of the Company's Set of Annual Financial Statements for 2009/2010. Taking into consideration current financial year results, the Board of the Company plans to propose the dividends.

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

## **13. RESTRICTIONS OF THE TRANSFER OF SECURITIES AND RESTRICTIONS OF VOTING RIGHTS**

The Company is not aware of any other restrictions of the transfer of the Company's shares or voting rights.

## **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 authorised 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. THE COMPANY'S MANAGEMENT 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.

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 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.



## THE COMPANY'S SHAREHOLDERS

The Company's General Meeting of Shareholder shall be the Company's supreme body.

The rights of the shareholders are specified in Part 11 *STRUCTURE OF THE AUTHORISED CAPITAL AND SHARES OF THE COMPANY* of this Annual Report.

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) shall 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.

As of the end of the reporting period, i.e. 30 June 2012, the number of the Company's shareholders totalled to 1,010.

Distribution of AB of the Company's shareholders by country of residence and legal form on 30 June 2012:



Investors	Number of shares	Participation in Company's authorized capital, Lt	Portion in the authorised capital and voting rights
<b>Non-resident investors</b>	<b>126,114,171</b>	<b>126,114,171.00</b>	<b>79.34%</b>
Companies	125,476,582	125,476,582.00	78.94%
Individuals	637,589	637,589.00	0.40%
<b>Resident investors</b>	<b>32,826,227</b>	<b>32,826,227.00</b>	<b>20.66%</b>
Companies	1,884,323	1,884,323.00	1.19%
Individuals	30,941,904	30,941,904.00	19.47%
<b>Total</b>	<b>158,940,398</b>	<b>158,940,398.00</b>	<b>100.00%</b>

The shareholders controlling more than 5% of the Company's shares directly on the basis of the right of ownership or jointly with other related parties included Akola ApS, Company Code: 2517487; registration address: Sundkrogsgade 21, DK-2100 Copenhagen, Denmark; as well as the natural persons related to the aforementioned company as of 30 June 2011, who are indicated in the table below and Skandinaviska Enskilda Banken (Sweden), Swedbank AS (Estonia).

As of 30 June 2012, the Company's shareholders were as follows:

	Financial year ended on 30 June 2012	
	Number of shares held	Portion in the authorised capital and voting rights
Akola ApS (Denmark)	86,081,551	54.16%
Skandinaviska Enskilda Banken (Sweden) clients	23,094,969	14.53%
Darius Zubas	17,049,995	10.73%
Swedbank AS (Estonia) clients	9,184,040	5.78%
Other shareholders (private and institutional investors)	23,529,843	14.80%
<b>Total</b>	<b>158,940,398</b>	<b>100.00%</b>

## THE COMPANY'S BOARD

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 Company’s Board shall elect the Chairperson of the Board from among its members.

As of 30 June 2012, the number of the Company’s board members was 7.

Name	Participation in Company’s authorized capital	Cadence starts	Cadence ends
<b>Darius Zubas</b>	10,73% shares and votes	12 September 2008	11 September 2012
<b>Vytautas Šidlauskas</b>	3,78% shares and votes	12 September 2008	11 September 2012
<b>Andrius Pranckevičius</b>	-	12 September 2008	11 September 2012
<b>Arūnas Jarmolavičius</b>	0,025% shares and votes	12 September 2008	11 September 2012
<b>Arūnas Zubas</b>	0,3% shares and votes	12 September 2008	11 September 2012



<b>Dainius Pilkauskas</b>	0,3% shares and votes	12 September 2008	11 September 2012
<b>Tomas Tumėnas</b>	0,001% shares and votes	1 October 2008	11 September 2012

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

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.
Arūnas Jarmolavičius	UAB CEY 66.7% votes.

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

Darius Zubas is the Company's Board Chairperson.

Tomas Tumėnas combines his capacity with the post of the Company's Finance Director.

The Board shall consider and approve the following:

1. The Company's business strategy. 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 familiarised 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 LTL 2,050,000.00 (two million fifty thousand litas) (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 LTL 2,050,000.00 (two million fifty thousand litas) (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 LTL 2,050,000.00 (two million fifty thousand litas).
6. Decisions on the acquisition of fixed assets, the price whereof exceeds LTL 2,050,000.00 (two million fifty thousand litas).
7. Decisions on the Company's transactions, the value whereof exceeds LTL 2,050,000.00 (two million fifty thousand litas).
8. Decisions on taking and providing loans, the value whereof exceeds LTL 2,050,000.00 (two million fifty thousand litas).
9. Decisions to issue the Company's debentures.
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 shall analyse and evaluate the materials provided by the Head of the Company on the following:

1. Implementation of the business strategy of the Company.
2. Organisation 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 shall analyse and evaluate 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 amortisation of intangible assets to be applied in the Company.

The Board shall be responsible for the timely convening and arrangement of the General Meetings of Shareholders.



## THE HEAD OF THE COMPANY

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

Darius Zubas is the Head (Managing Director) of the Company and combines this capacity with the post of the Board Chairperson of the Company.

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

1. Organisation 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 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 organise daily activities of the Company, employ and dismiss employees, conclude and terminate employment contracts with them, and motivate and impose penalties on them.



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

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.

### **COMMITTEES FORMED BY THE COMPANY**

The Ordinary General Meeting of the Company's Shareholders held on 28 October 2010 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 of 30 June 2011:**

**Andrius Drazdys – independent member of the Audit Committee.** Term of office began on 28 October 2010, term of office ends on 27 October 2014. Does not own any 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 28 October 2010, term of office ends on 27 October 2014. Treasury Manager of the Company and shareholder of the Company – owns 5,000 shares of the Company or 0.003% of all shares and votes of the Company. Also employed as a Treasury Manager at AB Linas Agro.

**Kristina Prūsienė** – member of the Audit Committee. Term of office began on 28 October 2010, term of office ends on 27 October 2014. Does not own any shares of the Company. Employed at AB Linas Agro as an Accountant.

## **16. 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.



## 17. MAJOR TRANSACTIONS WITH RELATED PARTIES

Major transactions of the Company with related parties are provided in Note No. **33** of the Explanatory Note to the Consolidated Annual Financial Statements for 2010/2011 financial year.

## 18. 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 company listed on NASDAQ OMX Vilnius; however, the Company complies with the Code partially. The information about compliance with the Management Code for companies listed on NASDAQ OMX Vilnius Stock Exchange is disclosed in Annex 1 to this Annual Report in accordance with the form approved by the Stock Exchange.

