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 Bank of Lithuania, we, Darius Zubas, Managing 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 2018/19 ended June 30, 2019, 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 2018/19 financial year.

AB Linas Agro Group Managing Director Darius Zubas

7 October 2019

AB Linas Agro Group Finance Director Tomas Tumėnas

7 October 2019

Consolidated Annual Report of AB Linas Agro Group

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

Letter to the shareholders

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

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

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

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

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

We strengthened our grain sourcing infrastructure in Latvia during the last fiscal year by opening a grain reception station and elevators in Grobina and Rezekne. The elevator in Grobina was even acknowledged to be the Building of the Year in Latvia and came in the 3rd in the Industrial Warehousing Category. We also optimized the network of our grain elevators and fertilizer warehouses by merging the Latvian company SIA Paleo, which controlled the fertilizer warehouses, to the SIA Linas Agro Graudu Centrs. We then sold the little-used warehouses in the city of Tukums, Latvia, which have been previously acquired together with the company SIA Paleo.

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

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

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

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

We will continue to place a strong focus on making our activities more efficient and on improving the quality of our goods and services in all our businesses in the next fiscal year. We will increase the energy efficiency of manufacturing premises, improve the conditions of poultry farming and strengthen our customer service offices. We will also continue to optimize our organizational structures, looking for synergy between the activities and companies as well as for a more efficient use of the available resources.

Our strategic goal is to grow in a profitable manner. Therefore, we must understand our customer's expectations and create value for them through our goods and services. We have many different customers: small farmers and big agrarians, international trade giants, producers of feedstuffs, producers of dairy products and chicken buyers. They all have different expectations, and our goal is to meet their expectations. Therefore, we will strive to find the best solutions for our customers, to improve the quality of the food consumed and to increase the efficiency of all our activities.

Sincerely

Managing Director Darius Zubas

Our vision -

leadership in the Baltic agribusiness sector.

Our mission:

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

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

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

Content

1. Reporting period of the Annual Report

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

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

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

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

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

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

3. Contact persons

Finance Director

Tomas Tumėnas

+370 45 507 393

t.tumenas@linasagro.lt

Investor Relations Specialist

Viltė Lukoševičienė

+370 45 507 346

v.lukoševičienė@linasagro.lt

4.Information about the Company and the Group

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

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

The Company does not have any branches and representative offices.

4.1.The main activities

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

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

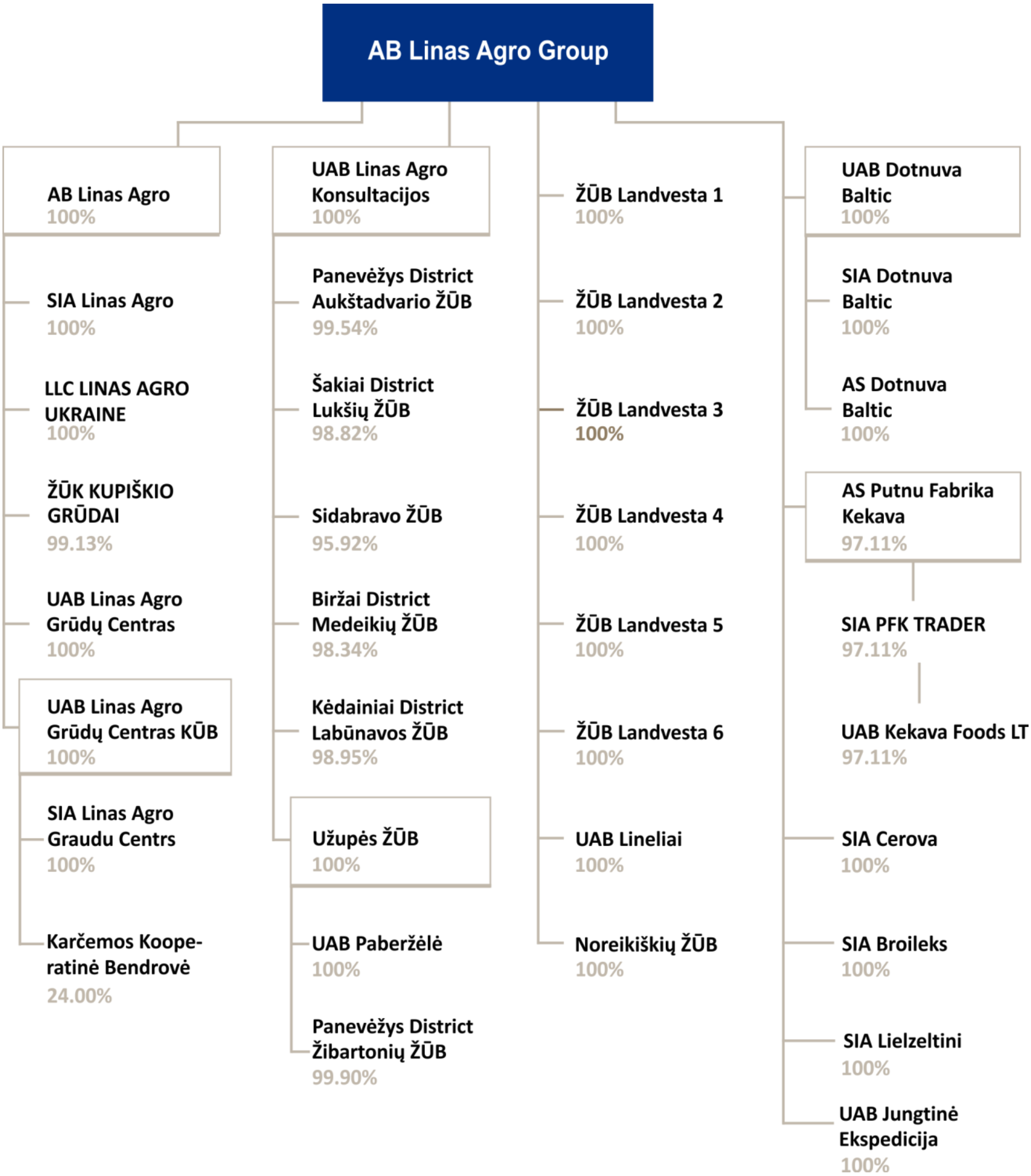
The Group's activities are subdivided into four main operating Segments. Division into separate Segments is dictated by different types of products and character of related activities; however, activities of the Segments are often interconnected.

4.2.Information about subsidiaries of the Company

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

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

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



Shareholding structure of the companies

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

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

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

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

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

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

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

* Dormant companies and companies under liquidation are not included:

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

Subsidiaries in Lithuania

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

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

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

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

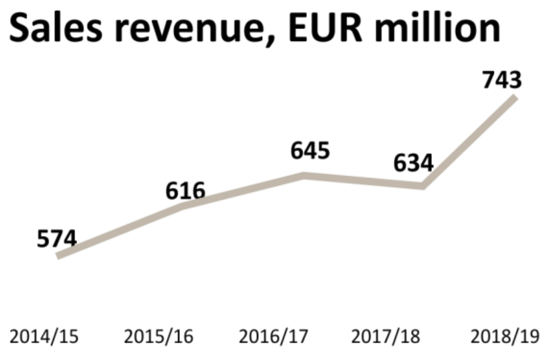
Subsidiaries operating in foreign countries

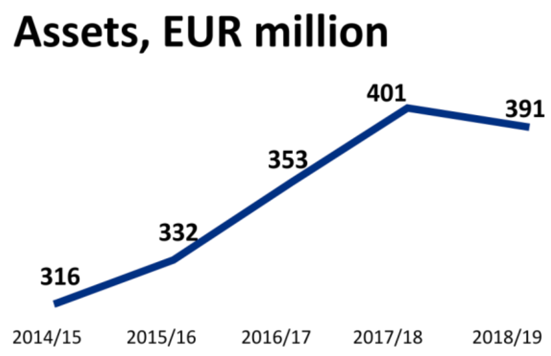
Company name	Principal activities	Registration date, code of legal entity, company register	Contact data
SIA Linas Agro	Wholesale trade of grains and oilseeds, agricultural inputs supply	23/4/2003, Code of legal entity 53603019011, Register of Enterprises of the Republic of Latvia	“Iecavas baze“, Iecavas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

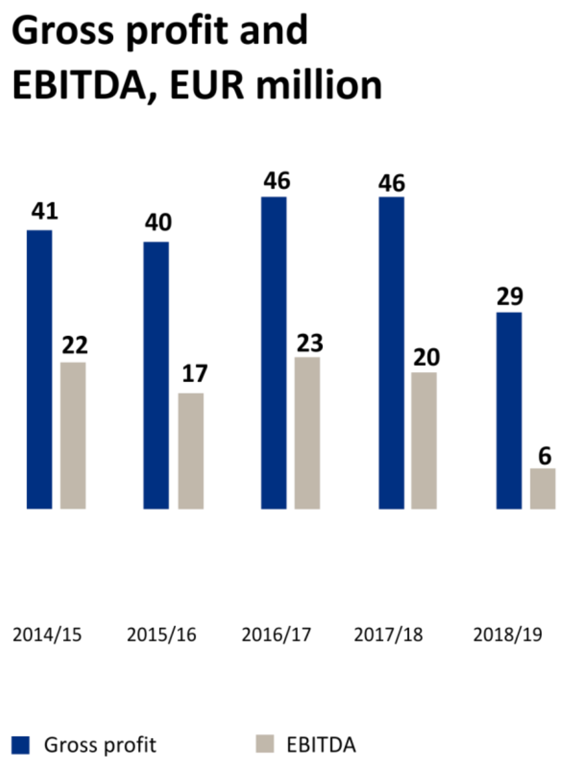
Company name	**Principal activities**	**Registration date, code of legal entity, company register**	**Contact data**
AS Dotnuva Baltic	Sale of agricultural machinery and equipment for grain elevators	11/11/2010, Code of legal entity 12019737, Estonian Central Register of Securities (Eesti Väärtpaberikeskus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

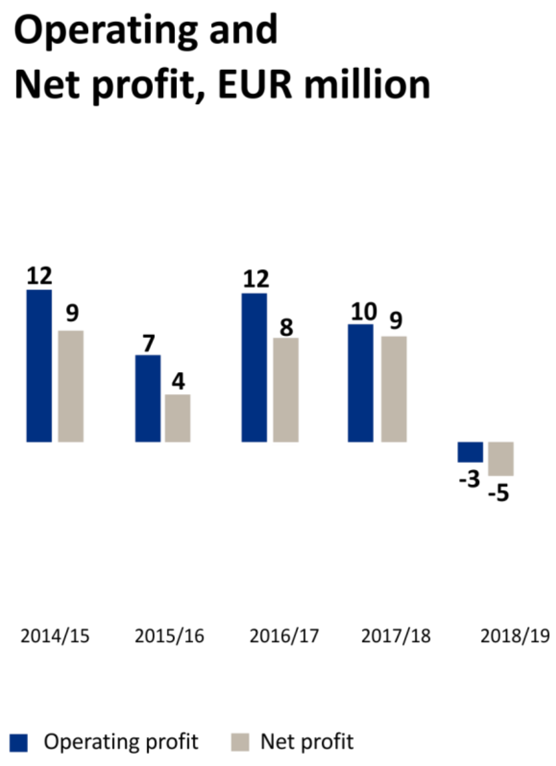
5.Activity and financial results of the Group

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









5.1.Financial ratios

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

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

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

5.2. Overview

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

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

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

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

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

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

To reduce operating costs, the Group is carrying out some transformations in the organizational structure: closed the dormant company in Latvia SIA Erfolg Group; merged the fertilizer warehousing company SIA Paleo to the grain elevators company SIA Linas Agro Graudu Centrs; is closing the Danish company Linas Agro A/S. The Group also implements other programs to increase efficiency of the internal processes and reduce operational costs, they cut operating costs of AB Linas Agro Group by 8% or EUR 3.1 million to EUR 35.2 million.

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

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

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

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

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

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

5.3.Cash flow and liquidity

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

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

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

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

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

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

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

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

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

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

5.4. Investments

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

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

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

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

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

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

5.5.Performance results of the Segments

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

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

Operating profit (loss) by Segments, thousand euro

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

Grain and feedstuff handling and merchandising

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

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

'Oilseeds' means rapeseed, sunflower and flax seeds.

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

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

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

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

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

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

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

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

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

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

Products and services for farming

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

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

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

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

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

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

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

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

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

Several in a row unfavorable growing seasons affected sales of agricultural machinery. The second consecutive year of poor harvest in the Baltic States and a more complicated financial and economic situation of farms have significantly decreased farmers' investments into grain complexes, new agricultural machinery and other equipment.

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

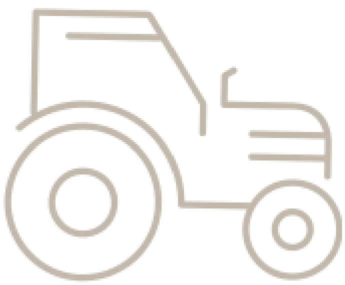
In Latvia, farmers have a strong interest in grain processing equipment and the reconstruction of existing warehouses, but the investment will be dependent on EU funding and the projects will only be implemented in 2020/21. Latvian farmers also plan to purchase agricultural machinery only having support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

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

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

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

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



Agricultural production

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

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

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

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

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

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

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

	2014/15	**2015/16**	**2016/17**	**2017/18**	**2018/19**	**Change 2018/19 compared to 2017/18 (%)**
Sales in tons	113,531	117,219	107,875	122,699	102,548	(16.4)
Sales revenue, thousand EUR	25,153	27,153	26,815	31,011	26,238	(15,4)
Gross profit, thousand EUR	6,049	3,525	6,450	6,194	3,109	(49,1)
Gross profit margin,%	24.0	13.0	24.1	20.0	11.9	(40.5)

Food products

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

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

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

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

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

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

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

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

Other

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

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

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

5.7. Strategic goals of the Group

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

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

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

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

6.1. The publicly disclosed information

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

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

6.2.Other events of the reporting period

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

6.3.Subsequent events

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

7.Scope of risk and management thereof

7.1.Market risk

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

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

7.2.Risk related to activities of subsidiaries

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

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

7.3.Political risk

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

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

7.4.Social risk

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

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

7.5.Counterparty risk

The Group enters forward contracts with farmers who commit the delivery of production under terms and conditions of the contract. As the prices of products increase, the risk of breach of forward contracts and non-delivery of production by counterparties emerges. The bigger the difference between the contract price and the current market price on the day of delivery, the higher is the risk.

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

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

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

7.6.Financial risk

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

8.Employees

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

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

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

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

Distribution of employees of the Group by education degree held:

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

Distribution of employees of the Group by countries:

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

AB Linas Agro Group has no collective agreement.

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

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

9.Authorized capital and shares of the Company

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

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

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

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

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

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

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

10.Shareholders

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

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

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

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

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

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

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

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

11.The Company's bodies and their competence

The Company's bodies shall be as follows:

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

The Supervisory Board shall not be formed in the Company.

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

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

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

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

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

11.1.General meeting of shareholders

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

11.2.Board of the Company

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

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

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

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

						
Darius Zubas	**Andrius Pranckevičius**	**Dainius Pilkauskas**	**Tomas Tumėnas**	**Arūnas Zubas**	**Darius Jaloveckas**	**Jonas Bakšys**

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

11.3.Head of the Company

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

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

11.4.Audit Committee

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

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

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

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

12.Management of the Company

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

Darius Zubas | **Andrius Pranckevičius** | **Tomas Tumėnas** | **Ramutė Masiokaitė**

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

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

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

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

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

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

Activities of the Company Management in other companies

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

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

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

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

13.1. Agreements concluded with intermediaries of the public securities market

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

13.2. Trade in the Company's shares

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

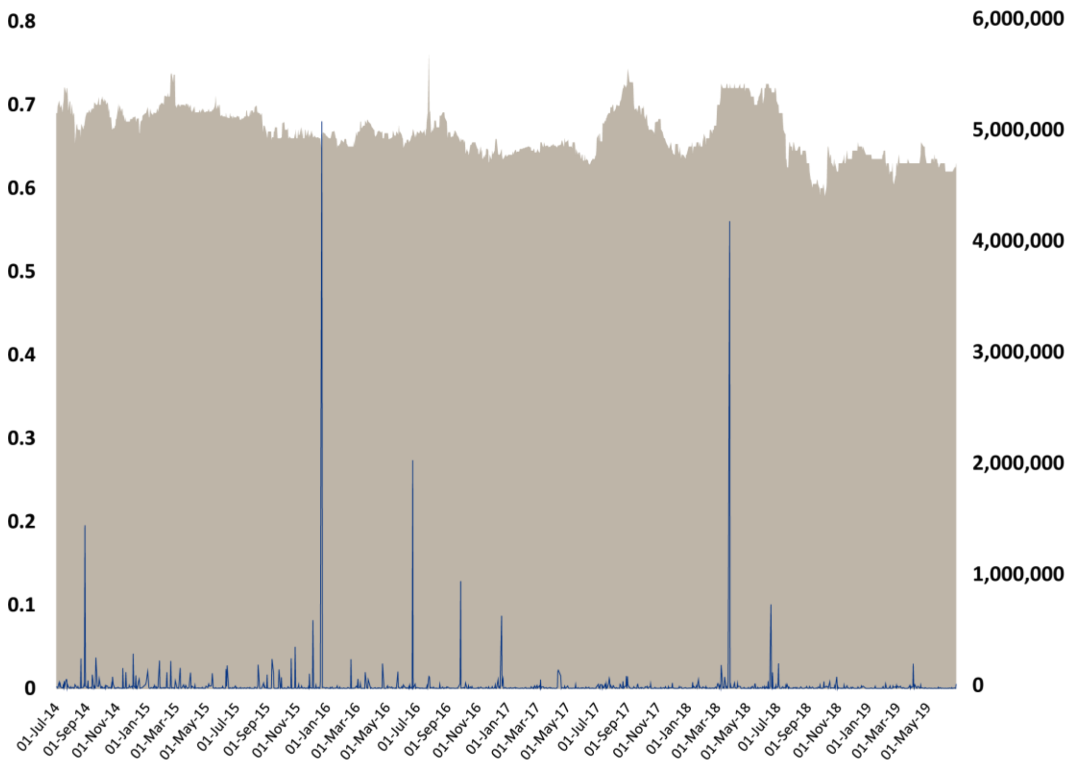
Year and quarter	Price EUR		Turnover EUR		Last trading days of the period			Total turnover	
	Max.	Min.	Max.	Min.	Price EUR	Turnover EUR	Date	Units	EUR
Q3 2018	0.700	0.595	224,500.00	0.00	0.600	1,926.00	28/09/2018	918,060	605,214.76
Q4 2018	0.655	0.590	105,274.17	0.00	0.640	0.00	28/12/2018	914,247	572,789.26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

13.3. Capitalization of the Company's shares

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

13.4.AB Linas Agro Group share price and turnover

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



13.5.Dividends paid to the Company's shareholders

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

14.Procedure for amending the Company’s Articles of Association

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

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

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

16.Major transactions with related parties

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

17.Information about the governance compliance

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

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

18.Social and environmental responsibility

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

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

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

The Social Responsibility Policy of the Group consists of:

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

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

18.1. Social responsibility in the relationships with our employees

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

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

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

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

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

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

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

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

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

One employee at the agricultural companies which employ 460 people was diagnosed with an occupational disease. These companies inspect the health of their employees at the workplace every year, and employees are taken to have the inspection done by specialists, if needed. Šakiai District Lukšių ŽŪB constructed recreational premises for 60 employees, whereas the employees' recreational premises were improved at agricultural company Panevėžys District Žibartonių ŽŪB during the reporting period.

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

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

18.2.Social activities

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

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

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

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

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

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

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

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

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

18.3. Environmental responsibility

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

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

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

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

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

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

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

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

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

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

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

Information on compliance with the Corporate Governance Code

for the companies
listed on AB Nasdaq Vilnius

Content

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

I principle: Basic provisions

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

1.1. Recommendation:

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

Company's commentary:

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

1.2. Recommendation

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

Company's commentary:

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

1.3. Recommendation:

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

Company's commentary:

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

1.4. Recommendation:

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

Company's commentary:

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

II principle: The corporate governance framework

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

2.1. Recommendation:

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

Company's commentary:

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

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

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

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

2.2. Recommendation:

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

Company's commentary:

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

2.3. Recommendation:

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

Company's commentary:

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

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

2.4. Recommendation:

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

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

Company's commentary:

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

2.5. Recommendation:

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

[2] *Definitions 'executive director' and 'non-executive director' are used in cases when a company has only one collegial body.*

Company's commentary:

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

2.6. Recommendation:

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

Company's commentary:

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

2.7. Recommendation:

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

Company's commentary:

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

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

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

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

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

3.1. Recommendation:

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

Company's commentary:

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

3.2. Recommendation:

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

Company's commentary:

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

3.3. Recommendation:

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

Company's commentary:

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

3.4. Recommendation:

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

Company's commentary:

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

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

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

Remuneration Committee has not been formed.

3.5. Recommendation:

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

Company's commentary:

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

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

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

3.6. Recommendation:

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

[4] *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.*

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

Company's commentary:

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

3.7. Recommendation:

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

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

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

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

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

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

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

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

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

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

Company's commentary:

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

3.8. Recommendation:

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

Company's commentary:

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

3.9. Recommendation:

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

Company's commentary:

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

3.10. Recommendation:

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

Company's commentary:

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

3.11. Recommendation:

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

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

Company's commentary:

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

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

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

7 *See note* ***3.***

4.1. Recommendation:

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

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

Company's commentary:

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

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

4.2. Recommendation:

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

a)under all circumstances maintain independence of their analysis, decision-making and actions,

b)do not seek and accept any unjustified privileges that might compromise their independence,

c)clearly express their objections should a member consider that decision of the collegial body is against the interests of the company.

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

Company's commentary:

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

4.3. Recommendation:

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

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

Company's commentary:

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

4.4. Recommendation:

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

Company's commentary:

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

4.5. Recommendation:

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

Company's commentary:

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

4.6. Recommendation:

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

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

Company's commentary:

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

4.7. Recommendation:

Activities of the collegial body should be organized in a manner that independent members of the collegial body could have major influence in relevant areas where chances of occurrence of conflicts of interest are very high. Such areas to be considered as highly relevant are issues of nomination of company's directors, determination of directors' remuneration and control and assessment of company's audit. Therefore when the mentioned issues are attributable to the competence of the collegial body, it is recommended that the collegial body should establish nomination, remuneration, and audit committees[11]. 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.

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

Company's commentary:

The Company has formed the Audit Committee.

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

4.8. Recommendation:

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

Company's commentary:

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

4.9. Recommendation:

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

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

Company's commentary:

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

4.10. Recommendation:

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

Company's commentary:

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

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

4.11. Recommendation:

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

Company’s commentary:

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

4.12. Recommendation in regards to Nomination Committee:

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

1) Identify and recommend, for the approval of the collegial body, candidates to fill board vacancies. The nomination committee should evaluate the balance of skills, knowledge and experience on the management body, prepare a description of the roles and capabilities required to assume a particular office, and assess the time commitment expected. Nomination committee can also consider candidates to members of the collegial body delegated by the shareholders of the company;

2) Assess on regular basis the structure, size, composition and performance of the supervisory and management bodies, and make recommendations to the collegial body regarding the means of achieving necessary changes;

3) Assess on regular basis the skills, knowledge and experience of individual directors and report on this to the collegial body;

4) Properly consider issues related to succession planning;

5) Review the policy of the management bodies for selection and appointment of senior management.

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

Company’s commentary:

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

4.13. Recommendation in regards to Remuneration Committee:

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Company's commentary:

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

4.14. Recommendation in regards to Audit Committee:

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

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

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

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

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

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

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

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

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

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

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

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

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

Company's commentary:

The Audit Committee follows the functions assigned to it.

4.15. Recommendation:

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

Company's commentary:

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

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

V principle: The working procedure of the company‘s collegial bodies

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

5.1. Recommendation:

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

Company's commentary:

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

5.2. Recommendation:

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

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

Company's commentary:

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

5.3. Recommendation:

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

Company's commentary:

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

5.4. Recommendation:

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

Company's commentary:

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

VI principle: The equitable treatment of shareholders and sharehoder rights

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

6.1. Recommendation:

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

Company’s commentary:

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

6.2. Recommendation:

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

Company’s commentary:

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

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

6.3. Recommendation:

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

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

Company’s commentary:

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

6.4. Recommendation:

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

Company’s commentary:

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

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

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

6.5. Recommendation:

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

Company's commentary:

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

6.6. Recommendation:

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

Company's commentary:

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

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

6.7. Recommendation:

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

Company’s commentary:

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

VII principle: The avoidence of conflicts of interest and their disclosure

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

7.1. Recommendation:

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

Company’s commentary:

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

7.2. Recommendation:

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

Company’s commentary:

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

7.3. Recommendation:

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

Company's commentary:

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

7.4. Recommendation:

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

Company's commentary:

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

VIII principle: Company's remuneration policy

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

8.1. Recommendation:

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

Company's commentary:

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

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

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

8.2. Recommendation:

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

Company's commentary:

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

8.3. Recommendation:

Remuneration statement should leastwise include the following information:

1) Explanation of the relative importance of the variable and non-variable components of directors' remuneration;

2) Sufficient information on performance criteria that entitles directors to share options, shares or variable components of remuneration;

3) An explanation how the choice of performance criteria contributes to the long-term interests of the company;

4) An explanation of the methods, applied in order to determine whether performance criteria have been fulfilled;

5) Sufficient information on deferment periods with regard to variable components of remuneration;

6) Sufficient information on the linkage between the remuneration and performance;

7) The main parameters and rationale for any annual bonus scheme and any other non-cash benefits;

8) Sufficient information on the policy regarding termination payments;

9) Sufficient information with regard to vesting periods for share-based remuneration, as referred to in point 8.13 of this Code;

10) Sufficient information on the policy regarding retention of shares after vesting, as referred to in point 8.15 of this Code;

11) Sufficient information on the composition of peer groups of companies the remuneration policy of which has been examined in relation to the establishment of the remuneration policy of the company concerned;

12) A description of the main characteristics of supplementary pension or early retirement schemes for directors;

13) Remuneration statement should not include commercially sensitive information.

Company's commentary:

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

8.4. Recommendation:

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

Company's commentary:

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

8.5. Recommendation:

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Company's commentary:

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

8.6. Recommendation:

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

Company's commentary:

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

8.7. Recommendation:

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

Company's commentary:

Not applicable for the reasons specified in Clause 8.6.

8.8. Recommendation:

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

Company's commentary:

Not applicable for the reasons specified in Clause 8.6.

8.9. Recommendation:

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

Company's commentary:

Not applicable for the reasons specified in Clause 8.6.

8.10. Recommendation:

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

Company's commentary:

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

8.11. Recommendation:

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

Company's commentary:

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

8.12. Recommendation:

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

Company’s commentary:

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

8.13. Recommendation:

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

Company’s commentary:

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

8.14. Recommendation:

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

Company’s commentary:

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

8.15. Recommendation:

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

Company’s commentary:

Not applicable for the reasons specified in Clause 8.13.

8.16. Recommendation:

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

Company’s commentary:

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

8.17. Recommendation:

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

Company’s commentary:

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

8.18. Recommendation:

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

Company’s commentary:

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

8.19. Recommendation:

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

Company’s commentary:

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

8.20. Recommendation:

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

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

Company's commentary:

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

8.21. Recommendation:

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

Company's commentary:

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

8.22. Recommendation:

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

Company's commentary:

Not applicable.

8.23. Recommendation:

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

Company's commentary:

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

IX principle: The role of stakeholders in corporate governance

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

9.1. Recommendation:

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

Company's commentary:

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

9.2. Recommendation:

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

Company's commentary:

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

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

9.3. Recommendation:

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

Company's commentary:

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

X principle: Information disclosure and transparency

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

10.1. Recommendation:

The company should disclose information on:
1) The financial and operating results of the company;
2) Company objectives;
3) Persons holding by the right of ownership or in control of a block of shares in the company;
4) Members of the company's supervisory and management bodies, chief executive officer of the company and their remuneration;
5) Material foreseeable risk factors;
6) Transactions between the company and connected persons, as well as transactions concluded outside the course of the company's regular operations;
7) Material issues regarding employees and other stakeholders;
8) Governance structures and strategy.
This list should be deemed as a minimum recommendation, while the companies are encouraged not to limit themselves to disclosure of the information specified in this list.