## 19. DATA ON THE PUBLICLY DISCLOSED INFORMATION

During the reporting period ended 30 June 2012, the Company publicly disclosed and distributed via NASDAQ OMX GlobeNewswire system the following information:

<b>AB Linas Agro Group notification about interim nine months financial results of the financial year 2011/2012</b>	<b>Interim information</b>	<b>En, Lt</b>	<b>2012-05-28 09:29:30 EEST</b>
<b>AB Linas Agro Group is planning the purchase of one more agricultural company</b>	Notification on material event	En, Lt	2012-05-10 15:02:35 EEST
<b>AB Linas Agro Group Notification about disposal of voting rights</b>	Notification about acquisition (disposal) of a block of shares	En, Lt	2012-04-16 09:00:30 EEST
<b>AB Linas Agro Group investor's calendar for 2012</b>	Other information	En, Lt	2012-03-08 09:01:32 EET
<b>AB Linas Agro Group notification about interim six months financial results of the financial year 2011/2012</b>	Interim information	En, Lt	2012-02-29 10:21:34 EET
<b>Agreement of sale-purchase of shares of the Ukrainian company implemented</b>	Notification on material event	En, Lt	2012-02-07 09:15:33 EET



<b>AB Linas Agro Group to sell shares of the Ukrainian company with plans to strengthen its position in the Baltic region</b>	Notification on material event	En, Lt	2012-02-06 09:00:30 EET
<b>AB Linas Agro Group negotiating the sale of shares of the Ukrainian company</b>	Notification on material event	En, Lt	2012-01-09 09:00:30 EET
<b>AB Linas Agro Group Notification about acquisition of voting rights</b>	Notification about acquisition (disposal) of a block of shares	En, Lt	2011-12-13 09:00:33 EET
<b>CORRECTION: AB Linas Agro Group notification about interim three months financial results of the financial year 2011/2012</b>	Interim information	En, Lt	2011-11-29 08:31:32 EET
<b>AB Linas Agro Group notification about interim three months financial results of the financial year 2011/2012</b>	Interim information	En, Lt	2011-11-28 09:00:30 EET
<b>AB Linas Agro Group takes over agricultural company</b>	Notification on material event	En, Lt	2011-11-02 09:00:36 EET
<b>AB Linas Agro Group notification about the Annual information of the financial year 2010/2011</b>	Annual information	En, Lt	2011-10-28 09:03:37 EEST
<b>Results of voting of the Annual General Meeting of AB Linas Agro Group Shareholders, held on 27 October 2011</b>	Notification on material event	En, Lt	2011-10-28 09:00:37 EEST
<b>AB Linas Agro Group sells shares of UAB Kustodija</b>	Notification on material event	En, Lt	2011-10-21 09:00:33 EEST
<b>Notice on Annual General Meeting of Shareholders of AB Linas Agro Group</b>	Notification on material event	En, Lt	2011-10-05 10:30:32 EEST
<b>Notification on transactions concluded by manager of the company</b>	Notifications on transactions concluded by managers of the companies	En, Lt	2011-09-13 09:00:33 EEST
<b>Linas Agro Group, AB notification about interim 12 month financial</b>	Interim information	En, Lt	2011-08-31 16:49:34 EEST



## results of the financial year

2010/2011

SEB Bank Increased Credit Limit to	Notification on material	2011-07-28 09:00:34
Linus Agro Group by LTL 64 million	event	En, Lt EEST

## 20. GENERAL INFORMATION ABOUT AB LINAS AGRO GROUP, AND THE GROUP OF COMPANIES OF AB LINAS AGRO GROUP

### AB LINAS AGRO GROUP, AND ITS CONTACT INFORMATION

Company name:	AB Linas Agro Group
Legal form:	Public company (limited liability legal person)
Date of registration:	27-11-1995
Company code:	148030011
Company VAT code:	LT480300113
Company register:	Register of Enterprises of Republic of Lithuania, VĮ Registru centras
Information on bank account:	LT07 7044 0600 0263 7111, AB SEB bankas, bank code 70440
The registered address:	Smėlynės St. 2C, LT-35143, Panevėžys, Lithuania
Phone:	+370 45 50 73 03
Fax:	+370 45 50 73 04
E-mail:	<a href="mailto:group@linasagro.lt">group@linasagro.lt</a>
Website:	<a href="http://www.linasagro.lt">www.linasagro.lt</a>
NASDAQ OMX ISIN code:	LT0000128092
Trading code:	LNA1L

### SHAREHOLDING STRUCTURE OF THE COMPANIES OF THE GROUP

As of 30 June 2012, AB Linas Agro Group controlled, either directly or indirectly, the following companies\*:

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%



AB LINAS AGRO GROUP, CODE OF LEGAL ENTITY 148030011, SMELYNES G. 2C, PANEVEZYS, LITHUANIA

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%
UAB Lignineko	Subsidiary		100%		100%
UAB Linas Agro Konsultacijos	Subsidiary	100%			100%
Panevėžys district Aukštadvario ŽŪB	Subsidiary			96.76%	96.76%
Sidabravo ŽŪB	Subsidiary			70.28%	70.28%
Šakiai district Lukšių ŽŪB	Subsidiary			98.80%	98.80%
Biržai district Medeikių ŽŪB	Subsidiary			98.39%	98.39%
Užupės ŽŪB	Subsidiary	30%	70%		100%
UAB Edfermus 2	Subsidiary	Užupės ŽŪB owns 100% shares of the company			100%
ŽŪB Landvesta 1	Subsidiary	99.68%	0.32%		100%
ŽŪB Landvesta 2	Subsidiary	99.88%	0.12%		100%
ŽŪB Landvesta 3	Subsidiary	99%	1%		100%
ŽŪB Landvesta 4	Subsidiary	86.15%	13.85%		100%
ŽŪB Landvesta 5	Subsidiary	96.12%	3.88%		100%
ŽŪB Landvesta 6	Subsidiary	88.58%	11.42%		100%
ŽŪK KUPIŠKIO GRŪDAI	Subsidiary	Lukšių ŽŪB, Aukštadvario ŽŪB and Sidabravo ŽŪB holds 9.09%, Medeikių ŽŪB – 45.46%, AB Linas Agro – 27.27% of ŽŪK KUPIŠKIO GRŪDAI			96.16%
UAB Dotnuvos Projektai	Joint venture	50%			50%
SIA DOTNUVOS PROJEKTAI	Joint venture			100%	50%
AS Dotnuvos Projektai	Joint venture			100%	50%
UAB Jungtinė Ekspedicija	Associate	45,05%			45,05%

\* Dormant companies UAB Gerera (100% shares) and UAB Dotnuvos technika (50% shares) and Karčemos kooperatinė bendrovė (20% shares) not included.

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

## ACTIVITIES AND CONTACT DATA OF THE COMPANIES OF THE GROUP \*:

\* Dormant companies UAB Gerera (100% shares) and UAB Dotnuvos technika (50% shares) and Karčemos kooperatinė bendrovė (20% shares) not included.

### SUBSIDIARIES OPERATING IN LITHUANIA

Company name	Principal activities	Registration date, company code, company register	Contact data
<b>AB Linas Agro</b>	Wholesale trade of grains and oilseeds, feedstuffs and agricultural inputs supply	8/7/1991, Code of legal entity 1473 28026, Register of Enterprises of Republic of Lithuania, VĮ Registrų centras	Smėlynės g. 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>
<b>UAB Linas Agro Grūdų Centras</b>	Management services	5/7/2002, Code of legal entity 148450944, Register of Enterprises of Republic of Lithuania, VĮ Registrų centras	Smėlynės g. 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>
<b>UAB Linas Agro Grūdų Centras KŪB</b>	Grain processing and storage	10/7/2002, Code of legal entity 148451131, Register of Enterprises of Republic of Lithuania, VĮ Registrų centras	Smėlynės g. 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>
<b>UAB Lignineko</b>	Lignin biofuel stock operator	5/10/1994, Code of legal entity 134231520, Register of Enterprises of Republic of Lithuania, VĮ Registrų centras	Smėlynės g. 2C, LT-35143 Panevėžys, Lithuania. Ph. +370 45 507 333, fax +370 45 507 444, e-mail <a href="mailto:info@lignineko.lt">info@lignineko.lt</a>
<b>UAB Linas Agro Konsultacijos</b>	Management of subsidiary farming companies	23/6/2003, Code of legal entity 248520920, Register of Enterprises of Republic of Lithuania, VĮ Registrų centras	The principal place of business: Kėdainių elevator, Žibuoklių g. 1A, LT-57130 Kėdainiai, Lithuania. The registered address: Smėlynės g. 2C, LT-35143 Panevėžys, Lithuania. Ph. +370 688 674 29, fax +370 347 415 28, e-mail <a href="mailto:konsultavimas@linasagro.lt">konsultavimas@linasagro.lt</a>
<b>Panevėžys district Aukštadvario ŽŪB</b>	Mixed agricultural activities	9/3/1993, Code of legal entity 168573274, Register of Enterprises of Republic of Lithuania, VĮ Registrų centras	Pirties g. 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>
<b>Sidabravo ŽŪB</b>	Mixed agricultural activities	20/4/1993, Code of legal entity 171331516, Register of Enterprises of Republic of Lithuania, VĮ Registrų centras	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>
<b>Šakiai district Lukšių ŽŪB</b>	Mixed agricultural activities	30/10/1992, Code of legal entity 174317183, 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>
<b>Biržai district Medeikių ŽŪB</b>	Growing and sale of crop	5/10/1992, Code of legal entity 154771488, Register of Enterprises of Republic of Lithuania, VĮ Registrų centras	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>



<b>Užupės ŽŪB</b>	Growing and sale of crop	6/4/2011, Code of legal entity 302612561, Register of Enterprises of Republic of Lithuania, VĮ Registrų centras	Smėlynės g. 2C, LT-35143 Panevėžys, Lithuania. Ph. +370 45 507 333, fax +370 45 507 444, e-mail <a href="mailto:uzupe@linasagro.lt">uzupe@linasagro.lt</a>
<b>UAB Edfermus 2</b>	Rent and management of agricultural purposes land	30/6/2008, Code of legal entity 301772627, Register of Enterprises of Republic of Lithuania, VĮ Registrų centras	Užupės vill., Kėdainiai district, Lithuania. Ph. +370 698 58583 e-mail <a href="mailto:uzupe@linasagro.lt">uzupe@linasagro.lt</a>
<b>ŽŪB Landvesta 1</b>	Rent and management of agricultural purposes land	21/10/2005, Code of legal entity 300501060, Register of Enterprises of Republic of Lithuania, VĮ Registrų centras	Smėlynės g. 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>
<b>ŽŪB Landvesta 2</b>	Rent and management of agricultural purposes land	21/10/2005, Code of legal entity 300501085, Register of Enterprises of Republic of Lithuania, VĮ Registrų centras	Smėlynės g. 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>
<b>ŽŪB Landvesta 3</b>	Rent and management of agricultural purposes land	21/10/2005, Code of legal entity 300501092, Register of Enterprises of Republic of Lithuania, VĮ Registrų centras	Smėlynės g. 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>
<b>ŽŪB Landvesta 4</b>	Rent and management of agricultural purposes land	23/04/2007, Code of legal entity 300709428, Register of Enterprises of Republic of Lithuania, VĮ Registrų centras	Smėlynės g. 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>
<b>ŽŪB Landvesta 5</b>	Rent and management of agricultural purposes land	16/8/2007, Code of legal entity 301019661, Register of Enterprises of Republic of Lithuania, VĮ Registrų centras	Smėlynės g. 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>
<b>ŽŪB Landvesta 6</b>	Rent and management of agricultural purposes land	14/1/2008, Code of legal entity 301520074, Register of Enterprises of Republic of Lithuania, VĮ Registrų centras	Smėlynės g. 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>
<b>ŽŪK KUPIŠKIO GRŪDAI</b>	Grain processing and storage	8/4/1999, Code of legal entity 160189745, Register of Enterprises of Republic of Lithuania, VĮ Registrų centras	Technikos g. 6, LT-40122 Kupiškis, Lithuania. Ph. +370 688 67477, fax +370 688 67 471, e-mail <a href="mailto:info@kupiskiogrudai.lt">info@kupiskiogrudai.lt</a>

## JOINT VENTURES AND ASSOCIATES OPERATING IN LITHUANIA

Company name	Principal activities	Registration date, company code, company register	Contact data
<b>UAB Dotnuvos Projektai</b>	Sale of seeds, agricultural machinery	5/3/1996, Code of legal entity 261415970, Register of Enterprises of Republic of Lithuania, VĮ Registrų centras	Parko g. 6, Akademija, 58351 Kėdainių 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>



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<b>UAB Jungtinė Ekspedicija</b>	Logistics and forwarding services	17/2/1998, Code of legal entity 141642963, 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>
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## SUBSIDIARIES OPERATING IN FOREIGN COUNTRIES

Company name	Principal activities	Registration date, company code, company register	Contact data
<b>Linus Agro A/S</b>	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>
<b>SIA Linas Agro</b>	Wholesale trade of grains and oilseeds, agricultural inputs supply	23/4/2003, Code of legal entity 53603019011, Register of Enterprises of Republic of Latvia	Bauskas iela 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>

## JOINT VENTURES AND ASSOCIATES OPERATING IN FOREIGN COUNTRIES

Company name	Principal activities	Registration date, company code, company register	Contact data
<b>SIA DOTNUVOS PROJEKTAI</b>	Sale of seeds, agricultural machinery	26/04/2010, Code of legal entity 43603041881, Register of Enterprises of Republic of Latvia	The principal place of business: Jūrmalas iela 13C, Pinki, LV-2107 Babītes novads, Latvia. The registered address: Bauskas iela 2, LV-3001 Jelgava, 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>
<b>AS Dotnuvos Projektai</b>	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 vald., 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>

**ANNEX 1**  
**TO ANNUAL REPORT**  
**OF AB LINAS AGRO GROUP**  
**FOR FINANCIAL YEAR 2011/2012**

**INFORMATION ON COMPLIANCE**  
**WITH THE CORPORATE GOVERNANCE CODE**  
**FOR THE COMPANIES LISTED ON NASDAQ OMX**



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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 NASDAQ OMX Vilnius, and its specific provisions.