Company's commentary:

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

10.2. Recommendation:

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

Company's commentary:

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

10.3. Recommendation:

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

Company's commentary:

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

10.4. Recommendation:

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

Company's commentary:

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

10.5. Recommendation:

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

Company's commentary:

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

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

10.6. Recommendation:

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

Company's commentary:

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

10.7. Recommendation:

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

Company's commentary:

This recommendation is fully implemented by the Company.

XI principle: The selection of the company's auditor

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

11.1. Recommendation:

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

Company's commentary:

This recommendation is implemented partly.

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

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

11.2. Recommendation:

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

Company's commentary:

This recommendation is fully implemented.

11.3. Recommendation:

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

Company's commentary:

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

AB Linas Agro Group
Consolidated and Company‘s Financial Statements
For the financial year 2018/19, ended 30 June 2019

Prepared in accordance with international financial reporting standards, as adopted by the European Union, presented together with independent auditor’s report

Building a better working world

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INDEPENDENT AUDITOR'S REPORT

To the Shareholders of AB Linas Agro Group

Opinion

We have audited the accompanying financial statements of AB Linas Agro Group, a public limited liability company registered in the Republic of Lithuania (hereinafter the Company), and the consolidated financial statements of AB Linas Agro Group and subsidiaries (hereinafter the Group), which comprise the statements of financial position as at 30 June 2019, the statements of comprehensive income, changes in equity and cash flows for the year then ended, and notes (comprising a summary of significant accounting policies and other explanatory information).

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company and the Group as at 30 June 2019 and their financial performance and their cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) and Regulation (EU) No. 537/2014 of the European Parliament and of the Council of 16 April 2014 on specific requirements regarding statutory audit of public-interest entities ("Regulation (EU) No. 537/2014 of the European Parliament and the Council"). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company and the Group in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) together with the requirements of the Law on Audit of the financial statements of the Republic of Lithuania that are relevant to the audit in the Republic of Lithuania, and we have fulfilled our other ethical responsibilities in accordance with the Law on Audit of the financial statements of the Republic of Lithuania and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

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

We have fulfilled the responsibilities described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying financial statements.

Key audit matter	How the matter was addressed in the audit
1. Valuation of biological assets The carrying value of the Group's biological assets as at 30 June 2019 was EUR 26 million and the gain from change in fair value of biological assets recognized in the financial year ended 30 June 2019 amounted to EUR 1.1 million. Biological assets consist of livestock (mostly milking cows and other cattle), crops and poultry (hatching chicken and meat broilers). The fair value of milking cows is determined using discounted cash flows method less costs to sell. Other livestock is measured at fair value less cost to sell at the reporting date. Crops are valued at market prices based on expected harvest yield less costs to sell at the reporting date. Hatching chickens are valued based on the future value of the produced eggs less costs to maintain the chicken until end of its production period, slaughter costs as well as costs to sell at the reporting date. Meat broilers are valued taking into account the average age of the chicken and its respective market value between the value range of day one and value at the moment of slaughtering the chicken. This matter is significant to our audit due to materiality of the amounts and high level of management judgment involved in determining the fair value of biological assets.	We gained an understanding of management's procedures in relation to the valuation of biological assets. We obtained and reviewed the valuation of livestock, crops and poultry of the Group. We have reviewed and compared management forecasts in milking cows' valuation with historical information as well as supporting evidence on expected milk prices and milk yield. We have also involved a valuation specialist to assist us with the assessment of the discount rates used by the management in the discounted cash flows model. For valuation of other livestock we have traced input data to independent market information and tested the key assumptions used for calculating the fair value of livestock. For an assessment of fair value of crops we have reviewed the expected crops yields and compared with historical and subsequent information on actual yields as well as traced the expected grain sales price with market data. For valuation of hatching chickens we have compared management prices for incubation eggs with publicly available information and the average number of hatching eggs produced per hatching chicken in the lifetime with historical information of the Group. For assessment of fair value of meat broilers we have reviewed and compared management inputs on 1 day-old chicken and broiler meat prices with market information. We also read and assessed the adequacy of the disclosure made in Note 2.27 of the financial statements for biological assets fair value assessment including the sensitivity of the value to changes in key valuation inputs.
2. Impairment assessment of investment and loan granted to subsidiary (Parent company only) The Company's management has reviewed impairment indications for the Company's investments into subsidiaries. Investment and loan granted by the Company to the subsidiary engaged in trading the agricultural commodities were EUR 58 million as at 30 June 2019. The Company's management performed an impairment test of this investment and loan granted as there were some impairment indicators. No impairment was recognized after the impairment test was performed. The Company's management has assessed the value in use of the respective investment as disclosed in Note 2.27 to the financial statements. This annual impairment test was significant to our audit as it involves management judgment in making the assumptions related to cash flows forecasts used in the value in use estimations as disclosed in Note 2.27 to the financial statements. Furthermore, the investment and loan granted to the mentioned subsidiary represent more than 50% of the total assets of the Company as at 30 June 2019.	We gained an understanding of how the management evaluates the recoverability of investments. Our audit procedures included, amongst others, evaluating and testing the assumptions and methodologies used by the management of the Company. We involved a valuation specialist to assist us with the assessment of the discount rate used by the management in the value in use calculation for the specific businesses. We considered other significant assumptions used by the management in the estimation of cash flows forecasts by comparing revenues and costs to historical performance levels and considered expected growth rates. We assessed whether future cash flows were based on the strategic and business plans and other relevant developments in the business of the business cash generating unit (CGU). We tested the sensitivity in the available headroom of the investment considering if a reasonably possible change in assumptions could cause the carrying amount to exceed its recoverable amount and also assessed the historical accuracy of management's estimates. Finally, we assessed the adequacy of the Company's disclosures included in Note 2.27 to the financial statements about the assumptions used in the impairment test and the outcome of the test.

3. Impairment of trade accounts receivable

As at 30 June 2019 the Group had current trade accounts receivable balance amounting to EUR 111.9 million reported in the statement of financial position, part of which was overdue as disclosed in Note 12 of the financial statements. Effective 1 July 2018, the Company adopted IFRS 9 "Financial Instruments" which resulted in additional impairment amounting to EUR 8 thousand recognized in the opening retained earnings on 1 July 2018. See Note 2.1 for additional disclosure on IFRS 9 adoption.

The determination as to whether a trade receivable is collectable involves management judgment. Specific factors management considers include the age of the balance, location of customers, existence of collateral, recent historical payment patterns as well as data on subsequent collections. This matter is significant to our audit due to materiality of the amounts as these receivables constitute over 29% of the total assets of the Group in the statement of financial position as at 30 June 2019 and high level of management judgment involved in allowance calculation.

Among other procedures, we reviewed whether the existing accounting policy for the estimation of impairment of trade accounts receivable is in accordance with IFRS 9 "Financial instruments".

We reviewed the management's assumptions used in the impairment assessment of trade accounts receivable, including the historical default rate information used, by agreeing on a sample basis information used by the management with the supporting evidence. We also considered forward-looking information used in impairment estimation by comparing the management's estimate with the publicly available reputable sources of information (e.g. Bank of Lithuania). Additionally we tested the correctness of aging of the receivables data by obtaining sale documents for a selected sample and comparing that with the information included in the ageing report. In addition we reviewed clerical accuracy of the calculation of impairment recorded for the customer groups based on their ageing.

Furthermore, we have assessed the adequacy of the disclosure in the financial statements on this matter (Note 13).

4. Inventory net realizable value

Inventories of the Group amount to EUR 89.8 million in the statements of financial position as at 30 June 2019. It is a material balance for the Group and requires management judgment in assessing if its book value is not higher than the net realizable value at year-end. There is also management judgment required in determining the inventory obsolescence allowance. This matter is significant to our audit due to materiality of inventories that constitute over 23% of the total assets of the Group.

We gained an understanding of how management evaluates inventory net realizable value and allowance for obsolescence. We have reviewed calculations of inventory net realizable value, which was performed by the Group based on the review of subsequent sales after the year-end and expected realization price for items not sold during the subsequent period. We have also analyzed obsolescence data and rates applied in calculations of net realizable value allowance and compared the inventory obsolescence allowance to the Group's historic figures.

Finally, we have assessed the adequacy of the Group's disclosures included in Note 2.27 and Note 10 of the financial statements.

Other Information

Other information consists of the information included in the Consolidated Group's Annual Report, including Information on compliance with the Corporate Governance Code (hereinafter - Corporate Governance Report), and disclosure on Social and environmental responsibility (hereinafter - Corporate Social Responsibility Report), other than the financial statements and our auditor's report thereon. Management is responsible for the other information presentation.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon, except as indicated below.

In connection to our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

We also have to evaluate, if the financial information included in the Consolidated Group's Annual Report, including Corporate Governance Report, corresponds to the financial statements for the same financial year and if the Consolidated Group's Annual Report, including Corporate Governance Report, was prepared in accordance with the relevant legal requirements. In our opinion, based on the work performed in the course of the audit of financial statements, in all material respects:

- The financial information included in the Consolidated Group's Annual Report, including Corporate Governance Report, corresponds to the financial information included in the accompanying financial statements for the same year; and
- The Consolidated Group's Annual Report, including Corporate Governance Report, was prepared in accordance with the requirements of the Law on Financial Reporting by Undertakings of the Republic of Lithuania and the Law on Consolidated Financial Reporting by Groups of Undertakings of the Republic of Lithuania.

We also need to check that the Corporate Social Responsibility Report has been provided. If we identify that Corporate Social Responsibility Report has not been provided, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

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

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's and the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's and the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion.

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Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company and / or the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

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

Report on Other Legal and Regulatory Requirements

Other requirements on content of auditor's report in compliance with Regulation (EU) No. 537/2014 of the European Parliament and of the Council

Appointment and Approval of Auditor

We were appointed as the statutory auditor by the statutory body of the Group on 31 October 2018 based on our approval by the General Meeting of Shareholders of the Company on 31 October 2018. Total uninterrupted engagement period, including previous renewals (extension of the period for which we were originally appointed) and reappointments for the statutory auditor for the Company and the Group, has lasted for 12 years.

Consistency with Additional Report to Audit Committee

Our audit opinion on the financial statements expressed herein is consistent with the additional report provided to the audit committee of the Company, which we issued on the same date as the issue date of this report.

Non-audit Services

No prohibited non-audit services referred to in Article 5 (1) of Regulation (EU) No. 537/2014 of the European Parliament and of the Council were provided by us to the Company and the Group and we remain independent from the Company and the Group in conducting the audit.

In addition to the statutory audit services, we have provided tax consultation and IFRS training services to the Group during the financial year ended 30 June 2019.

The partner in charge of the audit resulting in this independent auditor's report is Asta Štreimikienė.

UAB ERNST & YOUNG BALTIC
Audit company's licence No. 001335

Asta Štreimikienė
Auditor's licence
No. 000382

7 October 2019

(all amounts are in thousand euros unless otherwise stated) 1

Statements of financial position

ASSETS	Notes	Group		Company	
		As at 30 June 2019	As at 30 June 2018	As at 30 June 2019	As at 30 June 2018
Non-current assets					
Intangible assets	5	1,891	1,496	221	237
Property, plant and equipment	6	128,078	122,590	70	20
Investment property	7	1,058	1,316	59	98
Animals, livestock and poultry	9	9,425	8,726	–	–
Non-current financial assets					
Investments in subsidiaries		–	–	103,089	100,450
Investments in associates		–	–	443	386
Other investments and prepayments for financial assets		16	16	–	–
Non-current receivables	8	2,435	1,841	–	–
Non-current receivables from related parties	8, 31	–	–	10,407	11,370
Total non-current financial assets		2,451	1,857	113,939	112,206
Non-current prepayments	8	1,649	1,590	–	–
Deferred income tax asset	27	4,476	2,803	272	121
Total non-current assets		**149,028**	**140,378**	**114,561**	**112,682**
Current assets					
Crops	9	14,222	12,856	–	–
Poultry	9	2,548	2,312	–	–
Inventories	10	89,817	95,873	–	–
Current prepayments	11	6,984	12,206	47	46
Accounts receivable					
Trade receivables	12	111,960	117,036	–	–
Receivables from related parties	31	2	255	690	2,834
Income tax receivable		547	843	11	28
Other accounts receivable and contract assets	13	7,476	7,128	23	48
Total accounts receivable		119,985	125,262	724	2,910
Derivative financial instruments	14	37	70	–	–
Other current financial assets	14	1,140	1,485	–	–
Cash and cash equivalents	15	7,637	10,495	683	289
Total current assets		**242,370**	**260,559**	**1,454**	**3,245**
Total assets		**391,398**	**400,937**	**116,015**	**115,927**

(cont'd on the next page)

The accompanying notes are an integral part of these financial statements.

(all amounts are in thousand euros unless otherwise stated)

Statements of financial position (cont'd)

EQUITY AND LIABILITIES	Notes	*Group*		*Company*	
		As at 30 June 2019	As at 30 June 2018	As at 30 June 2019	As at 30 June 2018
Equity attributable to equity holders of the parent					
Share capital	1	46,093	46,093	46,093	46,093
Share premium	1	23,038	23,038	23,038	23,038
Legal and other reserves	16	4,389	3,419	4,389	3,419
Reserve for own shares	16	5,000	–	5,000	–
Own shares	16	(448)	(453)	(448)	(453)
Foreign currency translation reserve	16	(17)	(22)	–	–
Cash flow hedge reserve	16	–	(40)	–	–
Retained earnings		89,955	102,951	34,450	37,812
Total equity attributable to equity holders of the parent		**168,010**	**174,986**	**112,522**	**109,909**
Non-controlling interest	32	**2,060**	**2,088**	**–**	**–**
Total equity		**170,070**	**177,074**	**112,522**	**109,909**
Liabilities					
Non-current liabilities					
Grants and subsidies	17	6,121	6,299	–	–
Non-current borrowings	18, 31	19,793	27,180	1,206	2,654
Finance lease obligations	19	2,455	1,172	–	–
Non-current payables to related parties	31	–	–	–	61
Deferred income tax liability		92	110	–	–
Non-current employee benefits		624	442	182	–
Derivative financial instruments	14	–	–	–	–
Other non-current liabilities	22	378	–	–	–
Total non-current liabilities		**29,463**	**35,203**	**1,388**	**2,715**
Current liabilities					
Current portion of non-current borrowings	18	13,411	6,835	–	933
Current portion of finance lease obligations	19	875	559	–	–
Current borrowings	18, 31	113,539	118,109	1,646	744
Trade payables	21	42,257	39,079	11	24
Payables to related parties	31	242	1	–	810
Income tax payable		14	103	–	–
Derivative financial instruments	14	632	987	–	–
Contract liability	22	2,322	–	–	–
Other current liabilities	22	18,573	22,987	448	792
Total current liabilities		**191,865**	**188,660**	**2,105**	**3,303**
Total equity and liabilities		**391,398**	**400,937**	**116,015**	**115,927**

The accompanying notes are an integral part of these financial statements.

Managing Director	Darius Zubas	7 October 2019
Finance Director	Tomas Tumėnas	7 October 2019
Chief Accountant	Ramutė Masiokaitė	7 October 2019

(all amounts are in thousand euros unless otherwise stated) 3

Consolidated statement of comprehensive income

	Notes	*Financial year ended*	
		30 June 2019	**30 June 2018**
Revenue from contracts with customers	4	742,542	–
Sales	4	–	634,423
Cost of sales	23	(713,671)	(588,575)
Gross profit		**28,871**	**45,848**
Operating (expenses), total	24	(35,182)	(38,294)
Expenses of impairment of trade debts, contract assets and other receivables	24	(79)	(1,254)
Other administrative expenses	24	(35,103)	(37,040)
Other income	25	4,912	3,537
Other (expenses)	25	(1,937)	(1,494)
Operating profit (loss)		**(3,336)**	**9,597**
Income from financing activities	26	635	503
(Expenses) from financing activities	26	(3,729)	(2,577)
Profit (loss) before tax		**(6,430)**	**7,523**
Income tax	27	1,600	1,940
Net profit (loss)		**(4,830)**	**9,463**
Net profit (loss) attributable to:			
Equity holders of the parent		(4,963)	9,036
Non-controlling interest		133	427
		(4,830)	**9,463**
Basic earnings per share (EUR)	28	(0.03)	0.06
Diluted earnings per share (EUR)	28	(0.03)	0.06
Other comprehensive income			
Other comprehensive income, to be reclassified to profit or loss in subsequent periods:			
Net (loss)/gain on cash flow hedges	14	40	33
Exchange differences on translation of foreign operations		5	–
Net other comprehensive income (loss) to be reclassified to profit or loss in subsequent periods		**45**	**33**
Other comprehensive income not to be reclassified to profit or loss in subsequent periods:		–	–
Net other comprehensive income (loss) not to be reclassified to profit or loss in subsequent periods		–	**–**
Other comprehensive income/ (loss) for the year, net of tax		**45**	**33**
Total comprehensive income, after tax		**(4,785)**	**9,496**
Total comprehensive income attributable to:			
The shareholders of the Company		(4,918)	9,069
Non-controlling interest	4	133	427
		(4,785)	**9,496**

The accompanying notes are an integral part of these financial statements.

(all amounts are in thousand euros unless otherwise stated) 4

Company's statement of comprehensive income

	Notes	*Financial year ended*	
		30 June 2019	**30 June 2018**
Revenue from contracts with customers		30	–
Dividend income		5,624	4,186
Rental and other income		163	275
Operating (expenses)	24	(1,626)	(1,144)
Operating profit		**4,191**	**3,317**
Income from financing activities	26	520	596
(Expenses) from financing activities	26	(95)	(127)
Profit before tax		**4,616**	**3,786**
Income tax		144	52
Net profit		**4,760**	**3,838**
Other comprehensive income		–	–
Total comprehensive income		**4,760**	**3,838**

The accompanying notes are an integral part of these financial statements.

Managing Director	Darius Zubas		7 October 2019
Finance Director	Tomas Tumėnas		7 October 2019
Chief Accountant	Ramutė Masiokaitė		7 October 2019

(all amounts are in thousand euros unless otherwise stated) 5

Consolidated statement of changes in equity

	Notes	Equity attributable to equity holders of the parent										
		Share capital	**Own shares**	**Share premium**	**Legal and other reserve**	**Reserve for own shares**	**Foreign currency trans-lation reserve**	**Cash flow hedge reserve**	**Retained earnings**	**Subtotal**	**Non-control-ling interest**	**Total**
Balance as at 1 July 2017		**46,093**	**(453)**	**23,038**	**3,186**	**–**	**(22)**	**(73)**	**95,177**	**166,946**	**2,271**	**169,217**
Net profit for the year		–	–	–	–	–	–	–	9,036	9,036	427	9,463
Other comprehensive income		–	–	–	–	–	–	33	–	33	–	33
Total comprehensive income		**–**	**–**	**–**	**–**	**–**	**–**	**33**	**9,036**	**9,069**	**427**	**9,496**
Declared dividends by Company	28	–	–	–	–	–	–	–	(1,202)	(1,202)	–	(1,202)
Declared dividends by subsidiaries		–	–	–	–	–	–	–	–	–	(14)	(14)
Transfer to reserves	16	–	–	–	233	–	–	–	(233)	–	–	–
Acquisition of minority interest	3	–	–	–	–	–	–	–	173	173	(596)	(423)
Balance as at 30 June 2018		**46,093**	**(453)**	**23,038**	**3,419**	**–**	**(22)**	**(40)**	**102,951**	**174,986**	**2,088**	**177,074**
Balance as at 1 July 2018		**46,093**	**(453)**	**23,038**	**3,419**	**–**	**(22)**	**(40)**	**102,951**	**174,986**	**2,088**	**177,074**
Effect of adoption of IFRS 9	2.1	–	–	–	–	–	–	–	(8)	(8)	–	(8)
Effect of adoption of IFRS 15	2.1	–	–	–	–	–	–	–	(40)	(40)	–	(40)
Balance as at 1 July 2018 (restated)		**46,093**	**(453)**	**23,038**	**3,419**	**–**	**(22)**	**(40)**	**102,903**	**174,938**	**2,088**	**177,026**
Net profit (loss) for the year		–	–	–	–	–	–	–	(4,963)	(4,963)	133	(4,830)
Other comprehensive income		–	–	–	–	–	5	40	–	45	–	45
Total comprehensive income		**–**	**–**	**–**	**–**	**–**	**5**	**40**	**(4,963)**	**(4,918)**	**133**	**(4,785)**
Disposal of own shares		–	5	–	–	–	–	–	(5)	–	–	–
Declared dividends by Company	28	–	–	–	–	–	–	–	(2,926)	(2,926)	–	(2,926)
Declared dividends by subsidiaries		–	–	–	–	–	–	–	–	–	(17)	(17)
Transfer to reserves	16	–	–	–	192	5,000	–	–	(5,192)	–	–	–
Share-based payments	28	–	–	–	778	–	–	–	–	778	–	778
Acquisition of minority interest	3	–	–	–	–	–	–	–	138	138	(144)	(6)
Balance as at 30 June 2019		**46,093**	**(448)**	**23,038**	**4,389**	**5,000**	**(17)**	**–**	**89,955**	**168,010**	**2,060**	**170,070**

(cont'd on the next page)

The accompanying notes are an integral part of these financial statements.

(all amounts are in thousand euros unless otherwise stated) 6

Company's statement of changes in equity

	Notes	Share capital	Own shares	Share premium	Legal reserve and other reserves	Reserve for own shares	Retained earnings	Total
Balance as at 1 July 2017		**46,093**	**(453)**	**23,038**	**3,186**	**–**	**35,409**	**107,273**
Net profit for the year		–	–	–	–	–	3,838	3,838
Total comprehensive income		**–**	**–**	**–**	**–**	**–**	**3,838**	**3,838**
Declared dividends by the Company	28	–	–	–	–	–	(1,202)	(1,202)
Transfer to reserves	16	–	–	–	233	–	(233)	–
Balance as at 30 June 2018		**46,093**	**(453)**	**23,038**	**3,419**	**–**	**37,812**	**109,909**
Balance as at 1 July 2018		**46,093**	**(453)**	**23,038**	**3,419**	**–**	**37,812**	**109,909**
Effect of adoption of IFRS 9 and 15		**–**	**–**	**–**	**–**	**–**	**–**	**–**
Balance as at 1 July 2018 (restated)		**46,093**	**(453)**	**23,038**	**3,419**	**–**	**37,812**	**109,909**
Net profit for the year		–	–	–	–	–	4,760	4,760
Total comprehensive income		**–**	**–**	**–**	**–**	**–**	**4,760**	**4,760**
Share-based payments	28	–	–	–	778	–	–	778
Disposal of own shares		–	5	–	–	–	(5)	–
Declared dividends by the Company	28	–	–	–	–	–	(2,926)	(2,926)
Transfer to reserves	16	–	–	–	192	5,000	(5,192)	–
Balance as at 30 June 2019		**46,093**	**(448)**	**23,038**	**4,389**	**5,000**	**34,449**	**112,521**

The accompanying notes are an integral part of these financial statements.

Managing Director	Darius Zubas		7 October 2019
Finance Director	Tomas Tumėnas		7 October 2019
Chief Accountant	Ramutė Masiokaitė		7 October 2019

(all amounts are in thousand euros unless otherwise stated) 7

Cash flow statements

	Notes	Group		Company	
		Financial year ended		*Financial year ended*	
		30 June 2019	**30 June 2018**	**30 June 2019**	**30 June 2018**
Cash flows from (to) operating activities					
Net profit (loss)		(4,830)	9,463	4,760	3,838
Adjustments for non-cash items:					
Depreciation and amortisation	5, 6, 7	8,945	11,203	30	43
Subsidies amortisation	17	(650)	(849)	–	–
(Gain) on disposal of property, plant and equipment	25	(415)	(834)	–	–
Change in impairment of property, plant and equipment and investment property	6, 7	–	493	–	–
Change in allowance and write-offs for receivables	24	79	1,255	–	–
Inventories write down to net realisable value	10	123	(405)	–	–
Change of provision for onerous contracts	23	1,014	–	–	–
Change in contract assets and accrued expenses		(2,046)	3,007	(343)	345
Change in fair value of biological assets	23	(1,115)	(1,391)	–	–
Change in fair value of investment		–	–	(57)	–
Change in accrued share-based payment		960	–	960	–
Change in deferred income tax	27	(1,709)	(2,623)	(150)	(52)
Current income tax expenses	27	109	684	7	–
Expenses (income) from change in fair value of financial instruments		1,432	(1,471)	–	–
Dividend (income)		(4)	–	(5,624)	(4,185)
Interest (income)	26	(635)	(503)	(520)	(596)
Interest expenses	26	3,727	2,577	95	127
		4,985	**20,606**	**(842)**	**(480)**
Changes in working capital:					
(Increase) decrease in biological assets		(968)	2,894	–	–
Decrease (increase) in inventories,incl. right of return asset		4,180	(22,191)	–	–
Decrease (increase) in prepayments		5,281	(1,598)	–	(2)
Decrease (increase) in trade and other accounts receivable		3,201	(15,790)	35	34
Decrease (increase) in restricted cash	14	600	(710)	–	–
Increase (decrease) in contract liabilities, refund liabilities, trade and other accounts payable		3,500	(1,401)	(85)	(10)
Income tax (paid)		(471)	(1,824)	(6)	(9)
Net cash flows from (to) operating activities		**20,308**	**(20,014)**	**(898)**	**(467)**

(cont'd on the next page)

The accompanying notes are an integral part of these financial statements.

(all amounts are in thousand euros unless otherwise stated) 8

Cash flow statements (cont'd)

	Notes	Group		Company	
		Financial year ended		Financial year ended	
		30 June 2019	**30 June 2018**	**30 June 2019**	**30 June 2018**
Cash flows from (to) investing activities					
(Acquisition) of intangible assets, property, plant and equipment and investment property	5, 6, 7	(13,424)	(21,273)	(24)	(8)
Proceeds from sale of intangible assets, property, plant and equipment and investment property		1,984	2,917	–	–
Acquisition of subsidiaries (less received cash balance in the Group), including payments for subsidiaries acquired in prior periods	3	–	–	(2)	(423)
Increase of share capital of subsidiaries		–	–	(1,627)	(2,185)
Loans (granted)		(84)	(130)	(2,600)	(1,400)
Repayment of granted loans		98	430	2,950	2,197
Interest received		635	503	1,461	708
Dividends received		4	–	5,624	4,186
Net cash flows from (to) investing activities		**(10,787)**	**(17,553)**	**5,782**	**3,075**
Cash flows from (to) financing activities					
Proceeds from loans	29	104,995	61,956	–	–
(Repayment) of loans	29	(110,331)	(18,777)	(1,463)	(1,437)
Finance lease (payments)	29	(1,485)	(788)	–	–
Grants received	17	335	990	–	–
Interest (paid)	29	(2,944)	(2,577)	(101)	(99)
Dividends (paid) to non-controlling shareholders	29	(17)	(14)	–	–
Dividends (paid)	29	(2,926)	(1,202)	(2,926)	(1,202)
Acquisition of non-controling interest		(6)	(423)	–	–
Net cash flows from (to) financing activities		**(12,379)**	**39,165**	**(4,490)**	**(2,738)**
Net (decrease) increase in cash and cash equivalents		**(2,858)**	**1,598**	**394**	**(130)**
Cash and cash equivalents at the beginning of the year	15	**10,495**	**8,897**	**289**	**419**
Cash and cash equivalents at the end of the year	15	**7,637**	**10,495**	**683**	**289**

(cont'd on the next page)

The accompanying notes are an integral part of these financial statements.