## 1. 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.*

PRINCIPLES/ RECOMMENDATIONS	YES NO NOT APPLICABLE	COMMENTARY
1.1. A company should adopt and make public the company's development strategy and objectives by clearly declaring how the company intends to meet the interests of its shareholders and optimize shareholder value.	YES	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. All management bodies of a company should act in furtherance of the declared strategic objectives in view of the need to optimize shareholder value.	YES	The 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. A company's supervisory and management bodies should act in close co-operation in order to attain maximum benefit for the company and its shareholders.	YES	The 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 Director General, 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

<p>1.4. A company's supervisory and management bodies should ensure that the rights and interests of persons other than the company's shareholders (e.g. employees, creditors, suppliers, clients, local community), participating in or connected with the company's operation, are duly respected.</p>	<p>YES</p>	<p>shareholders' interests holds sessions according to the need.</p> <p>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.</p>
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## 2. 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.*

PRINCIPLES/ RECOMMENDATIONS	YES	COMMENTARY
	NO	
	NOT APPLICABLE	
<p>2.1. Besides obligatory bodies provided for in the Law on Companies of the Republic of Lithuania – a general shareholders' meeting and the chief executive officer, it is recommended that a company should set up both a collegial supervisory body and a collegial management body. The setting up of collegial bodies for supervision and management facilitates clear separation of management and supervisory functions in the company, accountability and control on the part of the chief executive officer, which, in its turn, facilitate a more efficient and transparent management process.</p>	<p>NO</p>	<p>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.</p> <p>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.</p> <p>The Company's Director General is responsible to the Board and periodically reports to the Board on the Company's activities and implementation of the strategic decisions.</p>

2.2. A collegial management body is responsible for the strategic management of the company and performs other key functions of corporate governance. A collegial supervisory body is responsible for the effective supervision of the company's management bodies.	NOT APPLICABLE	The Board performs these functions in the Company, as specified in Clause 2.1.
2.3. Where a company chooses to form only one collegial body, it is recommended that it should be a supervisory body, i.e. the supervisory board. In such a case, the supervisory board is responsible for the effective monitoring of the functions performed by the company's chief executive officer.	NO	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. 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>	YES	The set principles are followed as specified in Clauses 2.1. and 2.3. The essential requirements are not violated.
2.5. Company's management and supervisory bodies should comprise such number of board (executive directors) and supervisory (non-executive directors) board members that no individual or small group of individuals can dominate decision-making on the part of these bodies. <sup>2</sup>	YES	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. It means that at least 3 votes of the Board's members are required to make the decision.

<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 4.4 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.

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

<p>2.6. Non-executive directors or members of the supervisory board should be appointed for specified terms subject to individual re-election, at maximum intervals provided for in the Lithuanian legislation with a view to ensuring necessary development of professional experience and sufficiently frequent reconfirmation of their status. A possibility to remove them should also be stipulated however this procedure should not be easier than the removal procedure for an executive director or a member of the management board.</p>	<p>NOT APPLICABLE</p>	<p>The Supervisory Board is not formed in the Company, and the Company's general manager can be removed according to the decision of the Company's Board.</p>
<p>2.7. Chairman of the collegial body elected by the general shareholders' meeting may be a person whose current or past office constitutes no obstacle to conduct independent and impartial supervision. Where a company should decide not to set up a supervisory board but rather the board, it is recommended that the chairman of the board and chief executive officer of the company should be a different person. Former company's chief executive officer should not be immediately nominated as the chairman of the collegial body elected by the general shareholders' meeting. When a company chooses to departure from these recommendations, it should furnish information on the measures it has taken to ensure impartiality of the supervision.</p>	<p>NO</p>	<p>The head of the Company – Director General - and the Chairman of the Board is the same person.</p> <p>Director General 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.</p>

### 3. 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.

PRINCIPLES/ RECOMMENDATIONS	YES NO NOT APPLICABLE	COMMENTARY
<p>3.1. The mechanism of the formation of a collegial body to be elected by a general shareholders' meeting (hereinafter in this Principle referred to as the 'collegial body') should ensure objective and fair monitoring of the company's management bodies as well as representation of minority shareholders.</p>	YES	<p>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.</p>
<p>3.2. Names and surnames of the candidates to become members of a collegial body, information about their education, qualification, professional background, positions taken and potential conflicts of interest should be disclosed early enough before the general shareholders' meeting so that the shareholders would have sufficient time to make an informed voting decision. All factors affecting the candidate's independence, the sample list of which is set out in Recommendation 3.7, should be also disclosed. The collegial body should also be informed on any subsequent changes in the provided information. The collegial body should, on yearly basis, collect data provided in this item on its members and disclose this in the company's annual report.</p>	YES	<p>These provisions are set in the Articles of the Association of Company and are followed.</p>
<p>3.3. Should a person be nominated for members of a collegial body, such nomination should be followed by the disclosure of information on candidate's particular competences relevant to his/her service on the collegial body. In order shareholders and investors are able to ascertain whether member's competence is further relevant, the collegial body should, in its annual report, disclose the information on its composition and particular competences of individual members which are relevant to their service on the collegial body.</p>	YES	<p>The Company follows this provision.</p>

<p>3.4 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.</p>	<p>YES</p>	<p>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.</p> <p>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.</p> <p>The Audit Committee members have experience in the fields of finance and accounting of the listed companies.</p> <p>Remuneration Committee has not been formed yet.</p>
<p>3.5. All new members of the collegial body should be offered a tailored program focused on introducing a member with his/her duties, corporate organization and activities. The collegial body should conduct an annual review to identify fields where its members need to update their skills and knowledge.</p>	<p>NOT APPLICABLE</p>	<p>Members of the Company's Board are employees of the Group's companies; therefore, they are well aware of the Company's activities.</p> <p>The Board's members update their skills and knowledge while performing their functions.</p>
<p>3.6. In order to ensure that all material conflicts of interest related with a member of the collegial body are resolved properly, the collegial body should comprise a sufficient<sup>4</sup> number of independent<sup>5</sup> members.</p>	<p>NO</p>	<p>The issue of independent members as well as their sufficient number in the collegiate managing body (the Board) may be discussed in the future.</p> <p>The Audit Committee has one independent member.</p>

<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.

3.7. A member of the collegial body should be considered to be independent only if he is free of any business, family or other relationship with the company, its controlling shareholder or the management of either, that creates a conflict of interest such as to impair his judgment. Since all cases when member of the collegial body is likely to become dependant 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

NOT  
APPLICABLE

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

- 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.

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

NOT  
APPLICABLE

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

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

NOT  
APPLICABLE

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

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

NOT  
APPLICABLE

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

collegial body, the company should require independent members to have their independence periodically re-confirmed.

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

NOT  
APPLICABLE

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

#### 4. 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.*

PRINCIPLES/ RECOMMENDATIONS	YES NO NOT APPLICABLE	COMMENTARY
4.1. The collegial body elected by the general shareholders' meeting (hereinafter in this Principle referred to as the 'collegial body') should ensure integrity and transparency of the company's financial statements and the control system. The collegial body should issue recommendations to the company's management bodies and monitor and control the company's management performance. <sup>8</sup>	YES	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

<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.

<sup>7</sup> See Footnote 3.

<sup>8</sup> See Footnote 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.

		<p>organization of operations, the development of the Company's activities.</p> <p>The Company's Board analyses and assesses the material about the Company's activities and finance supplied by the Company's Director General and Finance Director, if necessary give recommendations and suggestions, initiate urgent meetings and visits.</p>
<p>4.2. Members of the collegial body should act in good faith, with care and responsibility for the benefit and in the interests of the company and its shareholders with due regard to the interests of employees and public welfare. Independent members of the collegial body should (a) under all circumstances maintain independence of their analysis, decision-making and actions (b) do not seek and accept any unjustified privileges that might compromise their independence, and (c) clearly express their objections should a member consider that decision of the collegial body is against the interests of the company. Should a collegial body have passed decisions independent member has serious doubts about, the member should make adequate conclusions. Should an independent member resign from his office, he should explain the reasons in a letter addressed to the collegial body or audit committee and, if necessary, respective company-not-pertaining body (institution).</p>	YES	<p>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.</p>
<p>4.3. Each member should devote sufficient time and attention to perform his duties as a member of the collegial body. Each member of the collegial body should limit other professional obligations of his (in particular any directorships held in other companies) in such a manner they do not interfere with proper performance of duties of a member of the collegial body. In the event a member of the collegial body should be present in less than a half</p>	YES	<p>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</p>

<p><sup>9</sup> of the meetings of the collegial body throughout the financial year of the company, shareholders of the company should be notified.</p>		<p>the member to cast his advance vote in writing.</p>
<p>4.4. Where decisions of a collegial body may have a different effect on the company's shareholders, the collegial body should treat all shareholders impartially and fairly. It should ensure that shareholders are properly informed on the company's affairs, strategies, risk management and resolution of conflicts of interest. The company should have a clearly established role of members of the collegial body when communicating with and committing to shareholders.</p>	<p>YES</p>	<p>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.</p>
<p>4.5. It is recommended that transactions (except insignificant ones due to their low value or concluded when carrying out routine operations in the company under usual conditions), concluded between the company and its shareholders, members of the supervisory or managing bodies or other natural or legal persons that exert or may exert influence on the company's management should be subject to approval of the collegial body. The decision concerning approval of such transactions should be deemed adopted only provided the majority of the independent members of the collegial body voted for such a decision.</p>	<p>YES</p>	<p>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 majority 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.</p>

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<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.*

<p>4.6. The collegial body should be independent in passing decisions that are significant for the company's operations and strategy. Taken separately, the collegial body should be independent of the company's management bodies<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.</p>	YES	<p>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 Director General ensures that the managers or employees of separate fields provide the members of the Board with all required information directly or through the Director General so that they are able to duly perform their functions and solve the issues attributed to their competence.</p>
<p>4.7. Activities of the collegial body should be organized in a manner that independent members of the collegial body could have major influence in relevant areas where chances of occurrence of conflicts of interest are very high. Such areas to be considered as highly relevant are issues of nomination of company's directors, determination of directors' remuneration and control and assessment of company's audit. Therefore when the mentioned issues are attributable to the competence of the collegial body, it is recommended that the collegial body should establish nomination, remuneration, and audit</p>	YES	<p>The Company has formed the Audit Committee.</p> <p>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 need of establishment of other committees indicated in this recommendation though the foundation of Nomination and Remuneration Committees will be considered in the future.</p>

<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.

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.

4.8. The key objective of the committees is to increase efficiency of the activities of the collegial body by ensuring that decisions are based on due consideration, and to help organize its work with a view to ensuring that the decisions it takes are free of material conflicts of interest. Committees should 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

YES

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

<sup>11</sup> *The Law of the Republic of Lithuania on Audit (Official Gazette, 2008, No 82-53233) 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).*

field of competence.

4.9. Committees established by the collegial body should normally be composed of at least three members. In companies with small number of members of the collegial body, they could exceptionally be composed of two members. Majority of the members of each committee should be constituted from independent members of the collegial body. In cases when the company chooses not to set up a supervisory board, remuneration and audit committees should be entirely comprised of non-executive directors. Chairmanship and membership of the committees should be decided with due regard to the need to ensure that committee membership is refreshed and that undue reliance is not placed on particular individuals. Chairmanship and membership of the committees should be decided with due regard to the need to ensure that committee membership is refreshed and that undue reliance is not placed on particular individuals.

YES

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

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

YES

<p>4.11. In order to ensure independence and impartiality of the committees, members of the collegial body that are not members of the committee should commonly have a right to participate in the meetings of the committee only if invited by the committee. A committee may invite or demand participation in the meeting of particular officers or experts. Chairman of each of the committees should have a possibility to maintain direct communication with the shareholders. Events when such are to be performed should be specified in the regulations for committee activities.</p>	<p>YES</p>	
<p>4.12. Nomination Committee.</p>	<p>NOT APPLICABLE</p>	<p>The Nomination Committee was not formed according to the circumstances set out in Clause 4.7.</p>
<p>4.12.1. Key functions of the nomination committee should be the following:</p>		
<ol style="list-style-type: none"> <li>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;</li> <li>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;</li> <li>3) Assess on regular basis the skills, knowledge and experience of individual directors and report on this to the collegial body;</li> <li>4) Properly consider issues related to succession planning;</li> <li>5) Review the policy of the management bodies for selection and appointment of senior management.</li> </ol>		

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.