(all amounts are in thousand euros unless otherwise stated) 9

Cash flow statements (cont'd)

Supplemental information of cash flows:

		Group		*Company*	
		Financial year ended		*Financial year ended*	
		30 June 2019	**30 June 2018**	**30 June 2019**	**30 June 2018**
Non-cash operating activity:					
Income tax payable set off with other taxes		–	–	1	20
Non-cash investing activity:					
Property, plant and equipment acquisitions financed by finance lease	29	3,258	884	–	–
Payables outstanding for property, plant and equipment		366	–	–	–
Property, plant and equipment acquisitions financed by working capital		–	–	–	–

The accompanying notes are an integral part of these financial statements.

Managing Director	Darius Zubas		7 October 2019
Finance Director	Tomas Tumėnas		7 October 2019
Chief Accountant	Ramutė Masiokaitė		7 October 2019

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Notes to the Financial Statements

1.General information

AB Linas Agro Group (hereinafter the Company or the parent) is a public limited liability company registered in the Republic of Lithuania. The Company was registered on 27 November 1995.

The address of its registered office is as follows: Smėlynės Str. 2C, LT-35143 Panevėžys, Lithuania.

The principal activities of the Group are described in Note 4.

The financial year of the Group starts on 1 July of the calendar year and ends on 30 June of the following calendar year.

As at 30 June 2019 and as at 30 June 2018 the shareholders of the Company were:

	As at 30 June 2019		**As at 30 June 2018**	
	Number of shares held	**Percentage**	**Number of shares held**	**Percentage**
Akola ApS (Denmark)	109,909,167	69.15 %	109,909,167	69.15 %
Darius Zubas	17,049,995	10.73 %	17,049,995	10.73 %
Swedbank AS (Estonia) clients	4,048,735	2.55 %	4,472,774	2.81 %
Other shareholders (private and institutional investors)	27,932,501	17.57 %	27,508,462	17.31 %
Total	**158,940,398**	**100.00 %**	**158,940,398**	**100.00 %**

All the shares of the Company are ordinary shares with the par value of EUR 0.29 each as at 30 June 2019 (EUR 0.29 each as at 30 June 2018) and were fully paid as at 30 June 2019 and as at 30 June 2018.

The Company holds 772,972 of its own shares, percentage 0.50%, as at 30 June 2019 (781,972 as at 30 June 2018). Subsidiaries and other related companies did not hold any shares of the Company as at 30 June 2019 and as at 30 June 2018.

All of the Company's 158,940,398 ordinary shares are included in the Official list of Nasdaq Vilnius stock exchange (ISIN code LT0000128092). The Company's trading ticker in Nasdaq Vilnius stock exchange is LNA1L.

As at 30 June 2019 the number of employees of the Group was 2,113 (2,199 as at 30 June 2018).
As at 30 June 2019 the number of employees of the Company was 8 (9 as at 30 June 2018).

The Company's management approved these financial statements on 7 October 2019. The shareholders of the Company have a statutory right to approve these financial statements or not to approve them and to require preparation of a new set of financial statements.

No changes in share capital occurred during the years ending 30 June 2019 and 30 June 2018.

2.Accounting principles

If not stated otherwise, the Company's separate financial statements are prepared using the same accounting policies as the ones used by the Group.

The principal accounting policies adopted in preparing the Group's financial statements for the year ended 30 June 2019 are as follows:

2.1. Basis of preparation

The financial statements have been prepared on a historical cost basis, except for biological assets, commitments to purchase agricultural produce (unrecognized firm commitment), derivative financial instruments, which have been measured at fair value.

These financial statements were prepared in accordance with International Financial Reporting Standards (IFRS), as adopted by the European Union (hereinafter the EU).

Adoption of new and/or changed IFRS and International Financial Reporting Interpretations Committee (IFRIC) interpretations

The accounting policies adopted are consistent with those of the previous financial year except for the following amended IFRSs which have been adopted by the Group as of 1 July 2018.

IFRS 9 Financial Instruments
IFRS 9 Financial Instruments replaces IAS 39 Financial Instruments: Recognition and Measurement for annual periods beginning on or after 1 January 2018, bringing together all three aspects of the accounting for financial instruments: classification and measurement; impairment; and hedge accounting. The Group applied IFRS 9 prospectively, with an initial application date of 1 July 2018. The Group has not restated the comparative information, which continues to be reported under IAS 39. Differences arising from the adoption of IFRS 9 have been recognised directly in retained earnings as at 1 July 2018.

The classification and measurement requirements of IFRS 9 did not have a significant impact to the Financial statements. Trade receivables and other non-current and current financial assets (i.e., Loans) were classified as Loans and receivables as at 30 June 2018 and were held to collect contractual cash flows and give rise to cash flows representing solely payments of principal and interest. These are classified and measured as Debt instruments at amortised cost beginning 1 July 2018. Group continued measuring at fair value the financial instruments previously held at fair value under IAS 39, unless those financial instruments are designated as hedging instruments in hedge relationships as defined by IFRS 9 and IAS 39 respectively. There are no changes in classification and measurement for the Group's/Company's financial assets.

At the date of initial application, all of the Group's/Company's existing hedging relationships were eligible to be treated as continuing hedging relationships, no changes were made in respect of risk component identification or subsequent reclassification to profit or loss.

The adoption of IFRS 9 has fundamentally changed the Group's accounting for impairment losses for financial assets by replacing IAS 39's incurred loss approach with a forward-looking expected credit loss (ECL) approach. IFRS 9 requires the Group to recognise an allowance for ECLs for all debt instruments not held at fair value through profit or loss and contract assets.

Upon adoption of IFRS 9 the Group recognised additional impairment on the Group's trade receivables of EUR 8 thousand, which resulted in a decrease in retained earnings as at 1 July 2018.

IFRS 15: Revenue from contracts with customers
IFRS 15 supersedes IAS 11 Construction Contracts, IAS 18 Revenue and related Interpretations and it applies, with limited exceptions, to all revenue arising from contracts with customers. IFRS 15 establishes a five-step model to account for revenue arising from contracts with customers and requires revenue to be recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. IFRS 15 requires entities to exercise judgement, taking into consideration all of the relevant facts and circumstances when applying each step of the model to contracts with their customers. The standard also specifies the accounting for the incremental costs of obtaining a contract and the costs directly related to fulfilling a contract. In addition, the standard requires extensive additional disclosures, which are presented in these financial statements as relevant.

The Company/ Group adopted IFRS 15 using the modified retrospective method of adoption with the date of initial application of 1 July 2018. According to the modified approach, the standard can be initially applied either to all contracts on 1 July 2018 or only to contracts not completed as of the date of initial application. The Company/ Group applied it to the contracts not yet completed as of 1 January 2018, practical expedients used are disclosed in Note 2.22. The adoption of IFRS 15 had no material impact on the Financial statements of the Company/ Group (the Group adjusted the opening balance of retained earnings as of 1 July 2018 by EUR 40 thousand) and presented the required additional disclosures described in accounting policy in Note 2.22. The right of return asset and refund liabilities for the sales with repurchase clauses are considered to be in scope of IFRS 15 and the amounts are disclosed in these financial statements as disclosed in the Notes 10 and 22. Also the Group has reclassed grants related to income to the Other income caption (Note 25) previously - presented under Sales caption of the statement of comprehensive income. The comparative information was not restated and continues to be reported under IAS 11, IAS 18 and related Interpretations.

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2.Accounting principles (cont'd)

.1. Basis of preparation (cont'd)

IFRS 15 had an effect on the presentation of the following line items in the statements of financial position and comprehensive income as of 30 June 2019 and for the year then ended:

		In accordance with IFRS 15		*According to previous IFRS's*	
	Note	**Group**	**Company**	**Group**	**Company**
Contract assets	13	1,088	–	–	–
Accrued income	13	–	–	1,088	–
Contract liabilities	22	2,322	–	–	–
Other liabilities (advances received)	22	–	–	2,322	–

	Note	Group	Company	Group	Company
Revenue from contracts with customers	4	742,542	30	–	–
Sales /Income	4	–	–	745,728	30
Other income	4, 25	3,186	–	–	–

As described in Notes 13 and 22 as a result of adoption of IFRS 15 accrued income as of 30 June 2018 is presented as contract assets as of 30 June 2019, while deferred income and advances received as of 30 June 2018 are presented as contract liabilities as of 30 June 2019.

IFRS 15: Revenue from Contracts with Customers (Clarifications)
The objective of the Clarifications is to clarify the IASB's intentions when developing the requirements in IFRS 15 Revenue from Contracts with Customers, particularly the accounting of identifying performance obligations amending the wording of the "separately identifiable" principle, of principal versus agent considerations including the assessment of whether an entity is a principal or an agent as well as applications of control principle and of licensing providing additional guidance for accounting of intellectual property and royalties. The Clarifications also provide additional practical expedients for entities that either apply IFRS 15 fully retrospectively or that elect to apply the modified retrospective approach. Adoption of the standard and its clarifications had no material impact on the Financial statements, other than what is disclosed above.

IFRS 2: Classification and Measurement of Share based Payment Transactions (Amendments)
The Amendments provide requirements on the accounting for the effects of vesting and non-vesting conditions on the measurement of cash-settled share-based payments, for share-based payment transactions with a net settlement feature for withholding tax obligations and for modifications to the terms and conditions of a share-based payment that changes the classification of the transaction from cash-settled to equity-settled. Amendments had no material impact on the Financial statements, as no such payments held.

IAS 40: Transfers to Investment Property (Amendments)
The Amendments clarify when an entity should transfer property, including property under construction or development into, or out of investment property. The Amendments state that a change in use occurs when the property meets, or ceases to meet, the definition of investment property and there is evidence of the change in use. A mere change in management's intentions for the use of a property does not provide evidence of a change in use. Amendments had no material impact on the Financial statements.

IFRIC INTERPETATION 22: Foreign Currency Transactions and Advance Consideration
The Interpretation clarifies the accounting for transactions that include the receipt or payment of advance consideration in a foreign currency. The Interpretation covers foreign currency transactions when an entity recognizes a non-monetary asset or a non-monetary liability arising from the payment or receipt of advance consideration before the entity recognizes the related asset, expense or income. The Interpretation states that the date of the transaction, for the purpose of determining the exchange rate, is the date of initial recognition of the non-monetary prepayment asset or deferred income liability. If there are multiple payments or receipts in advance, then the entity must determine a date of the transactions for each payment or receipt of advance consideration. Interpretation had no material impact on the Financial statements.

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2.Accounting principles (cont'd)

2.1. Basis of preparation (cont'd)

The **IASB has issued the Annual Improvements to IFRSs 2014 – 2016 Cycle**, which is a collection of amendments to IFRSs. Management has adopted improvements and they had no impact on the Financial statements.

- ***IAS 28 Investments in Associates and Joint Ventures:*** The amendments clarify that the election to measure at fair value through profit or loss an investment in an associate or a joint venture that is held by an entity that is venture capital organization, or other qualifying entity, is available for each investment in an associate or joint venture on an investment-by-investment basis, upon initial recognition.

Standards issued but not yet effective

IFRS 16: Leases
IFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases for both parties to a contract, i.e. the customer ('lessee') and the supplier ('lessor'). The new standard requires lessees to recognize most leases on their financial statements. Lessees will have a single accounting model for all leases, with certain exemptions. Lessor accounting is substantially unchanged. The Group has material operating lease contracts for rent of land, premises, equipment and vehicles. These contracts were accounted as operating lease based on standards effective until 1 July 2019. The Group has selected the modified restrospective transition approach. Based on preliminary evaluation the right of use assets will increase by EUR 20,216 thousand for the Group with the corresponding entry to lease liability in the statement of financial position. The implemetation of IFRS 16 will have no material impact on cashflows or the performance of the business. Under current estimates it will result in a small change on net income of the financial year over former IAS 17. Due to the adoption of IFRS 16, the preliminary Group's operating profit for the financial year 2019/2020 is expected to improve by EUR 41 thousand, while its interest expense will increase by EUR 41 thousand, respectively.

Expected impact on the Statement of financial position (increase / (decrease)) as of 1 July 2019:

	Group
Assets	
Property, plant and equipment (right of use of assets)	20,216
Liabilities	
Non- current finance lease obligations	16,663
Current protion of finance lease obligations	3,553
Impact on Equity	–

Expected impact on the Statement of comprehensive income (increase / (decrease)) for the financial year 2019/20:

	Group
Cost of sales, rent expenses	(2,414)
Cost of sales, depreciation expenses	2,386
Gross profit (loss)	28
Operating expenses, rent expenses	(1,180)
Operating expenses, depreciation expenses	1,167
Operating profit (loss)	41
(Expenses) from financial activities	(41)
Net profit (loss) for the year	–

The Group selected to use the exemptions proposed by the standard on lease contracts for which the lease terms ends within 12 months as of the date of initial application, and lease contracts for which the underlying asset is of low value.

Lease payments are discounted using an incremental borrowing rate of 1.45 - 2.8 % on average depending on the lease cobject type. The incremental borrowing rate is the interest rate that the Group would have to pay if they financed the purchase of a similar right to use the asset with a loan. The determination of the lease period is based on the guidance in IFRS 16, which is usually equal to the rent period stated in the agreement and taking into account possible extentions. The leased asset ("right of use of the asset") will be recognized at cost less depreciation. The depreciation period is usually equal to the lease period.

The actual impact might differ from the potential impact due to the fact that certain aspects/arrangements are still under consideration.

2.Accounting principles (cont'd)

2.1. Basis of preparation (cont'd)

Amendment in IFRS 10 Consolidated Financial Statements and IAS 28 Investments in Associates and Joint Ventures: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture
The amendments address an acknowledged inconsistency between the requirements in IFRS 10 and those in IAS 28, in dealing with the sale or contribution of assets between an investor and its associate or joint venture. The main consequence of the amendments is that a full gain or loss is recognized when a transaction involves a business (whether it is housed in a subsidiary or not). A partial gain or loss is recognized when a transaction involves assets that do not constitute a business, even if these assets are housed in a subsidiary. In December 2015 the IASB postponed the effective date of this amendment indefinitely pending the outcome of its research project on the equity method of accounting. The amendments have not yet been endorsed by the EU. The management has not yet evaluated the impact of the implementation of this amendment.

IFRS 9: Prepayment features with negative compensation (Amendment)
The Amendment is effective for annual reporting periods beginning on or after 1 January 2019 with earlier application permitted. The Amendment allows financial assets with prepayment features that permit or require a party to a contract either to pay or receive reasonable compensation for the early termination of the contract (so that, from the perspective of the holder of the asset there may be 'negative compensation'), to be measured at amortized cost or at fair value through other comprehensive income. The management has not yet evaluated the impact of the implementation of this amendment.

IAS 28: Long-term Interests in Associates and Joint Ventures (Amendments)
The Amendments are effective for annual reporting periods beginning on or after 1 January 2019 with earlier application permitted. The Amendments relate to whether the measurement, in particular impairment requirements, of long term interests in associates and joint ventures that, in substance, form part of the 'net investment' in the associate or joint venture should be governed by IFRS 9, IAS 28 or a combination of both. The Amendments clarify that an entity applies IFRS 9 Financial Instruments, before it applies IAS 28, to such long-term interests for which the equity method is not applied. In applying IFRS 9, the entity does not take account of any adjustments to the carrying amount of long- term interests that arise from applying IAS 28. The management has not yet evaluated the impact of the implementation of these amendments.

IAS 19: Plan Amendment, Curtailment or Settlement (Amendments)
The Amendments are effective for annual periods beginning on or after 1 January 2019 with earlier application permitted. The Amendments require entities to use updated actuarial assumptions to determine current service cost and net interest for the remainder of the annual reporting period after a plan amendment, curtailment or settlement has occurred. The amendments also clarify how the accounting for a plan amendment, curtailment or settlement affects applying the asset ceiling requirements. It is not expected that the amendments will be significant to the Company/ Group.

IFRIC INTERPETATION 23: Uncertainty over Income Tax Treatments
The Interpretation is effective for annual periods beginning on or after 1 January 2019 with earlier application permitted. The Interpretation addresses the accounting for income taxes when tax treatments involve uncertainty that affects the application of IAS 12. The Interpretation provides guidance on considering uncertain tax treatments separately or together, examination by tax authorities, the appropriate method to reflect uncertainty and accounting for changes in facts and circumstances. At the moment Management is assessing the effect of amendment on Financial statements.

IFRS 3: Business Combinations (Amendments)
The IASB issued amendments in Definition of a Business (Amendments to IFRS 3) aimed at resolving the difficulties that arise when an entity determines whether it has acquired a business or a group of assets. The Amendments are effective for business combinations for which the acquisition date is in the first annual reporting period beginning on or after 1 January 2020 and to asset acquisitions that occur on or after the beginning of that period, with earlier application permitted. These Amendments have not yet been endorsed by the EU. At the moment Management is assessing the effect of amendment on Financial statements.

IAS 1 Presentation of Financial Statements and IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors: Definition of 'material' (Amendments)
The Amendments are effective for annual periods beginning on or after 1 January 2020 with earlier application permitted. The Amendments clarify the definition of material and how it should be applied. The new definition states that, 'Information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity'. In addition, the explanations accompanying the definition have been improved. The Amendments also ensure that the definition of material is consistent across all IFRS Standards. These Amendments have not yet been endorsed by the EU. At the moment Management is assessing the effect of amendment on Financial statements.

2.Accounting principles (cont'd)

2.1 Basis of preparation (cont'd)

The IASB has issued the Annual Improvements to IFRSs 2015 – 2017 Cycle, which is a collection of amendments to IFRSs. The amendments are effective for annual periods beginning on or after 1 January 2019 with earlier application permitted. It is not expected that the improvements will be significant to the Company / Group.

- **IFRS 3 Business Combinations and IFRS 11 Joint Arrangements**: The amendments to IFRS 3 clarify that when an entity obtains control of a business that is a joint operation, it remeasures previously held interests in that business. The amendments to IFRS 11 clarify that when an entity obtains joint control of a business that is a joint operation, the entity does not remeasure previously held interests in that business.
- **IAS 12 Income Taxes**: The amendments clarify that the income tax consequences of payments on financial instruments classified as equity should be recognized according to where the past transactions or events that generated distributable profits has been recognized.
- **IAS 23 Borrowing Costs**: The amendments clarify paragraph 14 of the standard that, when a qualifying asset is ready for its intended use or sale, and some of the specific borrowing related to that qualifying asset remains outstanding at that point, that borrowing is to be included in the funds that an entity borrows generally.

Conceptual Framework in IFRS standards
The IASB issued the revised Conceptual Framework for Financial Reporting on 29 March 2018. The Conceptual Framework sets out a comprehensive set of concepts for financial reporting, standard setting, guidance for preparers in developing consistent accounting policies and assistance to others in their efforts to understand and interpret the standards. IASB also issued a separate accompanying document, Amendments to References to the Conceptual Framework in IFRS Standards, which sets out the amendments to affected standards in order to update references to the revised Conceptual Framework. Its objective is to support transition to the revised Conceptual Framework for companies that develop accounting policies using the Conceptual Framework when no IFRS Standard applies to a particular transaction. For preparers who develop accounting policies based on the Conceptual Framework, it is effective for annual periods beginning on or after 1 January 2020.

The Group plans to adopt the above mentioned standards and interpretations on their effectiveness date provided they are endorsed by the EU.

2.Accounting principles (cont'd)

2.2. Functional and presentation currency

The amounts shown in these financial statements are presented in the local currency of the Republic of Lithuania, euro (EUR). The functional currency of the Group companies operating in Lithuania is EUR. The functional currencies of foreign subsidiaries are the respective foreign currencies of the country of residence. Items included in the financial statements of these subsidiaries are measured using their functional currency.

Transactions in foreign currencies are initially recorded in the functional currency as at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rate of exchange as at the date of the statement of financial position. Translation difference is presented under Other income and/or expenses caption in the Group's financial statements and under operating expenses caption in the Company's separate financial statements.

The assets and liabilities of foreign subsidiaries are translated into EUR at the reporting date using the rate of exchange as at the date of the statement of financial position, and their statements of comprehensive income are translated at the average exchange rates for the year. The exchange differences arising on this translation are recognised in a separate component of equity. On disposal of a foreign subsidiary, the deferred cumulative amount recognised in other equity relating to that foreign operation is recognised in the statement of comprehensive income under Other income and/or expenses caption.

2.3. Principles of consolidation

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries. The financial statements of the subsidiaries are prepared for the same reporting date, using consistent accounting policies.

Subsidiary is an entity directly or indirectly controlled by the Company. The Company controls an entity when it can or has a right to receive a variable returns from this relation and it can have impact on these returns due to the power to govern the entity to which the investment is made.

Subsidiaries are consolidated from the date from which effective control is transferred to the Group and cease to be consolidated from the date on which control is transferred out of the Group. All intercompany transactions, balances and unrealised gains and losses on transactions among the Group companies have been eliminated. The equity and net income attributable to non-controlling shareholders' interests are shown separately in the statement of financial position and the statement of comprehensive income.

In the parent's separate financial statements investments into subsidiaries are accounted for using the cost method. The carrying value of investments is reduced to recognise an impairment loss of the value of the investments, such reduction being determined and made for each investment individually.

Losses of a subsidiary are attributed to the non-controlling interest even if that results in a deficit balance.

Acquisitions and disposals of non-controlling interest by the Group are accounted as equity transaction: the difference between the carrying value of the net assets acquired from/disposed to the non-controlling interests in the Group's financial statements and the acquisition price/proceeds from disposal is accounted directly in equity.
Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, measured at acquisition date fair value and the amount of any non-controlling interest in the acquiree. Any contingent consideration to be transferred by the acquirer will be recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration which is deemed to be an asset or liability, will be recognised in accordance with IFRS 9 either in profit or loss or as a change to other comprehensive income. If the contingent consideration is classified as equity, it should not be remeasured until it is finally settled within equity. For each business combination, the acquirer measures the non-controlling interest in the acquiree either at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition costs incurred are expensed and included in administrative expenses. Acquisition costs incurred are capitalized in separate financial statements of the Company.

If the business combination is achieved in stages, the acquisition date fair value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date through statement of comprehensive income.

Goodwill is initially measured at cost being the excess of the aggregate of the consideration transferred and the amount recognised for non-controlling interest over the net identifiable assets acquired and liabilities assumed. If this consideration is lower than the fair value of the net assets of the subsidiary acquired, the difference is recognised in statement of comprehensive income.

2.Accounting principles (cont'd)

2.3. Principles of consolidation (cont'd)

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

Where goodwill forms part of a cash-generating unit and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured based on the relative values of the operation disposed of and the portion of the cash-generating unit retained.

2.4. Investments into associates

An associate is an entity in which the Group has significant influence. The Group recognises its interests in the associates applying the equity method. The financial statements of the associates are prepared for the same reporting year as the Group, using consistent accounting policies. Adjustments are made to bring in line any dissimilar accounting policies that may exist. Impairment assessment of investments into associates is performed when there is an indication that the asset may be impaired or the impairment losses recognised in prior years no longer exist.

Unrealised gains and losses resulting from transactions between the Group and the associate are eliminated to the extent of the interest in the associate. Currently the Group does not have any associates.

Investments into associates in the Company's separate financial statements are carried at cost less impairment.

2.5. Intangible assets other than goodwill

Intangible assets acquired separately are measured initially at cost. The cost of intangible assets acquired in a business combination is fair value as at the date of acquisition. Intangible assets are recognised if it is probable that future economic benefits that are attributable to the asset will flow to the Group and the Company and the cost of asset can be measured reliably.

The useful lives of intangible assets can be either definite or indefinite.

After initial recognition intangible assets with finite lives are measured at cost less accumulated amortisation and any accumulated impairment losses. Intangible assets are amortised on a straight-line basis over the best estimate of their useful lives. Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in profit or loss when the asset is derecognised. Intangible assets with finite lives are assessed for impairment whenever there is an indication that the intangible asset may be impaired.

The useful lives, residual values and amortisation method are reviewed annually to ensure that they are consistent with the expected pattern of economic benefits from items in intangible assets other than goodwill.

Intangible assets with indefinite lives are not amortised, but are tested for impairment annually, either individually or at the cash-generating unit level. The assessment of indefinite life is reviewed annually to determine whether the indefinite life continues to be supportable. If not, the change in useful life from the indefinite to finite is made on a prospective basis.

Licenses

Amounts paid for licenses are capitalised and then amortised over their validity period of 3 - 4 years. Disclosed as other intangible assets in Note 5.

Software

The costs of acquisition of new software are capitalised and treated as an intangible asset if these costs are not an integral part of the related hardware. Software is amortised over a period of 3 - 4 years.

Costs incurred in order to restore or maintain the future economic benefits that the Group expects from the originally assessed standard of performance of existing software systems are recognised as an expense when the restoration or maintenance work is carried out.

(all amounts are in thousand euros unless otherwise stated) 18

2.Accounting principles (cont'd)

2.6. Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and impairment losses.

The initial cost of property, plant and equipment comprises its purchase price, including non-refundable purchase taxes and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Expenditures incurred after the property, plant and equipment is ready for its intended use, such as repair and maintenance costs, are normally charged to the statement of comprehensive income in the period the costs are incurred.

Depreciation is computed on a straight-line basis over the following useful lives:

	Till 1 July 2018	From 1 July 2018
Buildings and structures	15–40 years	20–50 years
Machinery and equipment	4–15 years	10–20 years
Vehicles	4–10 years	5–10 years
Other property, plant and equipment	3–20 years	4–20 years

The useful lives, residual values and depreciation method are reviewed periodically to ensure that they are consistent with the expected pattern of economic benefits from items in property, plant and equipment.

At the start of the current financial year (from 1 July 2018) the Group has revised the useful lives of property plant and equipment. The revision (prolongation of the useful lives) has decreased the depreciation expenses by EUR 2,695 thousand.

The carrying values of property, plant and equipment are reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the statement of comprehensive income in the year the asset is derecognised. Construction in progress is stated at cost. This includes the cost of construction, plant and equipment and other directly attributable costs. Construction in progress is not depreciated until the relevant assets are completed and ready for the intended use.

2.7. Investment property

Land plots rented to third parties are considered to be an investment property. Investment property is stated at cost less accumulated depreciation and is adjusted for recognised impairment loss.

The initial cost of investment property comprises its purchase price, including non-refundable purchase taxes and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Expenditures incurred after the investment property is ready for its intended use, such as repair and maintenance costs, are normally charged to the statement of comprehensive income in the period the costs are incurred.

Depreciation is calculated on the straight-line method to write-off the cost of each asset (except of land) to their residual values over their estimated useful life of 20 - 40 years.

An item of investment property is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the statement of comprehensive income in the year the asset is derecognised.

Transfers to and from investment property are made when and only when there is an evidence of change in an asset's use.

2.Accounting principles (cont'd)

2.8. Financial assets (except for derivative financial instruments designated as hedging instruments)

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

Financial assets initial recognition and measurement (from 1 July 2018)

Financial assets are classified, at initial recognition, as subsequently measured at amortised cost, fair value through other comprehensive income (OCI), and fair value through profit or loss.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them. With the exception of trade receivables that do not contain a significant financing component, the Group initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs. Trade receivables that do not contain a significant financing component are measured at the transaction price determined under IFRS 15.

In order for a financial asset to be classified and measured at amortised cost or fair value through OCI, it needs to give rise to cash flows that are 'solely payments of principal and interest (SPPI)' on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level.

The Group's business model for managing financial assets refers to how the Group manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both.

A regular way purchases or sales of financial assets are recognised on the trade date, i.e., the date that the Group commits to purchase or sell the asset.

Financial assets subsequent measurement (from 1 July 2018)

After initial recognition, the Group measures a financial asset at:
• Amortised cost (debt instruments)
• Fair value through OCI with recycling of cumulative gains and losses upon derecognition (debt instruments). The Group did not have such items as at 30 June 2019 and 2018.
• Fair value through OCI with no recycling of cumulative gains and losses upon derecognition (equity instruments). The Group did not have such items as at 30 June 2019 and 2018.
• Fair value through profit or loss.7

Financial assets at amortised cost (debt instruments)

This category is the most relevant to the Group. The Group measures financial assets at amortised cost if both of the following conditions are met:
• The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows and
• The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding
Financial assets at amortised cost are subsequently measured using the effective interest (EIR) method and are subject to impairment. Gains and losses are recognised in the statement of comprehensive income when the asset is derecognised, modified or impaired.
The Group's financial assets at amortised cost includes trade, other current and non-current receivables, loans granted.