4.13. Remuneration Committee.

NOT  
APPLICABLE

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

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.

4.14. Audit Committee.

YES

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.

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

NO

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 as the controlling shareholder, by appointing the members of the Board, thoroughly checked and evaluated each member's experience, competence and determination to act for the interest of the Company.

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

## 5. 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.*

PRINCIPLES/ RECOMMENDATIONS	YES NO NOT APPLICABLE	COMMENTARY
5.1. The company's supervisory and management bodies (hereinafter in this Principle the concept 'collegial bodies' covers both the collegial bodies of supervision and the collegial bodies of management) should be chaired by chairpersons of these bodies. The chairperson of a collegial body is responsible for proper convocation of the collegial body meetings. The chairperson	YES	The Chairman of the Board heads the Board, he implements all the requirements set out in this clause.

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.

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

YES

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

YES

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

So far there have been no cases of absenteeism of Board's members in the Board's sessions.

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*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.*

<p>5.4. In order to co-ordinate operation of the company’s collegial bodies and ensure effective decision-making process, chairpersons of the company’s collegial bodies of supervision and management should closely co-operate by co-ordinating 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.</p>	<p>NOT APPLICABLE</p>	<p>Only one collegiate managing body – the Board - is formed in the Company.</p>
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## 6. 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.*

PRINCIPLES/ RECOMMENDATIONS	YES NO NOT APPLICABLE	COMMENTARY
<p>6.1. It is recommended that the company’s capital should consist only of the shares that grant the same rights to voting, ownership, dividend and other rights to all their holders.</p>	<p>YES</p>	<p>The Company’s capital consists only of ordinary nominal intangible shares which grant the same rights to the Company’s shareholders.</p>
<p>6.2. It is recommended that investors should have access to the information concerning the rights attached to the shares of the new issue or those issued earlier in advance, i.e. before they purchase shares.</p>	<p>YES</p>	<p>The Articles of the Association of Company which complies with the Law on Companies guarantee the rights to shareholders.</p> <p>The Company’s Articles of the Association are publicly accessed to all investors on the Company’s website in the Lithuanian and English languages.</p>
<p>6.3. Transactions that are important to the company and its shareholders, such as transfer, investment, and pledge of the company’s assets or any other type of encumbrance should be subject to approval of the general shareholders’</p>	<p>NO</p>	<p>The approval of the indicated decisions in the general shareholders’ meeting could interfere with the effectiveness and efficiency of the Company’s activities.</p>

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.

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

YES

The information about the general meeting of shareholders will be announced through the information system of NASDAQ OMX Globe Newswire 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. If 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

YES

The Company announces to the general meeting of shareholders the prepared draft decisions through the information system NASDAQ OMX Globe Newswire and on the Company's website in the Lithuanian and English languages. The decisions adopted by the general shareholders' meeting are announced through the information system NASDAQ OMX Globe Newswire 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.

<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 authorised 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.*

<p>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.</p>		
<p>6.6. Shareholders should be furnished with the opportunity to vote in the general shareholders' meeting in person and in absentia. Shareholders should not be prevented from voting in writing in advance by completing the general voting ballot.</p>	<p>YES</p>	<p>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.</p> <p>The Company provides the shareholders with the possibility to vote by completing a voting ballot as is indicated in the Law on Companies.</p>
<p>6.7. With a view to increasing the shareholders' opportunities to participate effectively at shareholders' meetings, the companies are recommended to expand use of modern technologies 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.</p>	<p>NO</p>	<p>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.</p>

## 7. 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.*

<p>PRINCIPLES/ RECOMMENDATIONS</p>	<p>YES NO NOT APPLICABLE</p>	<p>COMMENTARY</p>
<p>7.1. Any member of the company's supervisory and management body should avoid a situation, in which his/her</p>	<p>YES</p>	<p>The members of the Board avoid situations where their personal interests may conflict with the interests of the Company. The</p>

<p>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.</p>		<p>members of the Board abstain from voting or refuse to vote when the matter is related to his person.</p>
<p>7.2. Any member of the company's supervisory and management body may not mix the company's assets, the use of which has not been mutually agreed upon, with his/her personal assets or use them or the information which he/she learns by virtue of his/her position as a member of a corporate body for his/her personal benefit or for the benefit of any third person without a prior agreement of the general shareholders' meeting or any other corporate body authorized by the meeting.</p>	YES	<p>The members of the Board act in favour 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.</p>
<p>7.3. Any member of the company's supervisory and management body may conclude a transaction with the company, a member of a corporate body of which he/she is. Such a transaction (except insignificant ones due to their low value or concluded when carrying out routine operations in the company under usual conditions) must be immediately reported in writing or orally, by recording this in the minutes of the meeting, to other members of the same corporate body or to the corporate body that has elected him/her or to the company's shareholders. Transactions specified in this recommendation are also subject to recommendation 4.5.</p>	YES	<p>The members of the Company's Board have not concluded the transactions of high value of those under non-standard conditions with the Company.</p>

7.4. Any member of the company's supervisory and management body should abstain from voting when decisions concerning transactions or other issues of personal or business interest are voted on.	YES	The 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.
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## 8. 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.*

PRINCIPLES/ RECOMMENDATIONS	YES	COMMENTARY
	NO	
	NOT APPLICABLE	
8.1. 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.	NO	<p>The Company has not prepared the remuneration approval, revision and publication procedure; therefore, it does not prepare remuneration policy statement.</p> <p>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.</p> <p>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.</p>

<p>8.2. Remuneration statement should mainly focus on directors' remuneration policy for the following year and, if appropriate, the subsequent years. The statement should contain a summary of the implementation of the remuneration policy in the previous financial year. Special attention should be given to any significant changes in company's remuneration policy as compared to the previous financial year.</p>	<p>NOT APPLICABLE</p>	<p>The Company has no remuneration statement due to the reasons specified in Clause 8.1.</p>
<p>8.3. Remuneration statement should leastwise include the following information:</p> <ol style="list-style-type: none"> <li>1) Explanation of the relative importance of the variable and non-variable components of directors' remuneration;</li> <li>2) Sufficient information on performance criteria that entitles directors to share options, shares or variable components of remuneration;</li> <li>3) An explanation how the choice of performance criteria contributes to the long-term interests of the company;</li> <li>4) An explanation of the methods, applied in order to determine whether performance criteria have been fulfilled;</li> <li>5) Sufficient information on deferment periods with regard to variable components of remuneration;</li> <li>6) Sufficient information on the linkage between the remuneration and performance;</li> <li>7) The main parameters and rationale for any annual bonus scheme and any other non-cash benefits;</li> <li>8) Sufficient information on the policy regarding termination payments;</li> <li>9) Sufficient information with regard to vesting periods for share-based remuneration, as referred to in point 8.13 of this Code;</li> <li>10) Sufficient information on the policy regarding retention of shares after vesting, as referred to in point 8.15 of this Code;</li> <li>11) Sufficient information on the composition of peer groups of</li> </ol>	<p>NOT APPLICABLE</p>	<p>The Company has no remuneration statement due to the reasons specified in Clause 8.1.</p>