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets held for trading, financial assets designated upon initial recognition at fair value through profit or loss, or financial assets mandatorily required to be measured at fair value. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments. Financial assets with cash flows that are not solely payments of principal and interest are classified and measured at fair value through profit or loss, irrespective of the business model. Notwithstanding the criteria for debt instruments to be classified at amortised cost or at fair value through OCI, as described above, debt instruments may be designated at fair value through profit or loss on initial recognition if doing so eliminates, or significantly reduces, an accounting mismatch. Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with net changes in fair value recognised in the statement of profit or loss.

2.Accounting principles (cont'd)

2.8. Financial assets (except for derivative financial instruments designated as hedging instruments) (cont'd)

This category includes derivative instruments and listed equity investments which the Group had not irrevocably elected to classify at fair value through OCI. Dividends on listed equity investments are also recognised as other income in the profit or loss when the right of payment has been established.

Impairment of financial assets (from 1 July 2018)

Further disclosures relating to impairment of financial assets are also provided in the following notes:
• Disclosures for significant assumptions Note 2.27
• Trade receivables, including contract assets Notes 12, 13.

The Group recognises an allowance for expected credit losses (ECLs) for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate. ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12-months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

For trade receivables and contract assets, the Group applies a simplified approach in calculating ECLs. Therefore, the Group does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment. Trade receivables were grouped by days past due eliminating largest individual debtors wich were analyzed individually.

The Group considers a financial asset in default when contractual payments are 90 days past due or when indications exist that the debtors or a group of debtors are experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

For assessment of impairment of loans granted the expected 12-months credit losses are assessed and accounted upon issue of the loan. In subsequent periods, given the absence of significant increase in the credit risk associated with the debtor, the Company re-assesses the 12-months ECL balance based on the loan amount still outstanding as of the date of the re-assessment. If it is determined that the financial position of the debtor has significantly deteriorated in comparison with the position when the loan was issued, the Company accounts for ECL over the remaining life of the loan. Loans subject to assessment of lifetime ECL is considered to be credit-impaired financial assets. Based on assessment of the management, ECL as at 30 June 2019 is not material to the financial statements.

The maximum exposure to credit risk at the reporting date is the carrying value of each class of financial assets disclosed in Notes 8, 12 and 13.

Financial assets initial recognition and measurement (until 1 July 2018)

According to IAS 39 *Financial Instruments: Recognition and Measurement* the Group's financial assets are classified as either financial assets at fair value through profit or loss, held-to-maturity investments, loans and receivables, or available-for-sale financial assets, as appropriate. All purchases and sales of financial assets are recognised on the trade date. When financial assets are recognised initially, they are measured at fair value, plus, in the case of investments not at fair value through profit or loss, directly attributable transaction costs.

Financial assets at fair value through profit and loss

The category of financial assets at fair value through profit and loss includes financial assets classified as held for trading. Financial assets are classified as held for trading if they are acquired for the purpose of selling in the near term. This category includes derivative financial instruments entered into by the Group that are not designated as hedging instruments in hedge relationships as defined by IAS 39. Gains or losses on investments held for trading are recognised in the statement of comprehensive income.

2.Accounting principles (cont'd)

2.8. Financial assets (except for derivative financial instruments designated as hedging instruments) (cont'd)

Held-to-maturity investments

Non-derivative financial assets with fixed or determinable payments and fixed maturity are classified as held-to-maturity when the Group has the positive intention and ability to hold to maturity. Investments that are intended to be held-to-maturity are subsequently measured at amortised cost. Gains and losses are recognised in the statement of comprehensive income when the investments are derecognised or impaired, as well as through the amortisation process.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Receivables are initially recorded at the fair value of the consideration given. Loans and receivables are subsequently carried at amortised cost using the effective interest method less any allowance for impairment. Gains and losses are recognised in the statement of comprehensive income when the loans and receivables are derecognised or impaired, as well as through the amortisation process.

Available-for-sale financial assets

Available-for-sale financial assets are those non-derivative financial assets that are designated as available-for-sale or are not classified in any of the three preceding categories. After initial recognition available-for-sale financial assets are measured at fair value with unrealised gains or losses (except for impairment and gain or losses from foreign currencies exchange) being recognised in other comprehensive income until the investment is derecognised or until the investment is determined to be impaired at which time the cumulative gain or loss previously reported in other comprehensive income is included in the statement of comprehensive income. Where the fair value of the available for sale financial assets cannot be measured reliably these assets are accounted for at cost. The Group did not have any available for sale financial assets.

2.Accounting principles (cont'd)

2.9. Derecognition of financial assets and liabilities

Financial assets

A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is derecognised when:

- the rights to receive cash flows from the asset have expired;
- the Group retains the right to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a 'pass through' arrangement; or
- the Group has transferred its rights to receive cash flows from the asset and either (a) has transferred substantially all the risks and rewards of the asset, or (b) has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of the Group's continuing involvement in the asset. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

Financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in the statement of comprehensive income.

2.10. Biological assets

The Group's biological assets include animals and livestock, poultry and crops.

Animals and livestock are accounted for at fair value less costs to sell. The fair value of milking cows is measured using discounted cash flows method (level 3). Other livestock is measured at comparable market prices (level 2).

Poultry is accounted for at fair value less costs to sell. The fair value of poultry is measured based on future value of chickens/meat broilers/eggs less costs to maintain (level 3).

Crops are accounted for at fair value less costs to sell. The fair value of crops is measured at comparable market prices prices based on expected yield (level 3).

Agricultural produce harvested from an entity's biological assets is measured at its fair value less estimated costs to sell at the point of harvest. Such measurement is further the cost of inventories.

As at 30 June 2019 and 30 June 2018 the management of the Group treats all animals and livestock (excluding eggs and broilers) as non-current assets and all crops, eggs and broilers as current.

All changes in fair value of biological assets were accounted for under cost of sales caption in the statement of comprehensive income.

2.11. Inventories

Inventories are valued at the lower of cost and net realisable value, after impairment evaluation for obsolete and slow moving items. Net realisable value is the selling price in the ordinary course of business, less the costs of completion and distribution. Cost of raw materials that are segregated for specific projects is determined using specific identification method; cost of other inventory is determined by the first-in, first-out (FIFO) method. The cost of finished goods and work in progress includes the applicable allocation of fixed and variable overhead costs based on a normal operating capacity. Unrealisable inventory has been fully written-off.

Under inventories caption the Group also accounts for commitments to purchase agricultural produce (unrecognized firm commitment) (Note 2.15).

2.12. Cash and cash equivalents

Cash includes cash on hand and cash in bank accounts. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash with original maturities of three months or less and that are subject to an insignificant risk of change in value.
For the purposes of the cash flows statement, cash and cash equivalents comprise cash on hand and in current bank accounts as well as deposits in bank with original term of three months or less.
Restricted cash held as a deposit for trading in the futures exchange is accounted as other current financial asset.

2.Accounting principles (cont'd)

2.13. Non-current assets held for sale

Non-current assets classified as held for sale are measured at the lower of their carrying amount and fair value less costs to sell. Non-current assets are classified as held for sale if their carrying amounts will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset is available for immediate sale in its present condition. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

Property, plant and equipment and intangible assets once classified as held for sale are not depreciated or amortised.

2.14. Financial liabilities

Financial liabilities initial recognition and measurement (from 1 July 2018)

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings and payables. All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs. Company's and Group's financial liabilities include trade and other payables, loans and borrowings including bank overdrafts, derivatives and finance lease liabilities.

Subsequent measurement (from 1 July 2018)

The measurement of financial liabilities depends on their classification, as described below:

Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss.

Financial liabilities are classified as held for trading if they are incurred for the purpose of repurchasing in the near term. This category also includes derivative financial instruments entered into by the Group that are not designated as hedging instruments in hedge relationships as defined by IFRS 9. Separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments. Gains or losses on liabilities held for trading are recognised in the statement of comprehensive income. The Group has not designated any financial liabilities as at fair value through profit or loss during the years ended 30 June 2018 and 2019.

Loans, borrowings and other payables

This is the category most relevant to the Group and Company. After initial recognition, loans, borrowings and other payables are subsequently measured at amortised cost using the EIR method. Gains and losses are recognised in the statement of comprehensive income, when the liabilities are derecognised as well as through the EIR amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included as finance costs in the statement of comprehensive income.

Financial liabilities recognition and measurement (until July 2018)

Interest bearing loans and borrowings

Borrowings are initially recognised at fair value of proceeds received less the costs of transaction. They are subsequently carried at amortised cost, the difference between net proceeds and redemption value being recognised in the statement of comprehensive income over the period of the borrowings, except for the accounting treatment of the capitalized part which is presented below.

Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of the respective assets. Other borrowing costs are expensed as incurred. Borrowings are classified as non-current if the completion of a refinancing agreement before the reporting date provides evidence that the substance of the liability at the reporting date was non-current.

Factoring

A factoring transaction is a funding transaction where the Group transfers to the factor claim rights from a debtor for a determined reward. The Group alienates the rights to receivables due at a future date according to invoices. The Group's factoring transactions comprise factoring transactions with recourse (the factor is entitled to selling the overdue claim back to the Group). The factoring expenses comprise the lump-sum contract fee charged on the conclusion of the contract, commission fees charged for processing the invoices, and interest expenses depending on the duration of the payment term set by the debtor. Factored accounts receivable with recourse are recorded under current borrowings and trade receivables captions in the financial statements. The Group derecognises the borrowings and the trade receivables at the moment when the debtor settles the liability with the factor.

2.Accounting principles (cont'd)

2.14. Financial liabilities (cont'd)

Financial guarantee contracts

Financial guarantee contracts issued by the Group are those contracts that require a payment to be made to reimburse the holder for a loss it incurs because the specified debtor fails to make a payment when due in accordance with the terms of a debt instrument. Financial guarantee contracts are recognised initially as a liability at fair value, adjusted for transaction costs that are directly attributable to the issue of the guarantee. Subsequently, the liability is measured at the higher of the best estimate of the expenditure required to settle the present obligation at the reporting date and the amount initially recognised less cumulative amortisation.

Trade payables

Trade payables are non-derivative financial liabilities with fixed or determinable payments that are not quoted in an active market. Such liabilities are carried at amortised cost using the effective interest method. Gains and losses are recognised in the statement of comprehensive income when the trade liabilities are derecognised, as well as through the amortisation process.

Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, i.e. to realise the assets and settle the liabilities simultaneously.

2.15. Derivative financial instruments and hedge accounting

The Group engages in derivative financial instruments transactions, such as futures contracts, to hedge purchase and sale price fluctuation risk and interest rate swaps to hedge cash flows fluctuation risk. On the agreement date and subsequently derivative financial instruments are accounted for at fair value. Fair value is derived from quoted market prices for futures (level 1) and using valuation models for interest rate swaps (level 2 and 3). The estimated fair values of these contracts are reported in the statement of financial position as assets for contracts having a positive fair value and liabilities for contracts with a negative fair value. Gain or losses from changes in the fair value of derivative financial instruments are recognised in the statement of comprehensive income.

Other derivatives not used for hedge accounting are also accounted for at fair value (level 2 and 3 as described in Note 2.26) with gain or losses from changes in the fair value recognised in the statement of comprehensive income.

For the purposes of hedge accounting, hedges are classified into two categories: (a) fair value hedges which hedge the exposure to changes in the fair value of a recognised asset or liability or an unrecognised firm commitment; and (b) cash flow hedges which hedge exposure to variability in cash flows that is either attributable to a particular risk associated with a recognised asset or liability or a forecasted transaction.

Before 1 July 2018, the documentation includes identification of the hedging instrument, the hedged item or transaction, the nature of the risk being hedged and how the Group will assess the effectiveness of changes in the hedging instrument's fair value in offsetting the exposure to changes in the hedged item's fair value or cash flows attributable to the hedged risk. Such hedges are expected to be highly effective in achieving offsetting changes in fair value or cash flows and are assessed on an ongoing basis to determine that they actually have been highly effective throughout the financial reporting periods for which they were designated.

Beginning 1 July 2018, the documentation includes identification of the hedging instrument, the hedged item, the nature of the risk being hedged and how the Group will assess whether the hedging relationship meets the hedge effectiveness requirements (including the analysis of sources of hedge ineffectiveness and how the hedge ratio is determined). A hedging relationship qualifies for hedge accounting if it meets all of the following effectiveness requirements:

• There is 'an economic relationship' between the hedged item and the hedging instrument.
• The effect of credit risk does not 'dominate the value changes' that result from that economic relationship.
• The hedge ratio of the hedging relationship is the same as that resulting from the quantity of the hedged item that the Group actually hedges and the quantity of the hedging instrument that the Group actually uses to hedge that quantity of hedged item.

Fair value hedges

In relation to fair value hedges, which meet the conditions for hedge accounting, any gain or losses from re-measuring the hedging instrument to fair value is recognised immediately in the statement of comprehensive income. The hedged item is adjusted for fair value changes relating to the risk being hedged and the difference is recognised as an asset or liability with a corresponding gain or loss recognised in the statement of comprehensive income.

2.Accounting principles (cont'd)

2.15. Derivative financial instruments and hedge accounting (cont'd)

When an unrecognised firm commitment is designated as a hedged item, the subsequent cumulative change in the fair value of the firm commitment attributable to the hedged risk is recognised as an asset or liability with a corresponding gain or loss recognised in the statement of comprehensive income.

Any gains or losses arising from changes in the fair value of the hedging instruments, which do not qualify for hedge accounting, are taken directly to the statement of comprehensive income for the period.

Hedge accounting is discontinued when the hedging instrument expires or is sold, terminated or exercised, or no longer qualifies for hedge accounting.

Cash flow hedges

In relation to cash flow hedges, which meet the conditions for hedge accounting, the portion of the gain or loss on the hedging instrument that is determined to be an effective hedge is recognized initially as other comprehensive income in comprehensive income statement and the ineffective portion is recognized in the statement of comprehensive income (profit or loss). The gains or losses on effective cash flow hedges recognized initially in equity are either transferred to the statement of comprehensive income (profit or loss) in the period in which the hedged transaction impacts the statement of comprehensive income or included in the initial measurement of the cost of the related asset or liability.

For hedges, which do not qualify for hedge accounting, any gains or losses arising from changes in the fair value of the hedging instrument are taken directly to the statement of comprehensive income (profit or loss) for the period.

Hedge accounting is discontinued when the hedging instrument expires or is sold, terminated or exercised, or no longer qualifies for hedge accounting. Any cumulative gain or loss on the hedging instrument recognized in equity remains in equity until the forecasted transaction occurs. Where the hedged transaction is no longer expected to occur, the net cumulative gain or loss recognized in equity is transferred to the statement of comprehensive income (profit or loss).

In year ended 30 June 2018 the Group held interest swap agreement with a purpose to hedge itself against a possible fluctuation/increase of EURIBOR on the loan taken from a bank, i. e. effectively switching the interest into a fixed rate (Note 14). The interest swap matured in current financial year and the Group did not renew it.

2.16. Finance and operating lease obligations

The determination of whether an arrangement is or contains a lease is based on the substance of the arrangement at inception date of whether the fulfilment of the arrangement is dependent on the use of a specific asset or assets or the arrangement conveys a right to use the asset.

Finance lease – the Group as a lessee

Leases where the lessor transfers to the Group substantially all the risks and benefits incidental to ownership of the leased item are classified as finance leases. The Group recognises finance leases as assets and liabilities in the statement of financial position at amounts equal at the inception of the lease to the fair value of the leased property or, if lower, to the present value of the minimum lease payments. The rate of discount used when calculating the present value of minimum payments of finance lease is the interest rate implicit in the lease, when it is possible to determine it, in other cases, the Group's incremental interest rate on borrowings applies. Directly attributable initial costs are included into the asset value. Lease payments are apportioned between the finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability.

The depreciation is accounted for finance lease assets. The depreciation policy for leased assets is consistent with that for depreciable assets that are owned. The leased assets are not depreciated over the period longer than the lease term, unless the Group, according to the lease contract, gets transferred their ownership after the lease term is over.

Leases where the lessor does not transfer substantially all the risks and benefits of ownership of the asset are classified as operating leases. Operating lease payments are recognised as an expense in the statement of comprehensive income on a straight-line basis over the lease term.

Operating lease – the Group as a lessor

Assets leased out under operating leases are included in property, plant and equipment and investment property in the statement of financial position. They are depreciated over their expected useful lives on a basis consistent with similar property, plant and equipment of the Group. Rental income is recognised on a straight-line basis over the lease term.

2.Accounting principles (cont'd)

2.17. Share capital

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

2.18. Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. The Group re-evaluates provisions at each reporting date and adjusts them in order to present the most reasonable current estimate. If the effect of the time value of money is material, the amount of provision is equal to the present value of the expenses, which are expected to be incurred to settle the liability. Where discounting is used, the increase in the provision due to the passage of time is recognised as a borrowing cost.

Onerous contracts provision

Onerous contracts provision is recognised when the Group has a present obligation (legal or constructive) to purchase the goods from a third party in the future for a price higher than the market selling price at the reporting date or to sell the goods to a third party in the future for a price lower than the market purchase price at the reporting date. The difference between the value of the contract and its market price at the reporting date is charged to cost of sales in the statement of comprehensive income. Such accounting treatment of the Group's contracts is applied as long as these contracts have not been accounted for as derivatives.

2.19. Non-current employee benefits

According to the requirements of Lithuanian Labor Code, each employee leaving the Group at the age of retirement is entitled to a one-off payment in the amount of 2 months' salary. In addition employees of the Group are entitled to employment benefits which are approved by the Board of the Company.

The actuarial gains and losses are recognized in the statement of other comprehensive income.

The past service costs are recognised as an expense on a straight line basis over the average period until the benefits become vested. Any gains or losses appearing as a result of curtailment and/or settlement are recognised in the statement of comprehensive income as incurred.The past service costs are recognized in the statement of comprehensive income as incurred.

The above mentioned employee benefit obligation is calculated based on actuarial assumptions, using the projected unit credit method. Obligation is recognized in the statement of financial position and reflects the present value of these benefits on the date of the statement of financial position. Present value of the non-current obligation to employees is determined by discounting estimated future cash flows using the discount rate which reflects the interest rate of the Government bonds of the same currency and similar maturity as the employment benefits. Actuarial gains and losses are recognized in the statement of other comprehensive income as incurred.

Share-based payments

Employees of the Group receive remuneration in the form of share-based payments, whereby employees render services as consideration for equity instruments (equity-settled transactions). As further described in Note 28 employees of the Group are granted share options.

Equity-settled transactions

The cost of equity-settled transactions is determined by the fair value at the date when the grant is made using an appropriate valuation model, further details of which are given in Note 28.

That cost is to be recognised in employee benefits expense, together with a corresponding increase in equity (other capital reserves), over the period in which the service conditions are fulfilled (the vesting period). The cumulative expense recognised for equity-settled transactions at each reporting date until the vesting date reflects the extent to which the vesting period has expired and the Group's best estimate of the number of equity instruments that will ultimately vest. The expense or credit in the statement of profit or loss for a period represents the movement in cumulative expense recognised as at the beginning and end of that period. Service and non-market performance conditions are not taken into account when determining the grant date fair value of awards, but the likelihood of the conditions being met is assessed as part of the Group's best estimate of the number of equity instruments that will ultimately vest. Any other conditions attached to an award, but without an associated service requirement, are considered to be non-vesting conditions. Non-vesting conditions are reflected in the fair value of an award and lead to an immediate expensing of an award unless there are also service and/or performance conditions.

2.Accounting principles (cont'd)

2.19. Non-current employee benefits (cont'd)

No expense is recognised for awards that do not ultimately vest because non-market performance and/or service conditions have not been met. Where awards include a market or non-vesting condition, the transactions are treated as vested irrespective of whether the market or non-vesting condition is satisfied, provided that all other performance and/or service conditions are satisfied.

The dilutive effect of outstanding options is reflected as additional share dilution in the computation of diluted earnings per share (further details are given in Note 28).

2.20. Grants and subsidies

Government grants and subsidies (hereinafter "grants") are recognised where there is reasonable assurance that the grant will be received and all attached conditions will be complied with.

Grants received in the form of cash intended for the purchase, construction or other acquisition of non-current assets are considered as asset-related grants. The amount of the asset related grants is recognised as deferred income in the financial statements as used in parts according to the depreciation of the assets associated with this grant. In the statement of comprehensive income, a relevant expense account is reduced by the amount of grant amortisation.

Grants received as a compensation for the expenses or unearned income of the current or previous reporting period, also, all the grants, which are not grants related to assets, are considered as grants related to income. The income-related grants are recognised as used in parts to the extent of the expenses incurred during the reporting period or unearned income to be compensated by that grant.

2.21. Income tax

The Group companies are taxed individually, irrespective of the overall results of the Group. Income tax charge is based on profit for the year and considers deferred taxation. The charge for taxation included in these financial statements is based on the calculation made by the management in accordance with tax legislation of the Republic of Lithuania and respective countries, where the Group companies are registered.

In the year ended 30 June 2019 and 30 June 2018 the standard income tax rate for the Group non-agricultural companies operating in Lithuania was – 15%.

Certain tax provisions are applicable to the agricultural entities: if the share of agricultural products supplied and services provided to the entities engaged in agricultural activities exceeded 50% of the total sales of the legal entities producing agricultural products and specialised service companies, these entities are subject to reduced income tax of 10 % for the financial year ended 30 June 2019 (for the financial year ended 30 June 2018 - 5%). The entities of the Group which are subject to reduced income tax rate are Šakiai district Lukšių ŽŪB, Sidabravo ŽŪB, Biržai district Medeikių ŽŪB, Panevėžys district Aukštadvario ŽŪB, Kėdainiai district Labūnavos ŽŪB, Panevėžys district Žibartonys ŽŪB.

For companies operating in Lithuania tax losses can be carried forward for indefinite period, except for the losses incurred as a result of disposal of securities and/or derivative financial instruments not designated for hedging. The transferable tax loss cannot cover more than 70% of the taxable profit of the current year. Such carrying forward is disrupted if the company changes its activities due to which these losses were incurred except when the company does not continue its activities due to reasons which do not depend on the company itself.

The losses from disposal of securities and/or derivative financial instruments not designated for hedge (as described in Note 14) can be carried forward for 5 consecutive years and only be used to reduce the taxable income earned from the transactions of the same nature. For companies operating in Latvia and Denmark tax losses can be carried forward for indefinite period.

Income tax for the foreign subsidiaries is accounted for according to tax legislation of those foreign countries. The standard income tax rates in the foreign countries are as follows:

(all amounts are in thousand euros unless otherwise stated) 28

2.Accounting principles (cont'd)

2.21. Income tax (cont'd)

	Financial year ended	
	30 June 2019	**30 June 2018**
Republic of Latvia*	–	–
Republic of Estonia**	–	–
Kingdom of Denmark	22%	22%
Ukraine	18%	–

**In Latvia, effective from 1st January 2018 Under the Corporate Income Tax Law, corporate income tax is payable at the time when profit is distributed. As a result, the taxable base comprises distributed profits and notional distributed profits. Resident companies are subject to tax at a rate of 20% on the gross taxable amount. The net taxable base (distributed profits and notional distributed profits) is divided by coefficient of 0.8 when determining the gross taxable base for the tax period.*
***In Estonia, the taxation of profit of operating subsidiaries is deferred until the profit appropriation moment, i.e. payment of dividends. The dividends paid by the Group's companies in Estonia are taxed at the withholding tax rate of 25% as at 30 June 2019 (25% as at 30 June 2018).*

Deferred taxes are calculated using the balance sheet liability method. Deferred taxes reflect the net tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes. Deferred tax assets and liabilities are measured using the tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled based on tax rates enacted or substantially enacted at the reporting date.

Deferred tax assets have been recognised in the statement of financial position to the extent the management believes they will be realised in the foreseeable future, based on taxable profit forecasts. If it is believed that part of the deferred tax is not going to be realised, this part of the deferred tax asset is not recognised in the financial statements.

2.22. Revenue recognition

Revenue recognition (until 1 July 2018)

Revenue is recognised when it is probable that the economic benefits associated with the transaction will flow to the enterprise and the amount of the revenue can be measured reliably. Sales are recognised net of VAT and discounts.

Revenue from sales of goods is recognised when delivery has taken place and transfer of risks and rewards has been completed.

The Group sells seeds, fertilizers and other related inputs to agricultural produce growers on the deferred payment terms until the harvest is taken and then receivable is paid or offset with harvested grain by the agricultural produce growers. The Group recognises the sale of inputs at the moment of transfer to agricultural produce growers as the risk and rewards are transferred at that moment while revenue is measured at the fair value of the consideration received or receivable.

The Group recognises revenue from projects (i.e. customer specific contracts) based on the method of percentage of completion: completion percentage is estimated by the proportion of actual costs incurred to the total estimated costs of the project. Changes in profit rates are reflected in current earnings as identified. Contract costs (including write-off of inventories) are usually recognised as an expense in profit or loss in the accounting periods in which the work to which they relate is performed. However, any expected excess of total contract costs over total contract revenue for the contract is recognised as an expense and provision for onerous contracts immediately.

Revenue from services is recognised when services are rendered.

Interest income is recognised on an accrual basis (by using effective interest rate). Dividend income is recognised when dividends attributable to the Group are declared.

Revenue recognition gross versus net (untill 1 July 2018)

If the Group is acting as the principal in the relationship between the supplier and the customer, the revenue is recognised on a gross basis, with the amount remitted to the supplier being accounted for as a cost of sale. However, if the Group is acting as aagent for the supplier in its relationship with the customer, only the net amount of commission retained is recognised as revenue.

2.Accounting principles (cont'd)

2.22. Revenue recognition (cont'd)

Whether the Group is acting as principal or agent in the transaction with the customer is a matter of judgment that depends on the relevant facts and circumstances. However, the Group considers the following indicators of gross revenue recognition (i.e., indicators that the Group is acting as principal in the transaction with the customer):

- The Group is the primary obligor under the terms of the contracts;
- The Group bears any general and physical inventory risks;
- The Group is able to determine the sales price;
- The Group is able to change the product;
- The Group has discretion in supplier selection;
- The Group is involved in the determination of product or service specifications;
- The Group bears any credit risks.

Revenue recognition (from 1 July 2018)

Revenue from sales of grain, feedstuff, fertilizers, seeds, agricultural production and other food products

Revenue from contracts with customers is recognised at a point in time when control of the goods (grain, feedstuff, fertilizers, seeds, agricultural production and cattle, milk and poultry food products) are transferred to the customer at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods. The Group has concluded that it is the principal in its revenue arrangements, except for Neuss/Spyck contracts described in Note 2.27, because:
- The Group controls the goods before transferring them to the customer;
- The Group is primarily responsible for goods supply and bears risk of non-performance;
- The Group has latitude in establishing price either directly or indirectly.

Where the Group has signed master framework agreements with the clients, majority of such contracts are not enforceable on their own without a specific purchase order. Every purchase order generally represents a contract with the customer in these cases, and each contract includes a single performance obligation.
The Group considers whether there are other promises in the contract that are separate performance obligations to which a portion of the transaction price needs to be allocated (e.g. warranties, transportation, storage). Generally, the Group's contracts do not include such promises.

If the consideration in a contract includes a variable amount, the Group estimates the amount of consideration to which it will be entitled in exchange for transferring the goods to the customer. The variable consideration is estimated at contract inception and constrained until it is highly probable that significant revenue reversal will not occur when the associated uncertainty is resolved. Some contracts for the sale of equipment provide customers with a right of return which gives rise to variable consideration. For goods that are expected to be returned, instead of revenue, the Group recognises a refund liability. A right of return asset (and corresponding adjustment to cost of sales) is also recognised for the right to recover the goods from a customer.

Revenue from sales of machinery and equipment

In some contracts, the Group transfers control of an equipment to a customer and also grants the customer the right to return the product for various reasons after the use of the term. An asset recognised for the Group's right to recover the equipment from a customer on settling a refund liability shall initially be measured by reference to the former carrying amount of the equipment less any expected costs to recover those products (including potential decreases in the value to the Group of returned products). At the end of each reporting period, the Group updates the measurement of the asset arising from changes in expectations about products to be returned. The Group presents the asset separately from the refund liability, under captions: Inventories (Note 10) and Other non –current liabilities (Note 22).

Revenue from customer specific project contracts

Performance obligations arising from the project contracts with customers (for example to install grain storage facilities) are fulfilled over time and respectively the revenue is recognized over time if any of the following criteria are met: (a) the customer simultaneously receives and consumes the benefits provided by the Group's performance as the Group performs; (b) the Group's performance creates or enhances an asset that the customer controls as the asset is created or enhanced; or (c) the Group's performance does not create an asset with an alternative use and the Group has an enforceable right to payment for performance completed to date. If the Group can reasonably measure its progress towards complete satisfaction of the performance obligation, the Group recognizes revenue and expenses in relation to each contract over time, based on the progress of performance. The progress of performance is assessed based on the proportion of the costs incurred in fulfilling the contract up to date over to the total estimated costs of the contract. Group uses an input method in measuring progress because there is a direct relationship between the Group's effort (i.e., based on the labour hours incurred and materials used) and the output produced which provides a faithful depiction. When the Group is not be able to reasonably measure the outcome of a performance obligation (for example, in the early stages of a contract), but the Group expects to recover the costs incurred in satisfying the performance obligation, the

2.Accounting principles (cont'd)

2.22. Revenue recognition (cont'd)

Group recognizes revenue only to the extent of the costs incurred until such. When it is determined that the costs of the contract are expected to exceed the revenue, the entire estimated loss amount is recognized in profit (loss).

Contract modification (scope or price, or both) is accounted for as a separate contract with customer, if the scope of the contract increases because of the addition of promised goods or services that are distinct and the price of the contract increases by an amount of consideration that reflects the Group's stand-alone selling prices of the additional promised goods or services in the circumstances of the particular contract. Otherwise the contract modification is accounted as (a) termination of the existing contract and the creation of a new contract, if the remaining goods or services are distinct from the goods or services transferred on or before the date of the contract modification or (b) part of the existing contract if the remaining goods or services are not distinct and, therefore, form part of a single performance obligation that is partially satisfied at the date of the contract modification.

The effect that the contract modification has on the transaction price, and on the Group's measure of progress towards complete satisfaction of the performance obligation, is recognised as an adjustment to revenue (either as an increase in or a reduction of revenue) at the date of the contract modification.

Provisions for loss making contracts are recognized when the Group has a present obligation (legal or constructive) to complete the construction contract for the third party for the price that is lower than the total estimated cost to perform the contract as of the date of the financial statements. The difference (loss) between the contract price and the total estimated cost of delivery under the contract is recognized in the statement of comprehensive income.

When fulfilling the contracts the Group can receive short term prepayments from its customers. Applying the practical expedient, the Group is not adjusting the price allocation by the financing component, if at the inception of the contract it is expected that the time period from the customer payment for goods/services till the delivery of these goods/services will not exceed one year.

In addition the Group applied the practical expedient and did not disclose the aggregate amount of the transaction price allocated to the performance obligations that are unsatisfied (or partially unsatisfied) as of the end of the reporting period because each performance obligation is part of a contract that has an original expected duration of one year or less.

The Company recognises revenue from management services over time, using a delivery method to measure provision of the services, because the customer simultaneously receives and consumes the benefits provided by the Company.

Other revenue /income

Other occasional revenue from the sale property, plant or equipment is recognised at a point in time, when sold items are delivered to client and control is transfered.

Dividend income is recognised when the right to receive payment is established.

Under Other income caption is recognised grants related to income for agricultural activity. The income-related grants are recognised as used in parts to the extent of the expenses incurred during the reporting period or unearned income to be compensated by that grant (Note 2.20).

In addition the management considers the effect of other matters to the revenue recognition such as the existence of significant financing components, non-cash consideration, consideration payable to the customer and warranties. None of these are present in the Group's contracts with the custumers. Warranties provided by the Group are only an assurance-type and are not provided as the Group's separate service and not treated as a separate performance obligation. Such warranties are accounted for under IAS 37 Provisions, Contingent Liabilities and Contingent Assets. The Group does not incur material costs to acquire or fulfill the contract.

Due to the Group's business nature, apart from what is described in this Note, the management did not make any other significant accounting judgements, estimates and assumptions relating to revenue from contracts with customers recognition, as there are no complex/multi-elemental goods or services, no variable consideration, financing component, volume rebates, discounts, contract cost or amounts payable to the customers

Contract assets – accrued revenue

A contract asset is the right to consideration in exchange for goods or services transferred to the customer. If the Group performs by transferring goods or services to a customer before the customer pays consideration or before payment is due, a contract asset is recognised for the earned consideration that is conditional.

2.Accounting principles (cont'd)

2.22. Revenue recognition (cont'd)

Trade receivables

A receivable represents the Group's right to an amount of consideration that is unconditional (i.e., only the passage of time is required before payment of the consideration is due). Refer to accounting policies of financial assets, Note 2.8.

Contract liabilities – prepayments received

A contract liability is the obligation to transfer goods or services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer. If a customer pays consideration before the Group transfers goods or services to the customer, a contract liability is recognised when the payment is made. Contract liabilities are recognised as revenue when the Group performs under the contract.

2.23. Expense recognition

Expenses are recognised on the basis of accrual and revenue and expense matching principles in the reporting period when the income related to these expenses was earned, irrespective of the time the money was spent. In those cases when the costs incurred cannot be directly attributed to the specific income and they will not bring income during the future periods, they are expensed as incurred.

The amount of expenses is usually accounted for as the amount paid or due to be paid, excluding VAT. In those cases when long period of payment is established and the interest is not distinguished, the amount of expenses is estimated by discounting the amount of payment using the market interest rate.

2.Accounting principles (cont'd)

2.24. Impairment of non financial assets

The Group assesses at each reporting date whether there is an indication that a non financial asset may be impaired. If any such indication exists, or when annual impairment testing for an asset is required (e.g. goodwill), the Group estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs to sell, an appropriate valuation model is used. These calculations are corroborated by independent valuations, valuation multiples, or other available fair value indicators.

Impairment losses are recognised in the statement of comprehensive income in those expense categories consistent with the function of the impaired asset.

For non financial assets excluding goodwill, an assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the Group makes an estimate of recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. If that is the case the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in the statement of comprehensive income.

2.25. Segment information

In these financial statements an operating segment means a constituent part of the Group participating in production of an individual product or provision of a service or a group of related products or services, whose operating results are regularly reviewed by the Group's management to make decisions about resources to be allocated to the segment and assess its performance and for which discrete financial information is available.

For management purpose the Group is organized into five operating segments based on their products and services as follows:

- the grain and feedstuff handling and merchandising includes trade in wheat, rapeseed, barley and other grains and oilseeds, suncake and sunmeal, sugar beet pulp, soymeal, vegetable oil, rapecake and other feedstuffs, grain storage and logistics services;
- the products and services for farming segment includes sales of fertilizers, seeds, plant protection products, machinery and equipment, grain storage facilities, spare parts and other equipment to agricultural produce growers and grain storage companies;
- the agricultural production segment includes growing of grains, rapeseed and others as well as sales of harvest, breeding of livestock and sales of milk and livestock. Milk is sold to local dairy companies, other production is partly used internally, partly sold;
- food products segment includes poultry and other food final products;
- the other products and services segment includes sales of biofuel and other products and services.

In these financial statements information about geographical areas means a constituent part of the Group revenue from external customers attributed to the Group's country of domicile and attributed to all foreign countries in total from which the Group derives revenue and non-current assets other than financial assets and deferred tax assets located in the Group's country of domicile and located in all foreign countries in total in which the Group holds assets.

2.Accounting principles (cont'd)

2.26. Fair value measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability, or
- In the absence of a principal market, in the most advantageous market for the asset or liability.

The principal or the most advantageous market must be accessible to the Group.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.
A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorized within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 — Quoted (unadjusted) market prices in active markets for identical assets or liabilities;
- Level 2 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable;
- Level 3 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Group determine whether transfers have occurred between levels in the hierarchy by re-assessing categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

Valuations are performed by the Group's management at each reporting date. For the purpose of fair value disclosures, the Group and the Company have determined classes of assets and liabilities on the basis of the nature, characteristics and risks of asset or liability and the level of the fair value hierarchy as explained above.

2.Accounting principles (cont'd)

2.27. Use of significant accounting judgments and estimates in the preparation of financial statements

The preparation of financial statements in conformity with International Financial Reporting Standards requires management to make judgments, estimates and assumptions that affect the reported amounts of assets, liabilities, income and expenses and disclosure of contingencies.

Significant accounting judgments

The significant areas of judgment used in the preparation of these financial statements are described as follows.

Principal versus agent assessment

The Group determined that, as a general it acts as the principal in providing goods and services because:
- controls goods and services before they are delivered to the customer;
- is responsible for the overall execution of the contract with the client and is at risk of default;
- has a choice of price setting.

Determining control of Karčemos kooperatinė bendrovė

The Group indirectly controls approx. 24% of shares of Karčemos kooperatinė bendrovė (through Panevėžys district Žibartonių ŽŪB and UAB Linas Agro Grūdų centras KŪB), however, the Group has the ability to receive variable returns from this investee and can have impact on these returns due to the power to govern the relevant activities of the entity to which the investment is made through contractual agreements. Therefore management of the Group has concluded that the Group has control of Karčemos kooperatinė bendrovė.

Accounting for trading contracts

Within grains and oilseeds as well as feedstuffs segments, the Group's activity is an agricultural goods intermediary (buying and selling different types of grain, oilseeds, rapeseed, etc.). The Group buys and sells agricultural goods at a fixed price for a specified delivery period in the future. The terms of the Group's contracts permit net settlement; however, in practice, contracts result in physical delivery, except for rapeseed extraction delivered on term FOB Neuss/Spyck. The Group acts as an intermediary by entering into purchase and sales contracts with producers and users of the agricultural goods, creating links within the value chain for the agricultural goods for a stable customer base, making profits from a distributor margin rather than from fluctuations in price or a broker traders' margin. As a result, the Group's purchases and sales contracts are entered into in accordance with the expected purchase and sale requirements and, therefore, have not been accounted for as derivatives within the scope of IFRS 9, except for those contracts which are hedged (Note 2.15) and contracts concluded on terms FOB Neuss/Spyck which are usually net cash settled.

Receivables from agricultural produce growers and payments on agricultural produce growers' behalf

Within its agricultural inputs segment, the Group is engaged in selling fertilizers and plant protection products to agricultural produce growers as well as pays on behalf of agricultural produce growers to suppliers of seeds or directly pays to agricultural produce growers (Notes 11 and 12). The balances arising from these transactions are non-interest bearing and are generally settled within 120 - 360 days by delivering grain to the Group. These transactions constitute common arrangements in the industry, they are entered into between distributors and agricultural produce growers under similar terms, and usual settlement is by delivery of grain, as opposed to an unconditional right to receive cash; therefore, no discounting is performed on these balances. Trade receivables arising on sales of fertilizers and plant protection products are presented within trade receivables caption in the statement of financial position, while payments on behalf of agricultural produce growers, which do not derive from sales transactions, are presented as prepayments in the statement of financial position.

(all amounts are in thousand euros unless otherwise stated) 35

2.Accounting principles (cont'd)

2.27. Use of significant accounting judgments and estimates in the preparation of financial statements (cont'd)

Significant accounting estimates

The significant areas of estimation used in the preparation of these financial statements relate to depreciation (Notes 2.6, 2.7, 6 and 7), fair value estimation of biological assets (Notes 2.10 and 9), impairment evaluation (Notes 2.24, 5, 6, 7, 8, 11, 12 and 13), estimation of fair value of assets acquired and liabilities assumed in business combinations (Note 3), assessment of net realizable value of inventories (Note 2.11 and Note 10), assessment of provision for onerous contracts (Note 2.18) and assessment of fair value of share based payments (Note 28). Future events may occur which will cause the assumptions used in arriving at the estimates to change. The effect of any changes in estimates will be recorded in the financial statements, when determinable.

The key assumptions concerning the future, and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are discussed further.

Valuation of biological assets

As at 30 June 2019 and 30 June 2018 the Group did not have an independent appraisal of its biological assets. According to IFRS, such assets must be recorded at fair value. Biological assets mostly consist of three groups: animals and livestock, poultry and crops which are accounted for at fair value less costs to sell (Note 2.10).

The fair value of biological assets of the Group is determined on a recurring basis. The management determines key assumptions based on historical figures and the best estimate as at the reporting date. Applied unobservable assumptions are challenged on a regular basis and adjusted after back testing is performed. Other observable inputs used are based on publicly available sources (prices in the market). The management of the Group constantly analyses the changes in fair value and assesses what has the biggest influence on it – quantity produced, sales prices and etc.

Animals and livestock are valued in two ways: milking cows are valued using discounted cash flows method less costs to sell (level 3) and other groups of livestock at market prices less cost to sell at the reporting date (level 2). Crops are valued at market prices based on expected yield less costs to sell at the reporting date (level 3).

Poultry are valued in the following way:

Hatching chicken are valued based on the future value of the produced eggs less costs to maintain the chicken until end of its production period, slaughter costs as well as costs to sell at the reporting date (level 3).

Meat broilers are valued taking into account the average age of the chicken and its respective market value between the value range of day one and value at the moment of slaughtering the chicken (level 3).

Milking cows

The management of the Group decided to assess fair value of milking cows based on the discounted cash flows method because there is no active reliable market for such livestock and because this method is the most accurate estimation of the fair value of milking cows.

As at 30 June 2019 the key assumptions used to determine fair value of milking cows are the estimated milk selling price for the expected average productive life of a milking cow (EUR 0.33 for the year ending 30 June 2020 and EUR 0.33 for the year ending 30 June 2021) used to calculate the expected future cash inflows as well as pre-tax discount rate (7.4%). As at 30 June 2018 the key assumptions used to determine fair value of milking cows were the estimated milk selling price (EUR 0.32 for the year ending 30 June 2019 and EUR 0.32 for the year ending 30 June 2020) used to calculate the expected future cash inflows as well as pre-tax discount rate (7.4%).

The following table demonstrates the sensitivity of the fair value of milking cows to a reasonably possible change in key assumptions and its effect on profit or loss. There is no effect to other comprehensive income.

	30 June 2019		**30 June 2018**	
	Possible change	**Effect on fair value**	**Possible change**	**Effect on fair value**
Milk price	+ 15%	2,980	+ 15%	2,782
Milk price	- 15%	(2,926)	- 15%	(2,751)
Discount rate	+ 1 p.p.	(60)	+ 1 p.p.	(55)
Discount rate	- 1 p.p.	61	- 1 p.p.	56

(all amounts are in thousand euros unless otherwise stated) 36

2.Accounting principles (cont'd)

2.27. Use of significant accounting judgments and estimates in the preparation of financial statements (cont'd)

Valuation of biological assets (cont'd)

Crops

As at 30 June 2019 and 2018 the key assumptions used to determine fair value of crops are the estimated yield ranges depending on the type of crops (3,0– 9,0 tones/ha for the year ending 30 June 2019 and 2,8 – 7,3 tones/ha for the year ending 30 June 2018) and the expected sales price, which was based on the estimated future grain and oilseeds sales price of the deliveries taking place September – December of the respective year.

The following table demonstrates the sensitivity of the fair value of crops to a reasonably possible change in key assumptions and its effect on profit or loss. There is no effect to other comprehensive income.

	30 June 2019		30 June 2018	
	Possible change	**Effect on fair value**	**Possible change**	**Effect on fair value**
Yield	+ 5%	598	+ 5%	508
Yield	- 5%	(598)	- 5%	(508)
Price	+ 5%	575	+ 5%	509
Price	- 5%	(575)	- 5%	(509)

Poultry

As at 30 June 2019 and 2018 the main assumptions used to determine fair value of hatching chicken are the price of the incubation eggs (EUR 0.18-0.28 for the unit; EUR 0.15-0.25 for the unit in previuos financial year) which was estimated based on publicly available yearly average market price and the average number of hatching eggs produced per hatching chicken in the lifetime (151.6 units for financial year and 152.4 units – previous financial year).

The following table demonstrates the sensitivity of the fair value of hatching chickens to a reasonably possible change in key assumptions and its effect on profit or loss. There is no effect to other comprehensive income.

	30 June 2019		30 June 2018	
	Possible change	**Effect on fair value**	**Possible change**	**Effect on fair value**
Number of eggs per lifecycle/price of eggs	+ 5%	286	+ 5%	200
Number of eggs per lifecycle/price of eggs	- 5%	(286)	- 5%	(200)

As at 30 June 2019 and 2018 the main assumptions used to determine fair value of broilers are the market price of chickens (EUR 0.42 for 1 day old and EUR 2.52 for 36 days old) which was estimated based on actual purchases/sales taking place close to the 30 June 2019 and broiler weight of 2.21 kg as at 36 days old (as at 30 June 2018 – 2.26 kg as at 36 days old).

The following table demonstrates the sensitivity of the fair value of broilers to a reasonably possible change in key assumptions and its effect on profit or loss. There is no effect to other comprehensive income.

	30 June 2019		30 June 2018	
	Possible change	**Effect on fair value**	**Possible change**	**Effect on fair value**
Weight	+ 5%	21	+ 5%	55
Weight	- 5%	(21)	- 5%	(55)
Price	+ 5%	21	+ 5%	55
Price	- 5%	(21)	- 5%	(55)

2.Accounting principles (cont'd)

2.27. Use of significant accounting judgments and estimates in the preparation of financial statements (cont'd)

Impairment of property, plant and equipment (excluding land)

The Group makes an assessment, at least annually, whether there are any indications that property, plant and equipment have suffered impairment. If that is the case, the Group makes an impairment test. The recoverable amount of cash-generating units (CGU) is determined based on value in use calculations that use a discounted cash flow model. The cash flows are derived from the forecast for the next five years and do not include restructuring activities that the Group is not yet committed to or significant future investments that will enhance the asset base of the cash-generating unit being tested. Key assumptions on poultry business CGU as at 30 June 2018 are disclosed in Note 2.27 section *Impairment of the Company's investments into subsidiaries and loans granted.*

As at 30 June 2019 and 30 June 2018 there were no reasonably possible changes in the key assumptions which would cause the carrying amount of property, plant and equipment to exceed its recoverable amount, except for the already impaired assets.

Impairment of land (accounted for as property, plant and equipment and investment property)

The Group makes an assessment, at least annually, whether there are any indications that land accounted for as property, plant and equipment and investment property has suffered impairment. If that is the case, the Group makes an impairment test. The recoverable amount of land is determined as fair value less cost to sell based on comparable market prices for similar land provided by independent valuators.

As at 30 June 2019 and 30 June 2018 there were no reasonably possible changes in the key assumptions which would cause the carrying amount of land to exceed its recoverable amount, except for the already impaired assets.

Impairment of the Company's investments in subsidiaries and loans granted

As at 30 June 2019 and 30 June 2018 the Company has investments in subsidiaries and associates. The Company makes an assessment, at least annually, whether there are any indications that investments in subsidiaries and associates have suffered impairment.

As at 30 June 2019 and 2018 the recoverable amount of AB Linas Agro and its subsidiaries, further – the subgroup cash generating unit (CGU), comprising of investments into and loans granted was determined based on the value in use calculations that use a discounted cash flow model. Carrying value of the investment and loans amount to EUR 58,196 thousand as at 30 June 2019 (as at 30 June 2018 – EUR 59'356 thousand). The above mentioned subgroup was assessed as one cash generating unit. The cash flows are derived from the forecast for the next five years and a terminal value which was calculated with a terminal growth of 2%. As at 30 June 2019 and 2018 the recoverable amount of the investment into this subgroup is most sensitive to EBITDA margin (max 2 %) that were used for the discounted cash flow model forecasts. According to the test performed no impairment was identified for the year ended 30 June 2019 and 2019 as recoverable value of investments was higher than the carrying value. As at 30 June 2018 there were no reasonably possible changes in the key assumptions which would cause the carrying amount of the investment into land holding subsidiaries and associates. As at 30 June 2019, EBITDA margin decreases by 0,5 p.p. would result in EUR 23'548 thousand investment impairment.

The recoverable amount of poultry business cash generating unit (CGU), comprising of investments into and loans granted to AS Putnu fabrika Kekava, SIA Lielzeltini, SIA Cerova and SIA Broileks, was determined based on the value in use calculations that use a discounted cash flow model. Carrying value of these investments and loans amount to EUR 22,233 thousand as at 30 June 2019 (as at 30 June 2018 - EUR 22,231 thousand). The above mentioned subsidiaries were assessed as one cash generating unit. Cash generating unit was determinted to be all entities operating in poultry business in a specific geographical location (Latvia). The cash flows are derived from the forecast for the next five years and a terminal value which was calculated with a terminal growth of 2%. As at 30 June 2019 and 2018 the recoverable amount of the investment into subsidiaries AS Putnu fabrika Kekava, SIA Lielzeltini, SIA Cerova and SIA Broileks is most sensitive to the pre-tax discount rate of 8.8% which is used for the discounted cash flow model. As at 30 June 2019 and 2018 there were no reasonably possible changes in the key assumptions which would cause the carrying amount of the investment into AS Putnu fabrika Kekava, SIA Lielzeltini, SIA Cerova and SIA Broileks to exceed its recoverable amount.

As at 30 June 2019 and 2018 the Company also performed an impairment test for investments into land holding subsidiaries and associates using comparable market prices method. The Company's investments into land holding entities amounted to EUR 1,987 thousand as at 30 June 2019 (as at 30 June 2018 - 1,942 thousand). According to the test performed no impairment was identified for the year ended 30 June 2019 and 2018 as recoverable value of investments was higher than the carrying value. As at 30 June 2019 and 2018 there were no reasonably possible changes in the key assumptions which would cause the carrying amount of the investment into land holding subsidiaries and associates.

There were no indications of impairment of investments in other subsidiaries, except for described above.

2.Accounting principles (cont'd)

2.27. Use of significant accounting judgments and estimates in the preparation of financial statements (cont'd)

Impairment of goodwill

In prior years acquisition of SIA Paleo has resulted in goodwill in amount of EUR 1,970 thousand recorded as at Paleo acquisition date. Goodwill was allocated to Latvia fertilizers trading cash generating unit (CGU). As a result of an impairment test an impairment of EUR 1,121 thousand was accounted for in prior years (Note 5). No additional impairment was recorded as at 30 June 2019 and 2018 after impairment test performed.

As at 30 June 2018 carrying value of CGU before impairment amounted to EUR 4,162 thousand. The cash flows are derived from the forecast for the next five years and a terminal value which was calculated with a terminal growth of 2%. As at 30 June 2018 the recoverable amount of CGU is most sensitive to the pre-tax discount rate of 8.8%. In case discount rate increases by 1%, the goodwill impairment would increase by additional EUR 395 thousand.

On 14 March 2019 SIA Paleo was merged to SIA Linas Agro Graudu Centrs (futher – the new CGU), therefore as at 30 June 2019 the carrying value of this CGU amounted to EUR 13,546 thousand. The cash flows are derived from the forecast for the next five years and a terminal value which was calculated with a terminal growth of 2%. As at 30 June 2019 the recoverable amount of CGU is most sensitive to the pre-tax discount rate of 7.5%. In case discount rate increases by 1%, the CGU impairment (including goodwill) would increase by additional EUR 1,790 thousand.

Assesment of inventories net realisable value

The management of the Group makes esimates and assumptions in order to value inventories at lower of cost or net realizable value. The main factors incorporated in management assessment of inventories net realizable value are the follows:

1) ageing of inventories,
2) subsequent sales prices,
3) signed contracts to sell,
4) market prices.

Future events may occur which will cause the assumptions to change. The effect of any changes in estimates will be recorded in the financial statements, when determinable.

Trade receivables allowance

The determination as to whether a trade receivable is collectable involves management judgment and significant esimates. Specific factors management considers, when determining if allowance for trade receivable have to be accounted for are as follows:

1) age of the balance,
2) location of customers,
3) existence of collateral,
4) recent historical payment patterns as well as data on subsequent collections,
5) forward looking estimates (expected infliation rate, GDP or etc.).

Future events may occur which will cause the assumptions to change. The effect of any changes in estimates will be recorded in the financial statements, when determinable.

Share based payments

Estimating fair value for share-based payment transactions requires determination of the most appropriate valuation model, which depends on the terms and conditions of the grant. This estimate also requires determination of the most appropriate inputs to the valuation model including the expected life of the share option, volatility and dividend yield and making assumptions about them. For the measurement of the fair value of equity-settled transactions with employees at the grant date, the Group uses an average value derived from binomial and the Black-Scholes-Merton option pricing share options incentive. The assumptions and models used for estimating fair value for share-based payment transactions are disclosed in Note 28.

2.28. Contingencies

Contingent liabilities are not recognised in the financial statements, except for contingent liabilities associated with business combinations. They are disclosed unless the possibility of an outflow of resources embodying economic benefits is remote.

A contingent asset is not recognised in the financial statements but disclosed when an inflow of economic benefits is probable.

2.Accounting principles (cont'd)

2.29. Subsequent events

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

2.30. Offsetting and rounding

When preparing the financial statements, assets and liabilities, as well as revenue and expenses are not set off, except for the cases when certain IFRS specifically requires or allows such set-off.

Numbers in tables may vary as they are written in round figures up to one thousand euros. Such rounding variations are not material for the financial statements.

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3.Group structure and changes in the Group

As at 30 June 2019 and as at 30 June 2018 the Company held these directly and indirectly controlled subsidiaries (hereinafter the Group):

	Place of registration	Effective share of the stock held by the Group		Cost of investment in the Company		Main activities
		30 June 2019	30 June 2018	30 June 2019	30 June 2018	
Investments into directly controlled subsidiaries						
AB Linas Agro	Lithuania	100%	100%	56,556	56,556	Wholesale trade of grains and oilseeds, feedstuffs and agricultural inputs
UAB Linas Agro Konsultacijos	Lithuania	100%	100%	13,766	12,553	Management of the subsidiaries engaged in agriculture
UAB Dotnuva Baltic	Lithuania	100%	100%	10,688	10,688	Trade of machinery and equipment for warehousing of grains, certified seeds
UAB Linas Agro Grūdų Centras KŪB	Lithuania	100%	100%	5,380	4,080	Preparation and warehousing of grains for trade
UAB Jungtinė Ekspedicija	Lithuania	100%	100%	341	341	Expedition and ship's agency services
ŽŪB Landvesta 1	Lithuania	100%	100%	704	704	Rent and management of agricultural purposes land
ŽŪB Landvesta 2	Lithuania	100%	100%	439	439	Rent and management of agricultural purposes land
ŽŪB Landvesta 5	Lithuania	100%	100%	844	799	Rent and management of agricultural purposes land
Noreikiškių ŽŪB	Lithuania	100%	100%	688	658	Rent and management of agricultural purposes land
UAB Lineliai	Lithuania	100%	100%	858	808	Rent and management of agricultural purposes land
AS Putnu fabrika Kekava	Latvia	97.11%	97.09%	6,134	6,133	Broiler breeding, slaughtering and sale of products
SIA PFK Trader	Latvia	97.11%	97.09%	–	–	Retail trade of food production
SIA Lielzeltini	Latvia	100%	100%	5,854	5,854	Broiler breeding, slaughtering and sale of products, feedstuffs
SIA Cerova	Latvia	100%	100%	790	790	Egg incubation and chicken sale
SIA Broileks	Latvia	100%	100%	47	47	Chicken breeding and sale
SIA Erfolg Group (liquidated)	Latvia	–	97.09%	–	–	Not operating company
UAB Kekava Foods LT	Lithuania	97,11%	97.09%	–	–	Retail trade of food production
				103,089	**100,450**	

As at 30 June 2018 shares of AS Putnu fabrika Kekava and SIA Lielzeltini which are held by the Company were pledged to banks as a collateral for the loans (Note 18), no such pledge as at 30 June 2019.