<p>companies the remuneration policy of which has been examined in relation to the establishment of the remuneration policy of the company concerned;</p> <p>12) A description of the main characteristics of supplementary pension or early retirement schemes for directors;</p> <p>13) Remuneration statement should not include commercially sensitive information.</p>		
<p>8.4. Remuneration statement should also summarize and explain company's policy regarding the terms of the contracts executed with executive directors and members of the management bodies. It should include, inter alia, information on the duration of contracts with executive directors and members of the management bodies, the applicable notice periods and details of provisions for termination payments linked to early termination under contracts for executive directors and members of the management bodies.</p>	<p>NOT APPLICABLE</p>	<p>The Company has no remuneration statement due to the reasons specified in Clause 8.1.</p>
<p>8.5. Remuneration statement should also contain detailed information on the entire amount of remuneration, inclusive of other benefits, that was paid to individual directors over the relevant financial year. This document should list at least the information set out in items 8.5.1 to 8.5.4 for each person who has served as a director of the company at any time during the relevant financial year.</p> <p>8.5.1. The following remuneration and/or emoluments-related information should be disclosed:</p> <p>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;</p> <p>2) The remuneration and advantages received from any undertaking belonging to the same group;</p> <p>3) The remuneration paid in the form of profit sharing and/or bonus payments and the reasons why such bonus</p>	<p>NOT APPLICABLE</p>	<p>The Company has no remuneration statement due to the reasons specified in Clause 8.1.</p>

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

<p>payable by the company in respect of that director during the relevant financial year.</p>		
<p>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.</p>		
<p>8.6. Where the remuneration policy includes variable components of remuneration, companies should set limits on the variable component(s). The non-variable component of remuneration should be sufficient to allow the company to withhold variable components of remuneration when performance criteria are not met.</p>	<p>NOT APPLICABLE</p>	<p>The Company has no remuneration statement due to the reasons specified in Clause 8.1.</p>
<p>8.7. Award of variable components of remuneration should be subject to predetermined and measurable performance criteria.</p>	<p>NOT APPLICABLE</p>	<p>The Company has no remuneration statement due to the reasons specified in Clause 8.1.</p>
<p>8.8. Where a variable component of remuneration is awarded, a major part of the variable component should be deferred for a minimum period of time. The part of the variable component subject to deferment should be determined in relation to the relative weight of the variable component compared to the non-variable component of remuneration.</p>	<p>NOT APPLICABLE</p>	<p>The Company has no remuneration statement due to the reasons specified in Clause 8.1.</p>
<p>8.9. Contractual arrangements with executive or managing directors should include provisions that permit the company to reclaim variable components of remuneration that were awarded on the basis of data which subsequently proved to be manifestly misstated.</p>	<p>NOT APPLICABLE</p>	<p>The Company has no remuneration statement due to the reasons specified in Clause 8.1.</p>
<p>8.10. Termination payments should not exceed a fixed amount or fixed number of years of annual remuneration, which should, in general, not be higher than two years of the non-variable component of remuneration or the equivalent thereof.</p>	<p>NOT APPLICABLE</p>	<p>The Company has no remuneration statement due to the reasons specified in Clause 8.1.</p>

8.11. Termination payments should not be paid if the termination is due to inadequate performance.	NOT APPLICABLE	The Company has no remuneration statement due to the reasons specified in Clause 8.1.
8.12. The information on preparatory and decision-making processes, during which a policy of remuneration of directors is being established, should also be disclosed. Information should include data, if applicable, on authorities and composition of the remuneration committee, names and surnames of external consultants whose services have been used in determination of the remuneration policy as well as the role of shareholders' annual general meeting.	NOT APPLICABLE	The Company has no remuneration statement due to the reasons specified in Clause 8.1.
8.13. Shares should not vest for at least three years after their award.	NOT APPLICABLE	The Company has no remuneration statement due to the reasons specified in Clause 8.1.
8.14. Share options or any other right to acquire shares or to be remunerated on the basis of share price movements should not be exercisable for at least three years after their award. Vesting of shares and the right to exercise share options or any other right to acquire shares or to be remunerated on the basis of share price movements, should be subject to predetermined and measurable performance criteria.	NOT APPLICABLE	The Company has no remuneration statement due to the reasons specified in Clause 8.1.
8.15. After vesting, directors should retain a number of shares, until the end of their mandate, subject to the need to finance any costs related to acquisition of the shares. The number of shares to be retained should be fixed, for example, twice the value of total annual remuneration (the non-variable plus the variable components).	NOT APPLICABLE	The Company has no remuneration statement due to the reasons specified in Clause 8.1.
8.16. Remuneration of non-executive or supervisory directors should not include share options.	NOT APPLICABLE	The Company has no remuneration statement due to the reasons specified in Clause 8.1.
8.17. Shareholders, in particular institutional shareholders, should be encouraged to attend general meetings where appropriate and make considered use of their votes regarding directors' remuneration.	NOT APPLICABLE	The Company has no remuneration statement due to the reasons specified in Clause 8.1.
8.18. Without prejudice to the role and	NOT	The Company has no remuneration

<p>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.</p>	<p>APPLICABLE</p>	<p>statement due to the reasons specified in Clause 8.1.</p>
<p>8.19. Schemes anticipating remuneration of directors in shares, share options or any other right to purchase shares or be remunerated on the basis of share price movements should be subject to the prior approval of shareholders' annual general meeting by way of a resolution prior to their adoption. The approval of scheme should be related with the scheme itself and not to the grant of such share-based benefits under that scheme to individual directors. All significant changes in scheme provisions should also be subject to shareholders' approval prior to their adoption; the approval decision should be made in shareholders' annual general meeting. In such case shareholders should be notified on all terms of suggested changes and get an explanation on the impact of the suggested changes.</p>	<p>NOT APPLICABLE</p>	<p>The Company has no remuneration statement due to the reasons specified in Clause 8.1.</p>
<p>8.20. The following issues should be subject to approval by the shareholders' annual general meeting:</p> <ol style="list-style-type: none"> <li>1) Grant of share-based schemes, including share options, to directors;</li> <li>2) Determination of maximum number of shares and main conditions of share granting;</li> <li>3) The term within which options can be exercised;</li> <li>4) The conditions for any subsequent change in the exercise of the options, if permissible by law;</li> <li>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</li> </ol>	<p>NOT APPLICABLE</p>	<p>The Company has no remuneration statement due to the reasons specified in Clause 8.1.</p>