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3.Group structure and changes in the Group (cont'd)

	Place of registration	Effective share of The stock held by the Group		Cost of investment in the Company		Main activities
		30 June 2019	30 June 2018	30 June 2019	30 June 2018	
Investments into indirectly controlled subsidiaries (through AB Linas Agro)						
SIA Linas Agro	Latvia	100%	100%	–	–	Wholesale trade of grains and oilseeds, agricultural inputs
UAB Gerera	Lithuania	100%	100%	–	–	Not operating company
UAB Linas Agro Grūdų Centras	Lithuania	100%	100%	–	–	Management services
UAB Linas Agro Grūdų Centras KŪB	Lithuania	100%	100%	–	–	Preparation and warehousing of grains for trade
Linas Agro A/S (under liquidation)	Denmark	100%	100%	–	–	Not operating company
ŽŪB Landvesta 3*	Lithuania	100%	100%	199	199	Rent and management of agricultural purposes land
ŽŪB Landvesta 4*	Lithuania	100%	100%	159	159	Rent and management of agricultural purposes land
ŽŪB Landvesta 6*	Lithuania	100%	100%	83	83	Rent and management of agricultural purposes land
LLC LINAS AGRO UKRAINE	Ukraine	100%	–	–	–	Representative office
Investments into indirectly controlled subsidiaries (through UAB Linas Agro Konsultacijos)						
ŽŪK KUPIŠKIO GRŪDAI	Lithuania	99.13%	98.96%	–	–	Preparation and warehousing of grains for trade
Biržai district Medeikių ŽŪB	Lithuania	98.39%	98.34%	–	–	Growing and sale of crops
Šakiai district Lukšių ŽŪB	Lithuania	98.82%	98.80%	–	–	Mixed agricultural activities
Panevėžys district Aukštadvario ŽŪB	Lithuania	99.54%	97.65%	–	–	Mixed agricultural activities
Sidabravo ŽŪB	Lithuania	95.92%	95.21%	–	–	Mixed agricultural activities
Kėdainiai district Labūnavos ŽŪB	Lithuania	98.95%	98.60%	–	–	Mixed agricultural activities
Užupės ŽŪB*	Lithuania	100%	100%	1	1	Rent and management of agricultural purposes land
UAB Paberžėlė	Lithuania	100%	100%	–	–	Rent and management of agricultural purposes land
Panevėžys district Žibartonių ŽŪB*	Lithuania	99.90%	99.89%	1	1	Mixed agricultural activities
	Investments into associates			443	443	
	(Less) impairment			–	(57)	
				443	**386**	

** ŽŪB Landvesta 3, ŽŪB Landvesta 4 , ŽŪB Landvesta 6, Užupės ŽŪB and Panevėžys district Žibartonių ŽŪB are associates of the Company as at 30 June 2019 and 2018.*

The respective share held directly by the Company did not changed as at 30 June 2019 and 2018 of ŽŪB Landvesta 3, ŽŪB Landvesta 4, ŽŪB Landvesta 6, Užupės ŽŪB, Panevėžys district Žibartonių ŽŪB and was 13.91%; 26.42%; 15.51%; 0.05%; 0.05%, respectively.

The respective share held directly by the Company as at 30 June 2019 and 2018 of ŽŪB Landvesta 5 was 67.92% and 66.71%, UAB Linas Agro Grūdų Centras KŪB was 60.94% and 54.19%, respectively.

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3.Group structure and changes in the Group (cont'd)

	Place of registration	Effective share of the stock held by the Group		Cost of investment in the Company		Main activities
		30 June 2019	30 June 2018	30 June 2019	30 June 2018	
Investments into indirectly controlled subsidiaries (through UAB Dotnuva Baltic)						
SIA Dotnuva Baltic	Latvia	100%	100%	–	–	Trade of machinery and equipment for warehousing of grains
AS Dotnuvos Baltic	Estonia	100%	100%	–	–	Trade of machinery and equipment for warehousing of grains, certified seeds
UAB Dotnuvos Technika	Lithuania	100%	100%	–	–	Not operating company
Investments into indirectly controlled subsidiaries (through UAB Linas Agro Grūdų centras KŪB)						
Karčemos Kooperatinė Bendrovė	Lithuania	20%*	20%*	–	–	Preparation and warehousing of grains for trade
SIA Linas Agro Graudu Centrs	Latvia	100%	100%	–	–	Preparation and warehousing of grains for trade
SIA Paleo (reorganized)	Latvia	100%	100%	–	–	Warehousing activity
Investments into indirectly controlled subsidiaries (through Panevėžys district Žibartonių ŽŪB)						
Karčemos Kooperatinė Bendrovė	Lithuania	4.00%*	4.00%*	-	-	Preparation and warehousing of grains for trade

** The Group indirectly owns 24% of shares of Karčemos kooperatinė bendrovė (through Panevėžys district Žibartonių ŽŪB and UAB Linas Agro Grūdų centras KŪB), however, the Group has control over this entity (Note 2.27) and, therefore, it has been consolidated when preparing these financial statements.*

Changes in the Group during the 12 month period ended 30 June 2019

During 12 month period, ended 30 June 2019, the Company acquired 0.02% AS Putnu fabrika Kekava share capital for EUR 1 thousand. The shares were acquired from the non-controlling shareholders. The difference of EUR 4 thousand of gain between the consideration transferred and the carrying value of the interest acquired has been recognized within equity.

The Group acquired 0.71 % ŽŪB Sidabravo share capital for EUR 5 thousand. The shares were acquired from the non-controlling shareholders. The difference of EUR 31 thousand of gain between the consideration transferred and the carrying value of the interest acquired has been recognized within equity.

During 12 month period, ended 30 June 2019, the Group founded the share capital of LLC LINAS AGRO UKRAINE UAH 6,500 thousand (EUR 205 thousand).

During 12 month period, ended 30 June 2019, the Group reduced the share capital of ŽŪB Užupės by paying out EUR 140 thousand to shareholders.

During 12 month period, ended 30 June 2019, the Company increased the share capital of UAB Linas Agro Grūdų Centras KŪB by EUR 1,300 thousand, UAB Linas Agro Konsultacijos EUR 1,213 thousand, UAB Lineliai EUR 50 thousand, ŽŪB Noreikiškių EUR 30 thousand, ŽŪB Landvesta 5 EUR - 45 thousand.

The Group increased the share capital of SIA Linas Agro by EUR 1,000 thousand, Panevėžys district Aukštadvario ŽŪB EUR 1,010 thousand, Kėdainiai district Labūnavos ŽŪB EUR 200 thousand, UAB Gerera EUR 30 thousand. Accordingly, the minority interest in Panevėžys district Aukštadvario ŽŪB and Kėdainiai district Labūnavos ŽŪB has been recalculated, respectively by EUR 76 thousand and EUR 27 thousand.

3.Group structure and changes in the Group (cont'd)

Changes in the Group during the 12 month period ended 30 June 2018

During 12 month period, ended 30 June 2018, the Company acquired 3.24% AS Putnu fabrika Kekava share capital for EUR 423 thousand. The shares were acquired from the non-controlling shareholders. The difference of EUR 173 thousand of gain between the consideration transferred and the carrying value of the interest acquired has been recognized within equity.

During 12 month period, ended 30 June 2018, the Company increased share capital of UAB Linas Agro Grūdų Centras KŪB, ŽŪB Landvesta 5, ŽŪB Noreikiškių, UAB Lineliai in amount EUR 2,000 thousand, EUR 35 thousand, EUR 70 thousand, EUR 80 thousand, respectively.

During the 12 month period, new company UAB Kekava Foods LT was established.

4.Segment information

For management purpose the Group is organized into five operating segments based on their products and services as follows:

- the grain and feedstuff handling and merchandising includes trade in wheat, rapeseed, barley and other grains and oilseeds, suncake and sunmeal, sugar beet pulp, soymeal, vegetable oil, rapecake and other feedstuffs, grain storage and logistics services;
- the products and services for farming segment includes sales of fertilizers, seeds, plant protection products, machinery and equipment, grain storage facilities, spare parts and other equipment to agricultural produce growers and grain storage companies;
- the agricultural production segment includes growing of grains, rapeseed and others as well as sales of harvest, breeding of livestock and sales of milk and livestock. Milk is sold to local dairy companies, other production is partly used internally, partly sold;
- food products segment includes poultry and other food final products;
- the other products and services segment includes sales of biofuel and other products and services.

The Group's chief financial officer monitors the operating results of its business units separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on profit or loss and is measured consistently with profit or loss in the consolidated financial statements.

Group financing (including finance cost and finance income) and income taxes are managed on a Group basis and are not allocated to operating segments.

Transfer prices between the Group companies are based on normal selling prices in a manner similar to transactions with third parties.

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4.Segment information (cont'd)

Group *Financial year ended* **30 June 2019**	**Grain and feedstuff handling and merchandising**	**Products and services for farming**	**Agricultural production**	**Food products**	**Other products and services**	**Not attributed to any specified segment**	**Adjustments and elimina-tions**	**Total**
Revenue from contracts with customers								
Third parties	507,783	140,464	17,497	77,029	(231)	–	–	742,542
Intersegment	5,521	8,198	8,741	–	–	–	(22,460)[1)]	–
Total revenue from contracts with customers	**513,304**	**148,662**	**26,238**	**77,029**	**(231)**	–	**(22,460)[1)]**	**742,542**
Results								
Operating expenses[6)]	(8,215)	(13,091)	(3,295)	(7,324)	411	(3,668)	–	(35,182)
Depreciation and amortisation	(2,533)	(615)	(1,511)	(3,342)	–	(294)	–	(8,295)
Provisions for onerous contracts	(1,014)	–	–	–	–	–	–	(1,014)
Write-off bad debts and change in provisions for doubtful debts	(172)	(344)	13	63	434	(73)	–	(79)
Impairment of property plant and equipment	–	–	–	–	–	–	–	–
Segment operating profit (loss)	**(8,640)**	**2,950**	**3,230**	**2,431**	**471**	**(3,778)**	**–**	**(3,336)**
Assets								
Capital expenditure[2)]	5,360	1,400	6,077	4,211	–	–	–	17,048
Non-current assets (excluding investments into associates)	40,083	10,329	45,759	44,146	886	7,825[3)]	–	149,028
Current assets	44,289	145,403	21,471	17,541	232	13,434[4)]	–	242,370
Total assets	**84,372**	**155,732**	**67,230**	**61,687**	**1,118**	**21,259**	**–**	**391,398**
Current liabilities	28,655	124,779	4,081	12,213	82	22,055[5)]	–	191,865

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4.Segment information (cont'd)

Group *Financial year ended* **30 June 2018**	**Grain and feedstuff handling and merchandising**	**Products and services for farming**	**Agricultural production**	**Food products**	**Other products and services**	**Not attributed to any specified segment**	**Adjustments and elimina-tions**	**Total**
Revenue								
Third parties	393,850	150,341	21,040	69,078	114	–	–	634,423
Intersegment	3,575	10,438	9,971	–	–	–	(23,984)[1)]	–
Total revenue	**397,425**	**160,779**	**31,011**	**69,078**	**114**	–	**(23,984)[1)]**	**634,423**
Results								
Operating expenses[6)]	(8,637)	(13,920)	(3,414)	(5,352)	(188)	(6,783)	–	(38,294)
Depreciation and amortisation	(3,230)	(1,181)	(1,726)	(4,135)	(4)	(43)	–	(10,319)
Provisions for onerous contracts	368	–	–	–	–	–	–	368
Write-off bad debts and change in provisions for doubtful debts	(179)	(657)	(298)	53	(173)	–	–	(1,254)
Impairment of property plant and equipment	(53)	–	–	(440)	–	–	–	(493)
Segment operating profit (loss)	**3,984**	**5,657**	**3,146**	**3,904**	**(92)**	**(7,001)**	**–**	**9,598**
Assets								
Capital expenditure[2)]	8,621	715	6,133	4,250	–	8	–	19,727
Non-current assets (excluding investments into associates)	40,687	8,448	41,776	43,907	1,512	4,048[3)]	–	140,378
Current assets	71,040	142,859	19,182	20,185	235	7,058[4)]	–	260,559
Total assets	**111,727**	**151,307**	**60,958**	**64,092**	**1,747**	**11,106**	**–**	**400,937**
Current liabilities	35,482	127,055	3,621	11,415	45	11,042[5)]	–	188,660

1) Intersegment revenue is eliminated on consolidation.
2) Capital expenditure consists of additions of intangible assets, property, plant and equipment and investment property.
3) The amount includes not rented investment property, part of property, plant and equipment, other investments, prepayments for financial assets, non-current loans receivable from related parties, non-current loans receivable from employees and deferred income tax asset.
4) The amount includes current loans receivable from related parties, part of other accounts receivable (excluding receivable from National Paying Agency), restricted cash, cash and cash equivalents.
5) As at 30 June 2019 and 2018 the amount mainly includes income and other taxes payable, current payables to and current loans payable to related parties, and part of borrowings, which are managed on the Group basis.
6) The operating expenses of administration, management departments are shown in Not attributed to any specified segment. The operating expenses of agricultural department are shown in the following order: ½ share in Grain and feedstuff handling and merchandising segment, the rest share in Products and services for farming.

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4.Segment information (cont'd)

Sales / Income includes:

	Group		***Company***	
	Financial year ended			
	30 June 2019	**30 June 2018**	**30 June 2019**	**30 June 2018**
Revenue from contracts with customers	742,542	–	–	–
Sales of goods	–	617,438	–	–
Sales of services	–	16,985	–	30
Dividends from subsidiaries	–	–	5,624	4,186
Rental income from investment and other property	–	–	56	56
Other	–	–	137	190
	742,542	**634,423**	**5,817**	**4,462**

Revenue from contracts with customers by their geographical segments	**Group**	
	Financial year ended	
	30 June 2019	**30 June 2018**
Lithuania	216,467	162,626
Europe (except for Scandinavian countries, CIS and Lithuania)	239,332	208,194
Scandinavian countries	118,912	77,823
Africa	51,481	29,242
Asia	88,482	144,045
CIS	27,868	12,137
Other	–	356
	742,542	**634,423**

Revenue from the largest customer amounted to EUR 53,879 thousand for the year ended 30 June 2019. Revenue from the largest customer amounted to EUR 59,785 thousand for the year ended 30 June 2018. Sales for largest customers are accounted for under grain and feedstuff handling and merchandising caption of business segments for the years ended 30 June 2019 and 2018.

The revenue information above is based on the location of the customer.

Non-current assets	**Group**	
	As at 30 June 2019	**As at 30 June 2018**
Lithuania	70,573	68,245
Latvia	59,515	55,957
Estonia	914	1,200
Ukraine	25	–
	131,027	**125,402**

Non-current assets for this purpose consist of property, plant and equipment, investment property and intangible assets.

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5.Intangible assets

Group	**Software**	**Other intangible assets**	**Goodwill**	**Total**
Cost:				
Balance as at 30 June 2017	949	203	1,971	3,123
Additions	246	47	–	293
Write-offs	(106)	(23)	–	(129)
Reclassifications	(50)	50	–	–
Balance as at 30 June 2018	1,039	277	1,971	3,287
Additions	51	196	–	247
Transfer from property, plant and equipment	–	292	–	292
Write-offs	(1)	(15)	–	(16)
Balance as at 30 June 2019	1,089	750	1,971	3,810
Accumulated amortization:				
Balance as at 30 June 2017	612	59	–	671
Charge for the year	100	18	–	118
Write-offs	(106)	(13)	–	(119)
Reclassifications	(25)	25	–	–
Balance as at 30 June 2018	581	89	–	670
Charge for the year	106	31	–	137
Write-offs	–	(10)	–	(10)
Balance as at 30 June 2019	687	110	–	797
Impairment losses:				
Balance as at 30 June 2017	–	–	1,121	1,121
Balance as at 30 June 2018	–	–	1,121	1,121
Balance as at 30 June 2019	–	–	1,121	1,121
Net book value as at 30 June 2019	**402**	**639**	**850**	**1,891**
Net book value as at 30 June 2018	**458**	**188**	**850**	**1,496**
Net book value as at 30 June 2017	**337**	**144**	**850**	**1,331**

The Group has no internally generated intangible assets. Amortization expenses of intangible assets are included within operating expenses in the statement of comprehensive income.

Part of the intangible assets of the Group with the acquisition value of EUR 847 thousand as at 30 June 2019 was fully amortized (EUR 426 thousand as at 30 June 2018) but was still in active use.

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6.Property, plant and equipment

Group **Cost:**	**Land**	**Buildings and structures**	**Machinery and equipment**	**Vehicles**	**Other property, plant and equipment**	**Construction in progress and prepayments**	**Total**
Balance as at 30 June 2017	17,230	89,643	52,131	5,433	5,562	8,061	178,060
Additions	2,219	30	3,327	723	407	12,728	19,434
Disposals and write-offs	(271)	(1,864)	(3,425)	(979)	(1,225)	(367)	(8,131)
Transfers from investment property	302	–	–	–	–	–	302
Transfers to investment property	(219)	–	–	–	–	–	(219)
Reclassifications	107	8,518	1,830	157	68	(10,680)	–
Balance as at 30 June 2018	19,368	96,327	53,863	5,334	4,812	9,742	189,446
Additions	2,030	1,294	3,466	484	207	9,320	16,801
Disposals and write-offs	(31)	(1,625)	(2,134)	(607)	(269)	(2)	(4,668)
Transfers from investment property	179	–	–	–	–	–	179
Transfers to intangible assets	–	–	–	–	–	(292)	(292)
Reclassifications	10	10,405	3,155	382	346	(14,298)	–
Balance as at 30 June 2019	21,556	106,401	58,350	5,593	5,096	4,470	201,466
Accumulated depreciation:							
Balance as at 30 June 2017	37	30,480	22,440	3,170	3,578	–	59,705
Charge for the year	46	5,770	4,544	706	734	–	11,800
Disposals and write-offs	(1)	(788)	(2,833)	(903)	(1,025)	–	(5,550)
Transfers to investment property	(1)	–	–	–	–	–	(1)
Reclassifications	–	–	–	128	(128)	–	–
Balance as at 30 June 2018	81	35,462	24,151	3,101	3,159	–	65,954
Charge for the year	48	3,965	4,048	515	517	–	9,093
Disposals and write-offs	–	(291)	(1,456)	(533)	(251)	–	(2,531)
Reclassifications	–	–	5	–	(5)	–	–
Balance as at 30 June 2019	129	39,136	26,748	3,083	3,420	–	72,516
Impairment losses:							
Balance as at 30 June 2017	–	399	10	–	–	–	409
Charge for the year	–	297	154	–	42	–	493
Balance as at 30 June 2018	–	696	164	–	42	–	902
Disposals and write-offs	–	(29)	(1)	–	–	–	(30)
Balance as at 30 June 2019	–	667	163	–	42	–	872
Net book value as at 30 June 2019	**21,427**	**66,598**	**31,439**	**2,510**	**1,634**	**4,470**	**128,078**
Net book value as at 30 June 2018	**19,287**	**60,169**	**29,548**	**2,233**	**1,611**	**9,742**	**122,590**
Net book value as at 30 June 2017	**17,193**	**58,764**	**29,681**	**2,263**	**1,984**	**8,061**	**117,946**

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6.Property, plant and equipment (cont'd)

The Group's depreciation charge for the years ended 30 June 2019 and 30 June 2018 was included into the following captions:

	Financial year ended	
	30 June 2019	**30 June 2018**
Cost of sales	7,957	9,266
Operating expenses	688	1,637
Other expenses	160	174
Raw materials and other inventories	–	231
Biological assets	288	492
	9,093	**11,800**

Depreciation amount was decreased in the statement of comprehensive income by EUR 643 thousand for the year ended 30 June 2019 (EUR 843 thousand for the year ended 30 June 2018) by the amortisation of grants received by the Group (Note 17).

As at 30 June 2019 part of property, plant and equipment of the Group with the net book value of EUR 87,221 thousand (EUR 96,969 thousand as at 30 June 2018), was pledged to banks as a collateral for the loans (Note 18).

Part of property, plant and equipment with the acquisition cost of EUR 19,062 thousand was fully depreciated as at 30 June 2019 (EUR 18,698 thousand as at 30 June 2018 restated), but was still in active use.

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7.Investment property

Investment property of the Group consists of land and buildings leased out under the operating lease which generates lease income and land and buildings which were not used in the Group's activities as at 30 June 2019.

Cost:	**Land**	**Buildings**	**Total**
Balance as at 30 June 2017	1,376	131	1,507
Transfers to property, plant and equipment	(302)	–	(302)
Transfers from property, plant and equipment	219	–	219
Balance as at 30 June 2018	1,293	131	1,424
Disposals and write-offs	(75)	(7)	(82)
Transfers to property, plant and equipment	(179)	–	(179)
Balance as at 30 June 2019	1,039	124	1,163
Accumulated depreciation:			
Balance as at 30 June 2017	–	48	48
Charge for the year	1	7	8
Transfers from property, plant and equipment	1	–	1
Balance as at 30 June 2018	2	55	57
Charge for the year	1	3	4
Disposals and write-offs	–	(7)	(7)
Balance as at 30 June 2019	3	51	54
Impairment losses:			
Balance as at 30 June 2017	51	–	51
Balance as at 30 June 2018	51	–	51
Balance as at 30 June 2019	51	–	51
Net book value as at 30 June 2019	**985**	**73**	**1,058**
Net book value as at 30 June 2018	**1,240**	**76**	**1,316**
Net book value as at 30 June 2017	**1,325**	**83**	**1,408**

Investment property of the Company consists of buildings leased out under the operating lease which generates lease income.

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7.Investment property (cont'd)

As at 30 June 2019 part of investment property of the Group with the net book value of EUR 535 thousand (EUR 684 thousand as at 30 June 2018), was pledged to banks as a collateral for the loans (Note 18). As at 30 June 2019 and 30 June 2018 the Company has pledged all its investment property to the bank as collateral for the loan received by its subsidiary AB Linas Agro (Note 18).

As at 30 June 2019 part of investment property of the Group and the Company with the net book value of EUR 105 thousand and EUR 0, respectively (EUR 401 thousand and EUR 0, respectively as at 30 June 2018) was not used in the Group's and the Company's activities.

Fair value of the Group's and the Company's investment property as at 30 June 2019 is EUR 3,830 thousand and EUR 411 thousand, respectively (as at 30 June 2018 EUR 3,737 thousand and EUR 411 thousand, respectively). Fair value has been determined based on valuations performed by independent valuators at near reporting date using the comparable prices method (Level 2).

8.Non-current receivables and prepayments

	Group		**Company**	
	As at 30 June 2019	**As at 30 June 2018**	**As at 30 June 2019**	**As at 30 June 2018**
Trade receivables from agricultural produce growers due after one year	1,765	521	–	–
Other trade receivables	86	769	–	–
Loans receivable from related parties after one year (Note 31)	–	–	10,407	11,370
Loans receivable after one year	400	411	–	
Other non-current receivable	26	–	–	–
Loans to employees	158	140	–	–
Less: allowance for doubtful non-current receivables	–	–	–	–
	2,435	**1,841**	**10,407**	**11,370**
Non-current prepayments for services	1,649	1,590	–	–
Non-current prepayments	**1,649**	**1,590**	**–**	**–**

As at 1 July 2018 the Group and Company has adopted IFRS 9 prospectively by applying expected credit losses approach for the trade receivables and loans granted. No material effect on impairment identified as at 1 July 2018, nor 30 June 2019.

Movements in the allowance for impairment of the Group's non-current receivables were as follows:

	Individually impaired
Balance as at 30 June 2017	1,089
Written-off during the year	(1,089)
Balance as at 30 June 2018	–
Balance as at 30 June 2019	–

All Group's non-current receivables as at 30 June 2019 and 30 June 2018 were not past due.

As at 30 June 2019 part of non-current receivables of the Group with the net book value of EUR 1,373 thousand was pledged to banks as a collateral for the loans, no such - as at 30 June 2018 (Note 18).

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9.Biological assets

Fair value of the Group's animals and livestock:

	Milking cows (level 3)	**Heifers (level 2)**	**Bulls and fattening cattle (level 2)**	**Horses (level 2)**	**Poultry (level 3)**	**Total animals and livestock**
Fair value as at 30 June 2017	**3,924**	**2,228**	**1,014**	**1**	**3,007**	**10,174**
Acquisition	–	–	–	–	8,445	8,445
Births	–	107	104	–	309	520
Makeweight	–	2,003	1,175	–	34,821	37,999
Transfers between groups	1,652	(1,787)	135	–	–	–
Disposals	(1,485)	(372)	(1,390)	–	(43,280)	(46,527)
Write-offs and falls	(94)	(32)	(35)	(1)	(447)	(609)
Change in fair value of biological assets (Note 23)	157	–	260	–	619	1,036
Fair value as at 30 June 2018	**4,154**	**2,147**	**1,263**	**–**	**3,474**	**11,038**
Acquisition	–	–	8	–	8,098	8,106
Births	–	117	94	–	320	531
Makeweight	–	2,283	1,153	–	37,279	40,715
Transfers between groups	1,714	(1,882)	168	–	–	–
Disposals	(1,434)	(198)	(1,706)	–	(44,392)	(47,730)
Write-offs and falls	(151)	(34)	(33)	–	(451)	(669)
Change in fair value of biological assets (Note 23)	433	–	(213)	–	(238)	(18)
Fair value as at 30 June 2019	**4,716**	**2,433**	**734**	**–**	**4,090**	**11,973**

As at 30 June 2019 part of poultry amounting to EUR 2,548 thousand is disclosed as current assets (EUR 2,312 thousand as at 30 June 2018).

Quantity according to biological assets group:	**Milking cows (level 3)**	**Heifers (level 2)**	**Bulls and fattening cattle (level 2)**	**Horses (level 2)**	**Poultry (level 3)**	**Total animals and livestock**
As at 30 June 2019	3,206	3,394	1,561	–	2,256,101	2,264,262
As at 30 June 2018	3,227	3,119	1,913	2	2,153,252	2,161,513
Output according to biological assets group for the year ended (t) (unaudited):						
As at 30 June 2019	33,085	609	546	–	47,145	81,385
As at 30 June 2018	31,455	617	557	–	44,002	76,631

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9.Biological assets (cont'd)

Fair value of the Group's crops (level 3):

	Winter cultures	Summer cultures	Rapeseeds	Feeding cultures	Total crops
Fair value as at 30 June 2017	**5,821**	**4,168**	**3,289**	**1,558**	**14,836**
Additions	4,798	5,434	2,767	2,790	15,789
Harvested assets	(6,688)	(4,973)	(3,766)	(2,698)	(18,125)
Fair value adjustment on biological assets (Note 23)	(13)	392	91	(114)	356
Fair value as at 30 June 2018	**3,918**	**5,021**	**2,381**	**1,536**	**12,856**
Additions	6,075	4,098	3,383	3,117	16,673
Harvested assets	(4,552)	(5,779)	(2,717)	(3,363)	(16,411)
Write-offs	–	(2)	(27)	–	(29)
Fair value adjustment on biological assets (Note 23)	122	884	187	(60)	1,133
Fair value as at 30 June 2019	**5,563**	**4,222**	**3,207**	**1,230**	**14,222**

Crops under groups:	**Winter cultures**	**Summer cultures**	**Rapeseeds**	**Feeding cultures**	**Total crops**
Total sowed (ha) as at 30 June 2018	4,591	6,735	2,455	3,218	16,999
Total sowed (ha) as at 30 June 2019	6,553	4,758	2,815	3,199	17,325
Harvested crops under groups (unaudited):					
Total harvest for the year ended 30 June 2018 (t)	45,838	29,833	11,039	85,837	172,547
Total harvest for the year ended 30 June 2019 (t)	27,337	32,011	7,142	80,931	147,421

During the years ended 30 June 2019 and 2018 there were no transfers between the different levels of fair value hierarchy.

As at 30 June 2019 part of animals and livestock of the Group with the carrying value of EUR 2,925 thousand (EUR 2,338 thousand as at 30 June 2018) were pledged to banks as a collateral for the loans (Note 18).

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10.Inventories

	Group	
	As at 30 June 2019	**As at 30 June 2018**
Purchased goods for resale	79,278	84,753
Raw materials and other inventories	11,238	10,272
Commitments to purchase agricultural produce (Note 14)	287	2,040
Right of return asset	329	–
Less: net realisable value allowance	(1,315)	(1,192)
	89,817	**95,873**

The carrying value of the Group's inventories accounted for at net realizable value as at 30 June 2019 amounted to EUR 15,043 thousand (EUR 10,884 thousand as at 30 June 2018). The amount of write-down of inventories to net realizable value recognized as an expense in the year ended 30 June 2019 is EUR 123 thousand (EUR 84 thousand in the year ended 30 June 2018), and is recognized in cost of sales of the statement of comprehensive income.

As at 30 June 2019 part of inventories of the Group with the carrying value of EUR 61,383 thousand (EUR 77,936 thousand as at 30 June 2018) were pledged to banks as collateral for the loans (Note 18).

11.Prepayments

	Group	
	As at 30 June 2019	**As at 30 June 2018**
Prepayments to agricultural produce growers	652	1,376
Prepayments to other suppliers	6,332	10,830
Less: allowance for doubtful prepayments to other suppliers	–	–
	6,984	**12,206**

During year ended 30 June 2019 and 30 June 2018, prepayments were made directly to agricultural produce growers of production and others. These payments are non-interest bearing and are generally collectible from the agricultural produce growers within 120 - 360 days by delivering grain to the Group.

As at 30 June 2019 part of prepayments of the Group with the carrying value of EUR 4,466 thousand were pledged to banks as collateral for the loans, no such - as at 30 June 2018 (Note 18).

12.Trade receivables

	Group	
	As at 30 June 2019	**As at 30 June 2018**
Trade receivables from agricultural produce growers	80,333	77,038
Trade receivables from other customers	35,524	43,515
Less: allowance for doubtful trade receivables	(3,897)	(3,517)
	111,960	**117,036**

As at 30 June 2018 the Group held lignin as a collateral for the part of trade receivables (total amounting to EUR 1,534 thousand, part of which is accounted for as non current receivable) which could be sold or repledged if the debtor defaulted. The fair value of the collateral amounts to EUR 1,826 thousand (level 3). There were no significant terms and conditions associated with the use of collateral. As the most of these trade receivables was recovered during the financial year, therefore no such collaterals existed as at 30 June 2019.

Trade receivables from other customers are non-interest bearing and are generally collectible on 30–90 days term. Trade receivables from agricultural produce growers are non-interest bearing and are generally settled within 120–360 days by delivering grain to the Group.

As at 1 July 2018, the Group and the Company has adopted IFRS 9 prospectively. The Group and the Company has not restated comparative information, it has remained in accordance with IAS 39 requirements. The differences resulting from the transition to IFRS 9 are recognised directly in retained earnings on 1 July 2018 (Note 2).

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12.Trade receivables (cont'd)

The adoption of IFRS 9 has substantially changed the impairment of the Group and the Company's financial assets by replacing the IAS 39 incurred loss method with the forecasted expected credit loss (ECL) method. IFRS 9 requires the Group and the Company to recognize expected credit losses for all debt instruments that are not measured at fair value through profit or loss and for assets arising from contracts with clients.

The Group and the Company uses the expected loss rate (ELR) matrix to calculate expected credit losses (ECL) of trade receivables. Expected credit loss rates are based on the client's past history, which is grouped by client type. The ELR matrix is based on the historical information of the Group and the Company on client default. The Group and the Company adjusts the matrix values to include predictable future information. For example, if the economy of the next year is likely to deteriorate/slow down according to future forecasts (e.g. GDP level), which may increase the rate of default, historical expected loss rates will be adjusted to reflect future forecasts. Historical credit loss rates are reviewed in each reporting period.

When assessing the allowance of trade receivables, individual client debts are grouped according to the past due period. Below are the expected credit loss rates used to calculate ECL:

		Past due		
	Non- overdue	**Less than 90 days**	**91 - 180 days**	**More than 180 days**
2019	0.16%	9.23%	9.94%	29.13%

Movements in the allowance for impairment of the Group's trade receivables were as follows:

	Individually impaired
Balance as at 30 June 2017	2,382
Charge for the year	1,255
Reversed during the year	(31)
Written-off during the year	(89)
Balance as at 30 June 2018	3,517
Reassessment of allowance in accordance with IFRS 9 as at 1 July 2018	8
Charge for the year	729
Reversed during the year	(236)
Written-off during the year	(121)
Balance as at 30 June 2019	3,897

Changes in allowance for trade receivables for the years ended 30 June 2019 and 30 June 2018 were included into operating expenses in the statement of comprehensive income (Note 24).

The ageing analysis of the Group's trade receivables as at 30 June 2019 and 30 June 2018 is as follows (less allowance):

	Trade receivables not past due	**Past due**				**Total**
		Less than 90 days	**91 - 180 days**	**180 - 270 days**	**More than 271 days**	
2018	94,639	21,047	518	688	144	117,036
2019	96,080	14,371	629	297	583	111,960

As at 30 June 2019 the Group transferred rights to part of its trade receivables with the value of EUR 95,856 thousand (EUR 117,036 thousand as at 30 June 2018) to banks as collateral for the loans (Note 18). Factorised trade receivables in the amount of EUR 1,877 thousand as at 30 June 2019 (EUR 2,767 as at 30 June 2018) are included in aggregate amount of collateral for the loans.

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13.Other accounts receivable and contract assets

	Group	
Financial assets	**As at 30 June 2019**	**As at 30 June 2018**
National Paying Agency	2,273	2,160
Loans receivable	88	129
Loans granted to the Group employees	16	15
Interest receivable	3	54
Contract assets	688	–
Accrued income	–	1,079
Receivable for assets held for sale	19	80
Other receivables	406	919
Less: allowance for doubtful loans receivable	(24)	(108)
	3,469	**4,328**
Non-financial assets		
VAT receivable	3,970	2,639
Other recoverable taxes	37	161
	4,007	**2,800**
	7,476	**7,128**

The Group has applied the expected loss rate (ELR) matrix to calculate expected credit losses (ECL) of contract assets, but no expected credit losses for the amounts identified as at 30 June 2019.

Changes in allowance for other accounts receivables for the years ended 30 June 2019 and 2018 were included into operating expenses in the statement of comprehensive income (Note 24).

Movements in the allowance for impairment of the Group's other accounts receivable were as follows:

	Individually impaired
Balance as at 30 June 2017	70
Written-off during the year	38
Balance as at 30 June 2018	108
Reversed during the year	(22)
Written-off during the year	(62)
Balance as at 30 June 2019	24

The ageing analysis of the Group's other receivables (except for non-financial assets) as at 30 June 2019 and 30 June 2018 is as follows:

	Other accounts receivable neither past due nor impaired	**Past due but not impaired**				**Total**
		Less than 90 days	**91 - 180 days**	**181 - 270 days**	**More than 271 days**	
2018	4,110	209	–	–	9	4,328
2019	3,292	173	–	–	4	3,469

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14.Other current financial assets and derivative financial instruments

The Group uses the hierarchy described in Note 2.26 for determining and disclosing the fair value of financial instruments by valuation technique:

			Group	
			As at 30 June 2019	**As at 30 June 2018**
Derivative financial instruments				
Derivative financial instruments used to hedge the price risk (current portion) – assets (liabilities)	Level 1	a)	(630)	(980)
Derivative financial instruments used to hedge the interest risk (current portion) – assets (liabilities)	Level 2	b)	–	(47)
Foreign exchange forward and swap contracts – assets	Level 2		–	62
Foreign exchange forward and swap contracts – liabilities	Level 2		(2)	–
Other derivatives			37	7
Other financial assets				
Restricted cash		c)	800	1,400
			800	1,400

The Group concludes forward agreements (with fixed price) with Lithuanian and Latvian agricultural production growers for purchase/sale of agricultural produce. For part of such agreements the Group does not have agreed sales/purchases contracts with fixed price. As at 30 June 2019 to hedge the arising risk of price fluctuations for the total amount of such unutilised purchase or sales commitments the Group concluded futures contracts that are traded on NYSE Euronext Paris SA exchange.

There is an economic relationship between the hedged items and the hedging instruments as the terms of the forward agreement match the terms of the commodity future contract (i.e., notional amount and expected payment date). The Group has established a hedge ratio of 1:1 for the hedging relationships as the underlying risk of the commodity future contracts are identical to the hedged risk components. To test the hedge effectiveness, the Group uses the hypothetical derivative method and compares the changes in the fair value of the hedging instruments against the changes in fair value of the hedged items attributable to the hedged risks.

The hedge ineffectiveness can arise from:
• Differences in the timing of the cash flows of the hedged items and the hedging instruments
• The counterparties' credit risk differently impacting the fair value movements of the hedging instruments
and hedged items
• Changes to the forecasted amount of cash flows of hedged items and hedging instruments

a) Derivative financial instruments used to hedge the price risk were attributed to the category of fair value hedge. As at 30 June 2019 the negative fair value of such futures contracts was equal to EUR 630 thousand (EUR 980 thousand of negative fair value as at 30 June 2018). These results are accounted for in cost of sales in the statement of comprehensive income. Hedged item (commitments to purchase agricultural produce) of EUR 287 thousand of gain (EUR 2,040 thousand of gain as at 30 June 2018) is accounted for as inventories (Note 10) in the statement of financial position and in cost of sales in the statement of comprehensive income by netting with gain and losses arising from the hedge instrument. Derivative financial instruments used for trading are accounted in other income (expenses).

b) Derivative financial instruments used to hedge interest rate fluctuation risk were attributed to the category of cash flow hedge. As at 30 June 2019 the Group had no interest rate swap agreement. As at 2 March 2016 the Group signed the interest rate swap agreement for a nominal of EUR 20,000 thousand, for the period of 4 March 2016 – 4 March 2019. The Group paid 0 % fixed interest rate and received fluctuating EURIBOR interest for the amount set per agreement. The interest rate swap was used to hedge market interest rate fluctuations and secure cash flow used for credit line repayments (Note 18).

14.Other current financial assets and derivative financial instruments (cont'd)

The fair value of derivative financial instrument is determined at each financial statement date. The interest rate swap effective part fair value change is accounted in other comprehensive income and ineffective part fair value change is accounted in profit (loss) in the statement of comprehensive income.

	Group	
	Financial year ended	
	30 June 2019	**30 June 2018**
Recognised in other comprehensive income:		
Gain (loss) on interest rate swap contract (effective part)	47	38
Income tax effect	(7)	(6)
	40	**32**

c) As at 30 June 2019 and 30 June 2018 restricted cash balance mostly consists of cash at bank account, held as a deposit for trading in the futures exchange.

Where the fair value of other financial assets can't be derived from active markets, they are determined using a variety of valuation techniques that include the use of mathematical models. Where possible, these models use market data but where this is not feasible a certain assumptions are used in establishing fair values.
The Group has recognized gain resulting from ineffective hedge in amount of EUR 493 thousand in costs of goods sold account for the year ended 30 June 2019 (EUR 226 thousand gain for the year ended 30 June 2018).

The Group is holding the following commodity future contracts:

As at 30 June 2019	**November 2019**	**December 2019**	**December 2019***	**Total**
Commodity future contracts				
Notional amount (in tonnes, thousand)	5	132	–	137
Notional amount in EUR, thousand	–	(406)	(224)	(630)
Average hedged rate (EUR thousand per tonne)	(0.00)	(3.08)	–	(4.60)

*The open derivatives are related to ineffective hedge relationships or not designated for hedging.

As at 30 June 2018	**November 2018**	**December 2018**	**December 2018***	**Total**
Commodity future contracts				
Notional amount (in tonnes, thousand)	17	339	–	356
Notional amount in EUR, thousand	(19)	(744)	(217)	(980)
Average hedged rate (EUR per tonne)	(1.12)	(2.19)	–	(2.75)

*The open derivatives are related to ineffective hedge relationships or not designated for hedging.

15.Cash and equivalents

	Group		***Company***	
	As at 30 June 2019	**As at 30 June 2018**	**As at 30 June 2019**	**As at 30 June 2018**
Cash at bank	7,559	10,413	683	289
Cash in transit	32	27	–	–
Cash on hand	46	55	–	–
	7,637	**10,495**	**683**	**289**

As at 30 June 2019 the Group pledged cash of EUR 3,161 thousand (EUR 1,551 thousand as at 30 June 2018) to banks as collateral for the loans (Note 18).

As at 30 June 2019 and 30 June 2018 there were no restrictions on use of cash balances held in the pledged accounts (Note 18).

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16. Reserves

Legal reserve

A legal reserve is a compulsory reserve under the Lithuanian legislation. Annual transfers of not less than 5% of net profit, calculated in accordance with International Financial Reporting Standards, are compulsory until the reserve reaches 10% of the share capital. Legal reserve was not fully formed as at 30 June 2019 and 30 June 2018.

Reserve for own shares

A reserve for own shares acquisition in amount of EUR 5,000 thousand was formed based on the decision of the annual general meeting of the Company's shareholders, held on 31 October 2018. Purpose of acquisition of own shares is to maintain and increase the price of the Company's shares. The time limit within which the Company may acquire its own shares is 18 months from 31 October 2018.

During the year ended 30 June 2019 the Company disposed of 9,000 own shares, net result of this transaction is recognised directly to the statement of changes in equity. No such transactions occurred in previous financial year.

Foreign currency translation reserve

The foreign currency translation reserve results from translation differences arising on consolidation of Linas Agro A/S , LLC LINAS AGRO UKRAINE as at 30 June 2019 and Linas Agro A/S as at 30 June 2018.

Cash flow hedge reserve

This reserve represents the effective part of the change in fair value of the derivative financial instruments (interest rate swaps), used by the Group to secure the cash flows from interest rate risk, at the reporting date. The reserve is accounted for according to the requirements of lAS 39 (Note 14) as at 30 June 2018.

Share based payments reserve

As at 30 June 2019 the reserve represents the expenses related wth employess participating in share options incentive are accounted for (28 Note).

17. Grants and subsidies

The movement of grants received by the Group is as follows:

Balance as at 30 June 2017	7,126
Received	990
Amortisation	(951)
Balance as at 30 June 2018	7,165
Received	335
Amortisation	(691)
Balance as at 30 June 2019	6,809

As at 30 June 2019 the amount is disclosed in the statement of financial position as non-current liabilities (EUR 6,121 thousand) and other current liabilities (EUR 688 thousand) (as at 30 June 2018 EUR 6,299 thousand as non-current liabilities and EUR 866 thousand - as other current liabilities).

The major part of the Group's grants consists of the funds received from the European Union and National Paying Agency for the purpose of an acquisition of machinery and equipment (property, plant and equipment).

The amortisation of grants of the Group for the years ended 30 June 2019 and 30 June 2018 was included into the following captions:

	Group	
	Financial year ended	
	30 June 2019	**30 June 2018**
Cost of sales (reduces the depreciation expenses of related assets)	643	843
Operating expenses	7	3
Biological assets	41	105
	691	**951**

For the years ended 30 June 2019 and 30 June 2018 the Group also received subsidies for animals and livestock, crops and milk in the total amount of EUR 3,186 thousand and EUR 2,985 thousand, respectively, which were accounted for in the other income caption as at 30 June 2019 as required per IFRS 15 and as at 30 June 2018 under the sales caption of the statement of comprehensive income.

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18.Borrowings

	Group		*Company*	
	As at 30 June 2019	**As at 30 June 2018**	**As at 30 June 2019**	**As at 30 June 2018**
Non-current borrowings				
Bank borrowings secured by the Group assets	19,793	27,171	–	–
Other non-current borrowings	–	9	–	–
Other non-current related parties borrowings (Note 31)	–	–	1,206	2,654
	19,793	27,180	1,206	2,654
Current borrowings				
Current portion of non-current bank borrowings	13,411	6,835	–	933
Current bank borrowings secured by the Group assets	111,165	117,110	–	–
Other current borrowings	2,374	999	–	–
Other current related parties borrowings (Note 31)	–	–	1,646	744
	126,950	124,944	1,646	1,677
	146,743	**152,124**	**2,852**	**4,331**

Interest payable is normally settled monthly throughout the financial year.

As at 30 June 2019 and 30 June 2018 part of shares, property, plant and equipment, investment property, biological assets, non current receivables, inventories, prepayments trade receivables and bank accounts were pledged to banks as a collateral for the loans (Notes 3, 6, 7, 8, 9, 10, 11, 12, 15).

Compliance with the covenants of the borrowings agreements
As at 30 June 2019 nine of the Group companies did not comply with the covenants, total sum of such borrowings – EUR 121,976 thousand (out of which EUR 120,751 thousand was presented as current borrowings and EUR 1'225 thousand as non current). Because of non compliance the Group reclassified the above-mentioned non current borrowings amount to current borrowings caption. Two companies received bank waivers in terms of covenants breach till the end of the financial year (the sum of the borrowings – EUR 12,449 thousand), and the remaining seven subsidiaries received the bank waivers after end of the financial year (total sum of the borrowings – EUR 109,527 thousand).

As at 30 June 2018 four of the Group companies did not comply with the covenants, however these companies did not have non-current portion of such borrowings (total sum of such borrowings – EUR 115,547 thousand), thus no reclassification made on financial statements of the Group. Companies received bank waivers in terms of covenants breach, however they were received after end of financial year.

Weighted average effective interest rates of borrowings outstanding at the year-end:

	Group		*Company*	
	As at 30 June 2019	**As at 30 June 2018**	**As at 30 June 2019**	**As at 30 June 2018**
Current borrowings	1.53%	1.68%	4.00%	3.70%
Non-current borrowings	1.86%	1.83%	2.65%	2.31%

Borrowings at the end of the year in national and foreign currencies (EUR equivalent):

	Group		*Company*	
	As at 30 June 2019	***As at 30 June 2018***	***As at 30 June 2019***	**As at 30 June 2018**
Borrowings denominated in:				
EUR	144,743	142,645	2,828	4,331
USD	1,993	9,427	–	–
	146,736	**152,072**	**2,828**	**4,331**

As at 30 June 2019 the Group's not utilized credit lines comprise EUR 65,422 thousand (EUR 31,320 thousand as at 30 June 2018).

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19.Finance lease obligations

The assets leased by the Group under finance lease contracts consist of buildings and structures, machinery and equipment, vehicles and other property, plant and equipment. The terms of lease do not include restrictions on the activities of the Group in connection with the dividends, additional borrowings or additional lease agreements. Apart from the lease payments, the most significant liabilities under the lease contracts are maintenance and insurance, which are not included in the payments analysed below. The terms of finance lease vary from 3 to 5 years.

The split of the net book value of the assets acquired under finance lease is as follows:

	Group	
	As at 30 June 2019	**As at 30 June 2018**
Machinery and equipment	2,018	539
Vehicles	891	702
	2,909	**1,241**

Principal amounts of finance lease payables at the year-end denominated in national and foreign currencies are as follows:

	Group	
	As at 30 June 2019	**As at 30 June 2018**
EUR	3,330	1,730
	3,330	**1,730**

As at 30 June 2019 the interest rate on the finance lease obligations in EUR varies depending on the EURLIBOR, EURIBOR and ranges from 0.00% to 2.80%. The interest rate for the remaining portion of the finance lease liability in EUR outstanding as at 30 June 2019 is fixed, i.e. from 0.95% to 5.0%.

As at 30 June 2018 the interest rate on the finance lease obligations in EUR varies depending on the EURLIBOR, EURIBOR and ranges from 0.00% to 3.20. The interest rate for the remaining portion of the finance lease liability in EUR outstanding as at 30 June 2018 is fixed, i.e. from 1.26% to 5.0%.

Minimal future minimum lease payments under the above mentioned finance lease contracts are as follows:

	Group	
	As at 30 June 2019	**As at 30 June 2018**
Within one year	942	612
From one to five years	2,457	1,109
After five years	115	156
Total finance lease obligations	**3,514**	**1,878**
Interest	(184)	(147)
Present value of finance lease obligations	3,330	1,731
Finance lease obligations are accounted for as:		
- current	875	559
- non-current	2,455	1,172

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20.Operating lease

The Group concluded several contracts of operating lease. The terms of lease do not include restrictions on the activities of the Group in connection with the dividends, additional borrowings or additional lease agreements. For the year ended 30 June 2019 the lease expenses of the Group amounted to EUR 1,101 thousand (EUR 1,023 thousand for the year ended 30 June 2018).

Minimal future lease payments according to the signed lease contracts are as follows:

	Group	
	As at 30 June 2019	**As at 30 June 2018**
Within one year	3,594	1,697
From one to five years	6,496	2,765
After five years	1,967	41
Total	**12,057**	**4,503**
Denominated in (EUR equivalent):		
- EUR	12,057	4,503

The Company does not have operating lease agreements as at 30 June 2019 and 30 June 2018.

21.Trade payables

Trade payables are non-interest bearing and are normally settled on 360-day term.

22.Other non – current liabilities, other current liabilities and contract liabilities

	Group	
	As at 30 June 2019	**As at 30 June 2018**
Other non-current liabilities		
Refund liabilities (sale of equipment with right of return)	378	–
Contract liabilities		
Contract liabilities	2,322	–
Other current liabilities		
Bonuses to employees	4,888	5,550
Vacation accrual	3,644	3,636
Advances received	–	3,176
Payroll related liabilities	3,397	3,401
VAT payable	2,872	2,367
Current portion of grants (Note 17)	688	866
Other liabilities	3,084	3,991
Total other current liabilities	**18,573**	**22,987**

Revenue amounting to EUR 3,029 thousand was recognised in the reporting period that was included in the contract liability balance at the beginning of the period.

Other current liabilities are non-interest bearing and have an average term of three months.

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23.Cost of sales

	Group	
	Financial year ended	
	30 June 2019	**30 June 2018**
Cost of inventories recognised as an expense*	(628,860)	(509,632)
Logistics expenses	(42,805)	(41,217)
Wages and salaries and social security	(25,952)	(23,511)
Depreciation (Notes 6, 17)	(7,326)	(8,435)
Utilities expenses	(6,666)	(5,978)
Provision of onerous contract	(1,014)	368
Change in fair value of biological assets (Note 9)	1,115	1,391
Change in fair value of financial instruments	493	226
Other	(2,656)	(1,787)
	(713,671)	**(588,575)**

* Cost of inventories recognised as an expense includes previous season fair value adjustment to sold crops amounting to EUR 356 thousand which was expensed during the year ended 30 June 2019 (EUR 2,287 thousand recognized as an expense for the year ended 30 June 2018).

24.Operating expenses

	Group		***Company***	
	Financial year ended			
	30 June 2019	**30 June 2018**	**30 June 2019**	**30 June 2018**
Wages and salaries and social security	(22,662)	(23,474)	(1,369)	(771)
Expenses of impairment of trade debts, contract assets and other receivables	(79)	(1,254)	–	–
Consulting expenses	(801)	(715)	(132)	(88)
Depreciation and amortization	(794)	(1,733)	(10)	(16)
Advertisement, marketing	(1,935)	(1,917)	(3)	(1)
Bank fees	(684)	(947)	–	(3)
Change in impairment of property, plant and equipment (Note 6)	–	(493)	–	–
Currency exchange loss	64	(410)	–	–
Other	(8,291)	(7,351)	(112)	(265)
	(35,182)	**(38,294)**	**(1,626)**	**(1,144)**

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25.Other income (expenses)

	Group	
	Financial year ended	
	30 June 2019	30 June 2018
Other income		
Grants received for agriculture activity	3,186	–
Rental income from investment property and property, plant and equipment	205	242
Gain from disposal of investment property and property, plant and equipment	982	934
Currency exchange gain	35	443
Change in fair value of financial instruments	319	1,648
Write-off of liabilities	–	6
Other income	185	264
	4,912	**3,537**
Other (expenses)		
Direct operating expenses arising on rental and non-rental earning investment properties	(376)	(433)
Loss from disposal of property, plant and equipment	(568)	(100)
Change in fair value of financial instruments	(722)	(667)
Other expenses	(271)	(294)
	(1,937)	**(1,494)**

26.Income (expenses) from financing activities

	Group		Company	
	Financial year ended		Financial year ended	
	30 June 2019	30 June 2018	30 June 2019	30 June 2018
Income from financing activities				
Interest income	620	485	520	596
Income from overdue payments	15	18	–	–
	635	**503**	**520**	**596**
(Expenses) from financing activities				
Interest expenses	(3,588)	(2,564)	(95)	(127)
Expenses for overdue payments	(141)	(13)	–	–
	(3,729)	**(2,577)**	**(95)**	**(127)**

27.Income tax

	Group	
	Financial year ended	
	30 June 2019	30 June 2018
Current income tax (expense)	(133)	(676)
Income tax correction for prior periods	24	(8)
Deferred income tax income (expense)*	1,709	2,623
Income tax income (expenses) recorded in the profit / loss	**1,600**	**1,940**
Net gain (loss) on revaluation of cash flow hedges	(6)	(6)
Deferred tax gain (loss) recorded in other comprehensive income	**(6)**	**(6)**

*Deferred tax income mostly relates to recognition of accumulated tax losses as at 30 June 2019 and to changes in tax laws in Latvia as at 30 June 2018 (Note 2.21). The changed tax base in Latvia has resulted in write-off of EUR 2.223 thousand of deferred tax liabilities during the year ended 30 June 2018.

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27.Income tax (cont'd)

	Group	
	Financial year ended	
	As at 30 June 2019	As at 30 June 2018
Deferred income tax asset		
Tax loss carry forward (available indefinitely)	1,970	688
Tax loss carry forward (available to carry forward 5 years)	51	–
Accruals	989	925
Investment incentive	725	927
Differences in tax base of trade receivables	432	306
Impairment of investment property	24	19
Allowance for inventories	264	149
Fair value of financial instruments	33	7
Other	712	473
Total deferred income tax asset	**5,200**	**3,496**
Deferred income tax liability		
Property, plant and equipment and investment property (difference between tax and accounting values)	(686)	(771)
Fair value of biological assets	(87)	(31)
Fair value of financial instruments	–	–
Other	(43)	–
Total deferred income tax liability	**(816)**	**(802)**
Deferred income tax, net	**4,384**	**2,693**
Accounted for as deferred income tax asset in the statements of financial position	4,476	2,803
Accounted for as deferred income tax liability in the statements of financial position	92	110

The Group's deferred income tax asset and liability were set-off to the extent they relate to the same tax administration institution and the same taxable entity.

As at 30 June 2019 and 30 June 2018 the Group has not recognised deferred tax asset for the following temporary differences (temporary differences basis is provided below before application of income tax rate):

	Group	
	As at 30 June 2019	As at 30 June 2018
Tax loss carry forward*	4,647	4,641
	4,647	**4,641**

*Tax lossess are available to carry forward indefinitely (EUR 4,647 thousand).

Deferred tax asset has not been recognised in respect of these losses as they may not be used to offset taxable profits elsewhere in the Group and they have arisen in subsidiaries that have a history of losses.

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27.Income tax (cont'd)

There are no temporary differences associated with investments in associates as at 30 June 2019 and 2018 because Group has no associates.

The income tax can be reconciled to the theoretical amount, which would be calculated by applying the basic income tax rate to the Group's profit before tax as follows:

	Group	
	Financial year ended	
	30 June 2019	**30 June 2018**
Profit (loss) before tax	(6,430)	7,523
Income tax (income) expenses, applying the statutory rate in Lithuania (15%)	(965)	1,461
Effect of different tax rates in Estonia, Latvia, Denmark, 10% tax rate for the entities engaged in agricultural activities (Note 2.21.)	(84)	(569)
Write-off deferred tax of Latvian subsidiaries due to tax law changes	–	(1,684)
Change in deffered tax components due to changes in tax laws in Lithuana	(54)	(447)
Change in valuation allowance	58	–
Income tax correction for prior periods	(24)	8
Temporary differences for which no deferred taxes were recognized	(29)	–
Permanent differences	(334)	(129)
Tax incentive	(168)	(580)
Total income tax (income) expenses	**(1,600)**	**(1,940)**

28.Basic and diluted earnings per share

Basic earnings per share

Basic earnings per share amounts are calculated by dividing net profit for the year attributable to the equity holders of the parent by the weighted average number of ordinary shares outstanding during the year.