<p>should also set the deadline within which the body responsible for remuneration of directors may award compensations listed in this article to individual directors.</p>	<p>NOT APPLICABLE</p>	<p>The Company has no remuneration statement due to the reasons specified in Clause 8.1.</p>
<p>8.21. Should national law or company's Articles of Association allow, any discounted option arrangement under which any rights are granted to subscribe to shares at a price lower than the market value of the share prevailing on the day of the price determination, or the average of the market values over a number of days preceding the date when the exercise price is determined, should also be subject to the shareholders' approval.</p>	<p>NOT APPLICABLE</p>	<p>The Company has no remuneration statement due to the reasons specified in Clause 8.1.</p>
<p>8.22. Provisions of Articles 8.19 and 8.20 should not be applicable to schemes allowing for participation under similar conditions to company's employees or employees of any subsidiary company whose employees are eligible to participate in the scheme and which has been approved in the shareholders' annual general meeting.</p>	<p>NOT APPLICABLE</p>	<p>The Company has no remuneration statement due to the reasons specified in Clause 8.1.</p>
<p>8.23. Prior to the annual general meeting that is intended to consider decision stipulated in Article 8.19, the shareholders must be provided an opportunity to familiarize with draft resolution and project-related notice (the documents should be posted on the company's website). The notice should contain the full text of the share-based remuneration schemes or a description of their key terms, as well as full names of the participants in the schemes. Notice should also specify the relationship of the schemes and the overall remuneration policy of the directors. Draft resolution must have a clear reference to the scheme itself or to the summary of its key terms. Shareholders must also be presented with information on how the company intends to provide for the shares required to meet its obligations under incentive schemes. It should be clearly stated whether the company intends to buy shares in the market, hold the shares in reserve or issue new ones. There should also be a</p>	<p>NOT APPLICABLE</p>	<p>The Company has no remuneration statement due to the reasons specified in Clause 8.1.</p>

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.

## 9. 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.*

PRINCIPLES/ RECOMMENDATIONS	YES NO NOT APPLICABLE	COMMENTARY
9.1. The corporate governance framework should assure that the rights of stakeholders that are protected by law are respected.	YES	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. The corporate governance framework should create conditions for the stakeholders to participate in corporate governance in the manner prescribed by law. Examples of mechanisms of stakeholder participation in corporate governance include: employee participation in adoption of certain key decisions for the company; consulting the employees on corporate governance and other important issues; employee participation in the company's share capital; creditor involvement in governance in the context of the company's insolvency, etc.	YES	All persons concerned and the third parties may access the announceable public information about the activities of the Company on the websites of 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. Where stakeholders participate in the corporate governance process, they should have access to relevant information.	YES	All necessary information can be accessed on the websites of NASDAQ OMX Vilnius Stock Exchange and the Company.

## 10. 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.*

PRINCIPLES/ RECOMMENDATIONS	YES NO NOT APPLICABLE	COMMENTARY
<p>10.1. The company should disclose information on:</p> <ol style="list-style-type: none"> <li>1) The financial and operating results of the company;</li> <li>2) Company objectives;</li> <li>3) Persons holding by the right of ownership or in control of a block of shares in the company;</li> <li>4) Members of the company's supervisory and management bodies, chief executive officer of the company and their remuneration;</li> <li>5) Material foreseeable risk factors;</li> <li>6) Transactions between the company and connected persons, as well as transactions concluded outside the course of the company's regular operations;</li> <li>7) Material issues regarding employees and other stakeholders;</li> <li>8) Governance structures and strategy.</li> </ol> <p>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.</p>	YES	<p>The information about the Company specified in this clause is announced through the information system of NASDAQ OMX Vilnius Stock Exchange, 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.</p>
<p>10.2. 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.</p>	YES	<p>By presenting the information specified in this clause the Company announces the consolidated information of both the Company and the Group of companies.</p>

<p>10.3. It is recommended that information on the professional background, qualifications of the members of supervisory and management bodies, chief executive officer of the company should be disclosed as well as potential conflicts of interest that may have an effect on their decisions when information specified in item 4 of Recommendation 10.1 about the members of the company's supervisory and management bodies is under disclosure. It is also recommended that information about the amount of remuneration received from the company and other income should be disclosed with regard to members of the company's supervisory and management bodies and chief executive officer as per Principle VIII.</p>	<p>YES</p>	<p>The company supplies the information specified in this clause in its annual report.</p>
<p>10.4. It is recommended that information about the links between the company and its stakeholders, including employees, creditors, suppliers, local community, as well as the company's policy with regard to human resources, employee participation schemes in the company's share capital, etc. should be disclosed when information specified in item 7 of Recommendation 10.1 is under disclosure.</p>	<p>YES</p>	<p>The company supplies the information specified in this clause in its annual report.</p>
<p>10.5. Information should be disclosed in such a way that neither shareholders nor investors are discriminated with regard to the manner or scope of access to information. Information should be disclosed to all simultaneously. It is recommended that notices about material events should be announced before or after a trading session on the Vilnius Stock Exchange, so that all the company's shareholders and investors should have equal access to the information and make informed investing decisions.</p>	<p>YES</p>	<p>The information specified in this clause is announced through the information system of NASDAQ OMX Vilnius Stock Exchange and on the Company's website in the Lithuanian and English languages. All corporate actions and information to investors are presented not during the trade session, in all cases – before the session starts or after it ends.</p>
<p>10.6. 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</p>	<p>YES</p>	<p>The Company ensures impartial, timely and inexpensive access to the information by announcing it on the Company's website or through NASDAQ OMX Vilnius Stock Exchange's information system in the Lithuanian and English languages.</p>

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.

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

YES

This recommendation is fully implemented by the Company.

## 11. 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.*

PRINCIPLES/ RECOMMENDATIONS	YES	COMMENTARY
	NO	
	NOT APPLICABLE	
11.1. 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.	YES	<p>This recommendation is implemented partly.</p> <p>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.</p> <p>Despite that, the Company's interim reports are prepared according to IFRS requirements.</p>
11.2. It is recommended that the company's supervisory board and, where it is not set up, the company's board should propose a candidate firm of auditors to the general shareholders' meeting.	YES	This recommendation is fully implemented.

<p>11.3. It is recommended that the company should disclose to its shareholders the level of fees paid to the firm of auditors for non-audit services rendered to the company. This information should be also known to the company's supervisory board and, where it is not formed, the company's board upon their consideration which firm of auditors to propose for the general shareholders' meeting.</p>	<p>YES</p>	<p>The firm of auditors provided the Company with the consultations on tax and hedging policy issues in the financial year 2011/2012.</p>
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