The weighted average number of ordinary shares for the years ended 30 June 2019 and 30 June 2018 was as follows:

Calculation of weighted average for the year ended 30 June 2019	**Number of shares**	**Par value (EUR)**	**Issued/365 (days)**	**Weighted average**
Shares issued as at 30 June 2018	158,158,426	0.29	103/365	44,631,008
Disposal of own shares 11 October 2018	4,000	0.29	1/365	433,322
Disposal of own shares 12 October 2018	1,000	0.29	6/365	2,599,947
Disposal of own shares 18 October 2018	2,000	0.29	8/365	3,466,639
Disposal of own shares 26 October 2018	2,000	0.29	247/365	107,033,847
Shares issued as at 30 June 2019	158,167,426			158,164,763

Calculation of weighted average for the year ended 30 June 2018	**Number of shares**	**Par value (EUR)**	**Issued/365 (days)**	**Weighted average**
Shares issued as at 30 June 2017	158,158,426	0.29	365/365	158,158,426
Shares issued as at 30 June 2018	158,158,426			158,158,426

Calculation of the basic earnings per share is presented below:

	Financial year ended	
	30 June 2019	**30 June 2018**
Net profit (loss), attributable to the shareholders of the parent (in EUR thousand)	(4,830)	9,464
Weighted average number of ordinary shares outstanding for the year	158,164,763	158,158,426
Basic earnings per share (in EUR)	(0.03)	0.06

For the year ended 30 June 2018 the Company paid EUR 2,926 thousand dividends, or EUR 0.0185 per share.

Share based payments and diluted earnings per share

AB Linas Agro Group, following the Rules for Granting Equity Incentives approved on 1st of June 2018 and acting in accordance with the decision of the General Shareholders Meeting of 1st of June 2018, signed options contracts with employees of AB Linas Agro Group and of the subsidiaries, in which AB Linas Agro Group owns 50 per cent or more of shares, for 4,610,180 ordinary registered shares of AB Linas Agro Group. During the years 2021-2023, according to the procedures and terms established in options contracts employees will be able to exercise the right to acquire the above mentioned number of ordinary registered EUR 0.29 nominal value shares of AB Linas Agro Group provided to the employee free of charge under the terms and conditions established by the rules.

50% of all share options will vest in 3 years-time from signing of the option agreements, 25% - in four years time and the rest 25% - in five years-time. There are no other vesting conditions, except for the requirement for a person to be employed at the Group for the above specified period of time, i.e. 50% of share-s options will vest if a particular person is still employed for 3 years from signing of the share options agreement. 25% of share options will vest if a person is employed for 4 years from signing of the share options agreement and the rest 25% of share options will vest if a person is employed for a 5 years from signing of the share options agreement date. Share options are exercisable during the two months period after each vesting period ends for particular tranche.

Grant date is considered to be 29th June 2018 when principle terms of share options agreements were presented to employees participating in share options incentive. Since portion of passed vesting period from the grant date (29th June 2018) until the previous financial year end (30th June 2018) is immaterial, no expenses were accounted for. As at 30 June 2019 the Group/ Company has accounted for the proportion of the related expenses with the first vesting period amounting to EUR 960 thousand in these financial statements (incl. EUR 182 thousand of the amount that is expected to be transfered to the tax authority to settle the employee's tax obligation associated with the share-based payment arrangement)

28.Basic and diluted earnings per share (cont'd)

Movements during the year

The following table illustrates the number and weighted average exercise prices (WAEP) of, and movements in, share options during the year:

	Number	WAEP
Balance as at 30 June 2017	**–**	**–**
Granted during the year	4,610,180	0
Forfeited during the year	–	–
Exercised during the year	–	–
Balance as at 30 June 2018	**4,610,180**	**0**
Granted during the year	–	–
Forfeited during the year	(496,460)	0
Exercised during the year	–	–
Balance as at 30 June 2019	**4,113,720**	**0**

None of shares options is yet exercisable as at 30 June 2019 and 2018.
The weighted average fair value of options granted was €0.67.

The fair value of the share options is estimated at the grant date using the average price derived from a binomial and The Black-Scholes-Merton option pricing models, taking into account the terms and conditions on which the share options were granted. They key valuation assumptions are provided below:

Weighted average fair value at the measurement date (€)	0.67
Dividend yield (%)	0.7 - 2.00 %
Expected volatility (%)	0.20 - 0.30 %
Risk–free interest rate (%)	2.00 %
Expected life of share options (years)	3 - 5
Weighted average share price (€)	0.705

The expected life of the share options is based options agreements and current expectations and is not necessarily indicative of exercise patterns that may occur. The expected volatility reflects the assumption that the historical volatility over a period similar to the life of the options is indicative of future trends, which may not necessarily be the actual outcome.

Diluted earnings per share amounts are calculated by dividing net profit for the year attributable to the equity holders of the parent by the weighted average number of ordinary shares outstanding during the year plus the weighted average number of ordinary shares that would be issued on conversion of all diluted potential ordinary shares (options described above) into ordinary shares.

The weighted average number of ordinary and potential diluted shares for the year ended 30 June 2019 was as follows:

Calculation of weighted average for the year ended 30 June 2019	**Number of shares**	**Par value (EUR)**	**Issued/365 (days)**	**Weighted average**
Shares and potential shares issued as at 30 June 2018	162,768,606	0.29	364/365	162,322,665
Forfeited during the year as at 30 June 2019	(496,460)	0.29	1/365	444,581
Shares and potential shares issued as at 30 June 2019	162,272,146			162,767,246

Calculation of the diluted earnings per share is presented below:

	Financial year ended	
	30 June 2019	**30 June 2018**
Net profit (loss), attributable to the shareholders of the parent (in EUR thousand)	(4,830)	9,464
Weighted average number of ordinary plus potential ordinary shares outstanding for the year	162,767,246	158,183,687
Diluted earnings per share (in EUR)	(0.03)	0.06

29.Financial assets and liabilities and risk management

Credit risk

None of the Group's customers comprise more than 10% of the Group's trade receivables. The Group evaluates the concentration of risk with respect to trade receivables as low, as its customers are located in several jurisdictions and industries and operate in largely independent markets.

The Group's procedures are in force to ensure that sales are made to customers with an appropriate credit history and do not exceed an acceptable credit exposure limit. As at 30 June 2019 part of AB Linas Agro trade receivables were insured with the insurance limit equal to equivalent of EUR 14,703 thousand (EUR 12,545 thousand as at 30 June 2018).

The Group does not guarantee obligations of other parties.

The maximum exposure to credit risk is represented by the carrying amount of each financial asset, including derivative financial instruments, if any, in the statements of financial position. Consequently, the Group considers that its maximum exposure is reflected by the amount of trade, related party and other accounts receivable and cash, net of allowance for doubtful accounts recognised at the reporting date. Part of the trade and other accounts receivables is secured with pledged assets (Notes 12 and 13).

Interest rate risk

The major part of the Group's borrowings is with variable rates, related to EURLIBOR, EURIBOR which creates an interest rate risk. The Group uses interest rate swap to hedge interest rate fluctuation risk for loans with variable interest rate as disclosed in Note 14.

The sensitivity analysis of the pre-tax profit of the Group, considering that all other variables will remain constant, to possible changes in the interest rates is presented in the table below. There is no direct effect to equity from changes in interest rate.

	Effect on the profit before income tax for the year ended (in EUR thousand)			
	Increase / decrease of basis points	**30 June 2019**	**Increase / decrease of basis points**	**30 June 2018**
EUR	+150	(2,169)	+150	(2,257)
EUR	-30	434	-30	451

Liquidity risk

The Group's policy is to maintain sufficient cash and cash equivalents or have available funding through an adequate amount of committed credit facilities to meet its commitments at a given date in accordance with its strategic plans. The Group's liquidity (total current assets / total current liabilities) and quick ((total current assets – crops, current portion of animals and livestock and inventories) / total current liabilities) ratios as at 30 June 2019 were 1.26 and 0.71 respectively (as at 30 June 2018 1.38 and 0.79, respectively).

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29. Financial assets and liabilities and risk management (cont'd)

Liquidity risk (cont'd)

The table below summarises the maturity profile of the Group's financial liabilities based on contractual undiscounted payments (scheduled payments including interest).

Group	On demand	Less than 3 months	3 to 12 months	1 to 2 years	2 to 5 years	More than 5 years	Total
Non-current borrowings	–	2,074	6,832	12,795	12,399	3,076	37,176
Lease liabilities	3	155	454	423	685	156	1,876
Current borrowings	9,846	104,339	3,925	–	–	–	118,110
Derivative financial instruments	–	987	–	–	–	–	987
Current trade payables	1,676	32,021	5,382	–	–	–	39,079
Other liabilities	–	1,279	234	–	–	–	1,513
Balance as at 30 June 2018	**11,525**	**140,855**	**16,827**	**13,218**	**13,084**	**3,232**	**198,741**
Non-current borrowings	4	3,079	9,635	7,660	11,292	3,043	34,713
Lease liabilities	–	292	650	905	1,520	146	3,513
Current borrowings	84,637	26,939	2,423	–	–	–	113,999
Derivative financial instruments	–	632	–	–	–	–	632
Current trade payables	3,854	31,100	7,303	–	–	–	42,257
Other liabilities	45	1,229	212	–	–	–	1,486
Balance as at 30 June 2019	**88,540**	**63,271**	**20,223**	**8,565**	**12,812**	**3,189**	**196,600**

The table below summarises the maturity profile of the Company's financial liabilities based on contractual undiscounted payments (scheduled payments including interest).

Company	On demand	Less than 3 months	3 to 12 months	1 to 2 years	2 to 5 years	More than 5 years	Total
Non-current borrowings	–	471	469	–	–	–	940
Non-current borrowings from related parties	–	–	–	1,481	1,225	–	2,706
Non-current payable to related parties	–	–	–	–	61	–	61
Current borrowings from related parties	–	17	808	–	–	–	825
Current trade payables	–	24	–	–	–	–	24
Payables to related parties	–	–	810	–	–	–	810
Other liabilities	–	29	–	–	–	–	29
Balance as at 30 June 2018	**–**	**541**	**2,087**	**1,481**	**1,286**	**–**	**5,395**
Non-current borrowings	–	–	–	–	–	–	–
Non-current borrowings from related parties	–	8	25	1,226	–	–	1,259
Non-current payable to related parties	–	–	–	–	–	–	–
Current borrowings from related parties	–	1,451	202	–	–	–	1,653
Current trade payables	–	11	–	–	–	–	11
Payables to related parties	–	–	–	–	–	–	–
Other liabilities	–	50	–	–	–	–	50
Balance as at 30 June 2019	**–**	**1,520**	**227**	**1,226**	**–**	**–**	**2,973**

29.Financial assets and liabilities and risk management (cont'd)

Foreign exchange risk

Major currency risks of the Group occur due to the fact that the Group borrows foreign currency denominated funds as well as is involved in imports and exports. The Group's policy is to match cash flows arising from highly probable future sales and purchases in each foreign currency. When the Group opens a position in USD (i.e., goods are bought for USD and sold for EUR or vice versa), it manages USD exposure by changing positions in its credit line, i.e., buys or sells USD to close the open position.

The major part of the Group's monetary assets and liabilities as at 30 June 2019 and 2018 is denominated in EUR, consequently the management of the Group believes that foreign exchange risk on EUR is insignificant. The Group used financial derivatives to manage the USD foreign currency exchange risk.

Monetary assets and liabilities stated in various currencies as at 30 June 2019 and 30 June 2018 were as follows (EUR equivalent):

Group	**As at 30 June 2019**		**As at 30 June 2018**	
	Assets	**Liabilities**	**Assets**	**Liabilities**
EUR	134,860	208,123	129,794	202,652
USD	1,108	3,776	11,842	10,246
DKK	42	1	105	49
PLN	966	86	1,714	41
UAH	67	26	–	–
	137,043	**212,012**	**143,455**	**212,988**

The following table demonstrates the sensitivity to a reasonably possible change in respect of currency exchange rate, with all other variables held constant of the Group's profit before tax (due to change in the fair value of monetary assets and liabilities). There is no direct effect to equity from changes in currency exchange rates.

	Increase/ decrease in exchange rate	**Effect on the profit before income tax for the year ended (in EUR thousand)**	
		30 June 2019	**30 June 2018**
USD	+ 15.00%	(400)	239
USD	- 15.00%	400	(239)
PLN	+ 15.00%	132	251
PLN	- 15.00%	(132)	(251)

Sensitivity to a reasonable possible change of DKK and UAH is not disclosed as it is not significant to the financial statements.

Changes in liabilities arising from financing activities

	1 July 2018	**Cash flows from (to) financing activities**	**New leases**	**Other movements**	**30 June 2019**
Loans	152,124	(5,336)	–	(46)	146,742
Grants	7,165	335	–	(691)	6,809
Interests (paid)	–	(2,944)	–	2,944	–
Dividends	–	(2,943)	–	2,943	–
Financial lease liabilities	1,731	(1,485)	3,258	(174)	3,330
	161,020	**(12,373)**	**3,258**	**4,976**	**156,881**

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29.Financial assets and liabilities and risk management (cont'd)

Financial risk, arising from biological assets, management strategy

The Group is engaged in wholesale trade of milk, therefore, is exposed to risks arising from changes in milk prices. The Group's wholesale agreements for milk do not represent financial instruments but represent a significant price risk. The Group does not anticipate that milk prices will be in prolonged decline in the foreseeable future (at current period price increase noted) and, therefore, has not entered into derivative or other contracts to manage the risk of the decline in milk prices. The Group reviews its outlook for milk prices regularly in considering the need for active risk management.

Market price risk

The Group is exposed to the grain market price risk which is managed with the hedge accounting described in Note 14.

Fair value of financial instruments

The Group's principal financial instruments not carried at fair value are trade, related party and other accounts receivable, trade, related party and other payables, non-current and current borrowings.

Fair value is defined as disclosed in Note 2.26. Fair values of assets and liabilities are obtained from quoted market prices, discounted cash flow models and option pricing models as appropriate.

The carrying amounts of the Group's financial assets and liabilities (which are not carried at fair value) approximate fair value and are classified as level 3 according to the fair value hierarchy described in the Note 2.26.

The following methods and assumptions are used to estimate the fair value of each class of financial instruments:

1. The carrying amount of trade, related party and other accounts receivable, current trade, related party and other accounts payable and current borrowings approximates fair value (level 3).
2. The fair value of non-current debt is based on discounting future cash flows related to debt using market interest rate and also considering own credit risk immaterial. The fair value of non-current borrowings with variable and fixed interest rates approximates their carrying amounts (level 3).

Capital management

For capital management purposes the Group's capital is equal to total equity in the statement of financial position amounting to EUR 170,070 thousand as at 30 June 2019 (EUR 177,074 thousand as at 30 June 2018).

The primary objective of the Group's capital management is to ensure that it maintains a strong creditworthiness and healthy capital ratios in order to support its business and maximise shareholder value. The Group holds high capital for possible future expansion and further development of the Group.

The Group manages its capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of its activities. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies or processes during the years ended 30 June 2019 and 30 June 2018.

The Company and the Group's subsidiaries registered in Lithuania and Estonia are obliged to keep its equity at no less than 50% of its share capital, as imposed by the Laws on Companies of the Republic of Lithuania and the Republic of Estonia. The Company and the Group's subsidiaries registered in Lithuania comply with this requirement. The Group subsidiary registered in Estonia doesn't comply with this requirement. The Group's subsidiaries registered in Latvia are obliged to keep their equity at no less than 0, as imposed by the Law on Companies of the Republic of Latvia. The Group's subsidiaries registered in Latvia comply with this requirement, except for SIA Dotnuva Baltic as at 30 June 2019, SIA PFK TRADER and SIA Erfolg Group as at 30 June 2018. The Group's management does not expect any negative consequences to the Group and is planning to take actions to mitigate these non-compliances.

The Group and the Company manages capital using a leverage ratio, which is 1 minus total equity divided by total assets of the Group and the Company. The Group's policy is to keep the leverage ratio below 75%.

	Group		***Company***	
	As at 30 June 2019	**As at 30 June 2018**	**As at 30 June 2019**	**As at 30 June 2018**
Total equity	170,070	177,074	112,521	109,909
Total assets	391,398	400,937	116,015	115,927
Total equity / Total assets	43%	44%	97%	95%
Leverage ratio	57%	56%	3%	5%

30.Commitments and contingencies

As at 30 June 2019 the Group is committed to purchase property, plant and equipment for the total amount of EUR 1,941 thousand (EUR 4,168 thousand as at 30 June 2018).

A few Group companies (Panevėžys district Aukštadvario ŽŪB, Šakiai district Lukšių ŽŪB, Sidabravo ŽŪB and Panevėžys district Žibartonių ŽŪB) received grants from the European Union and National Paying Agency for acquisition of agricultural equipment.

Panevėžys district Aukštadvario ŽŪB, Sidabravo ŽŪB are committed not to discontinue operations related to agricultural up to the end of 2021, Šakiai district Lukšių ŽŪB – up to 2020 and 2021, Panevėžys district Žibartonių ŽŪB – up to 2022. UAB Linas Agro Grūdų Centras KŪB received grants from the European Union and National Paying Agency (Lithuania) for grain handling and storage facility upgrade. UAB Linas Agro Grūdų Centras KŪB is committed not to discontinue operations related to preparation and warehousing of grains for trade agriculture up to 2020 and 2021.

SIA Lielzeltini, AS Putnu fabrika Kekava received grants from the European Union and Rural Support Service (Latvia) for poultry farm, feedstuffs production and storages upgrade. SIA Lielzeltini is committed not to discontinue broiler breeding, slaughtering and sale of products, feedstuffs up to 2020, AS Putnu fabrika Kekava – up to 2020, 2022 and 2023.

In case of non-compliance with the requirements the Group companies will have to return funds received to the state of Lithuania and Latvia amounting to EUR 2,504 thousand as at 30 June 2019 (EUR 3,080 thousand as at 30 June 2018). Group has no plans to discontinue above mentioned operations.

As at 30 June 2019 the balance of guarantees and warranties issued by the Company to the banks for the controlled companies (directly and indirectly controlled subsidiaries) amounted to EUR 16,762 thousand (EUR 25,455 thousand as at 30 June 2018).

The Company's guarantees are issued for the loans granted to these companies. The Company is obliged to repay the companies' liabilities to banks in full, if the subsidiaries are not able to do it themselves. The management of the Group believes that the subsidiaries on behalf of which guarantees and warranties were issued will meet their liabilities to the creditors, therefore, no provisions in respect of these guarantees were accounted for in the financial statements as at 30 June 2019 and 30 June 2018.

As of 30 June 2019 the Group, in addition that was accounted for under refund liabilities (sale of equipment with right of return) caption (Note 22), has a commitments in amount of EUR 1,188 thousand to purchase agriculture equipment from leasing providers in case the customers will not use option to repurchase equipment at the end of lease period (30 June 2018 – EUR 1,968 thousand).

In August 2018 the Group company AB Linas Agro received a ruling from the Customs of the Republic of Lithuania (hereafter – Customs) stating that Customs made additional calculation for the calendar year 2016 – 2017. The decision increased the taxes in EUR 644 thousand for fertilizers import in mentioned period. The AB Linas Agro management estimate the possibility to pay the taxes is 50 % and recognized as accruals in EUR 322 thousand amount as at 30 June 2018 and 2019. The AB Linas Agro management does not concur with Customs assessment and the decision is appealed.

Almex, former customer, has filed an appeal to the Court of Appeal in Serbia regarding the refusal of the Commercial Court to rule in the case regarding the alleged damages of EUR 1,800 thousand. As at 30 June 2019 the Group's management is of opinion that the appeal has no sound grounds therefore no provision was recorded in the consolidated accounts regarding this matter.

31.Related parties transactions

The parties are considered related when one party has the possibility to control the other or have significant influence over the other party in making financial and operating decisions.

The related parties of the Company and Group for the years ended 30 June 2019 and 30 June 2018 were as follows:

Members of the board of the Company:

Darius Zubas (chairman of the board, ultimate controlling shareholder);
Dainius Pilkauskas;
Arūnas Zubas;
Andrius Pranckevičius;
Tomas Tumėnas;
Vytautas Šidlauskas till 30 March 2018
Artūras Pribušauskas till 30 March 2018;
Darius Jaloveckas from 1 June 2018;
Jonas Bakšys from 1 June 2018.

Subsidiaries: List provided in Note 3.

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31.Related parties transactions (cont'd)

Akola ApS group companies:

Akola ApS (Denmark) (controlling shareholder);
UAB MESTILLA (same ultimate controlling shareholders).

UAB Ignitis grupė (Andrius Pranckevičius is the Independent Member of Supervisory Board).
UAB Baltic Fund Investments (Tomas Tumėnas is a director of this company).
Jonas Bakšys from June 2017 till present is the Member of Board at Lobiu Sala AS (Sweden).
Vividum UAB (Lithuania) (Jonas Bakšys joint community property with spouse together).

The Group's transactions with related parties in 12 month period ended 30 June 2019 and 30 June 2018 were as follows:
2019

	Purchases	Sales	Trade receivables	Non-current loans receivable	Current payables	Other current receivables, payments received in advance
Akola ApS group companies	1,000	19,544	2	–	242	1,345
Members of the board	–	–	–	–	–	–
	1,000	**19,544**	**2**	**–**	**242**	**1,345**

2018

	Purchases	Sales	Trade receivables	Non-current loans receivable	Current payables	Current loans payables
Akola ApS group companies	752	19,248	255	–	1	–
Members of the board	–	35	–	–	–	–
	752	**19,283**	**255**	**–**	**1**	**–**

The Company's transactions with related parties in the years ended 30 June 2019 and 30 June 2018 were as follows:

2019	**Purchases**	**Income**	**Receivables**				**Payables**		
			Non-current loans receivable	**Current loans receivable**	**Other account receivables**	**Non-current payables**	**Current Payables**	**Non-current loans received**	**Current loans received**
Akola ApS group companies	–	–	–	–	–	–	–	–	–
Subsidiaries	111	6,333	10,407	640	50	–	25	1,206	1,622
	111	**6,333**	**10,407**	**640**	**50**	**–**	**25**	**1,206**	**1,622**

2018	**Purchases**	**Income**	**Receivables**				**Payables**		
			Non-current loans receivable	**Current loans receivable**	**Other accounts receivables**	**Non-current payables**	**Current Payables**	**Non-current loans received**	**Current loans received**
Akola ApS group companies	–	–	–	–	–	–	–	–	–
Subsidiaries	103	5,047	11,370	2,803	31	–	810	2,654	744
	103	**5,047**	**11,370**	**2,803**	**31**	**–**	**810**	**2,654**	**744**

As at 30 June 2019 interest rates of the Company for current loans receivable from related parties are 4.0%, non-current loans receivables from related parties are from 4.0% and 3 month EURIBOR + 2.45 % margin (the same as at 30 June 2018).

As at 30 June 2019 interest rates of the Company for non-current loans payable to related parties are 2.61% and 3 month EURIBOR + 2.7 % margin, current loans payable to related parties are 4%. As at 30 June 2018 interest rates of the Company for non-current loans payable to related parties are 2.61% and 3 month EURIBOR + 2.45% margin, 6 month EURIBOR + 1.65% margin, current loans payable to related parties are from 3.60% to 4%.

Transactions with related parties include sales and purchases of goods and services, sales and purchases of property, plant and equipment as well as financing transactions in the ordinary course of business and are aimed to be conducted on terms equivalent to arm's length transactions.

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31.Related parties transactions (cont'd)

There were no guarantees or pledges related to the Group's payables to or receivables from related parties. Receivables and payables from / to related parties will be settled in cash or offset with the payables / receivables from / to respective related parties.

Terms and conditions of the financial assets and liabilities:
- Receivables from related parties are non-interest bearing and are normally settled on 30-day terms.
- Payables to related parties are non-interest bearing and are normally settled on 30-90-day terms.
- Interest payable is normally settled at the end of the loan term.

The Group's receivables from related parties were not due neither impaired as at 30 June 2019 and 30 June 2018.

Remuneration of the management and other payments

The Group's management consists of the Company's board of directors and directors of each of the company in the Group. The Group's management remuneration amounted to EUR 3,517 thousand (including EUR 123 thousand of bonuses to the board of directors of subsidiaries companies) for the year ended 30 June 2019 (EUR 3,903 thousand (including EUR 1,252 thousand of bonuses to the board of directors of AB Linas Agro Group and of bonuses to the board of directors of subsidiaries companies) for the year ended 30 June 2018 (restated)). For the year ended 30 June 2019 the Group's management received EUR 396 thousand dividends from the Company (for the year ended 30 June 2018 the Group's management received EUR 208 thousand dividends from the Company). For the year ended 30 June 2019 the Group's management has also received EUR 3 thousand of rent payments (EUR 27 thousand of rent payments for the year ended 30 June 2018 (restated)).

The Company's management consists of the board of directors and a managing director. The Company's management remuneration amounted to EUR 352 thousand for the year ended 30 June 2019 (EUR 758 thousand (including EUR 748 thousand of bonuses to the board) for the year ended 30 June 2018).

The Company has started to accrue the expenses for share options agreements as described in Note 28 to EUR 960 thousand (including EUR 477 thousand to the board of directors of AB Linas Agro Group and for directors of the companies in the Group - 81 for the year ended 30 June 2019).

No other payments or property transfers to/from the management were made or accrued; no other loans or guarantees were received / granted in the years ended 30 June 2019 and 30 June 2018.

32.Material partly-owned subsidiaries

Financial information of subsidiaries that have material non-controlling interests is provided below.

Proportion of equity interest held by non-controlling interests:

Name	Country of incorporation and operation	30 June 2019	30 June 2018
AS Putnu fabrika Kekava	Latvia	2.89%	2.92%
Karčemos Kooperatinė Bendrovė	Lithuania	76.00%	76.00%

The summarised financial information of these subsidiaries is provided below. This information is based on amounts before inter-company eliminations.

Summarised statement of comprehensive income:

	AS Putnu fabrika Kekava		Karčemos Kooperatinė Bendrovė	
	Financial year ended			
	30 June 2019	**30 June 2018**	**30 June 2019**	**30 June 2018**
Revenue	75,932	69,263	594	954
Net profit (loss)	1,759	3,267	62	282
Total comprehensive income	**1,759**	**3,267**	**62**	**282**
Attributable to non-controlling interests	51	131	47	215
Dividends paid to non-controlling interests	–	–	–	–

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32.Material partly-owned subsidiaries (cont'd)

Summarised statement of financial position:

	AS Putnu fabrika Kekava		Karčemos Kooperatinė Bendrovė	
	Financial year ended			
	30 June 2019	**30 June 2018**	**30 June 2019**	**30 June 2018**
Current assets	10,620	10,220	396	401
Non-current assets	37,887	35,948	2,832	3,059
Current liabilities	20,083	10,012	329	389
Non-current liabilities	6,098	15,589	1,725	1,959
Total equity	**22,326**	**20,567**	**1,174**	**1,113**
Attributable to Non-controlling interests	645	601	893	846

Summarised cash flow statement:

	AS Putnu fabrika Kekava		Karčemos Kooperatinė Bendrovė	
	Financial year ended			
	30 June 2019	**30 June 2018**	**30 June 2019**	**30 June 2018**
Operating activities	3,339	5,741	228	555
Investing activities	(3,187)	(4,462)	11	33
Financing activities	(1,515)	(156)	(249)	(570)
Net increase/(decrease) in cash and cash equivalents	**(1,363)**	**1,123**	**(10)**	**18**

33.Subsequent events

Group

On 23 July 2019 AB Linas Agro prolonged credit line agreement with AB SEB bankas till 31 July 2020. The total creidt limit is EUR 95 million.
On 24 July 2019 SIA Lielzeltini prolonged the credit facility agreement with AS Swedbank till 30 September 2019. The total credit facility limit is EUR 2 million.
On 6 August 2019 the authorized capital of LLC LINAS AGRO UKRAINE was increased by UAH 2,600 thousand (around EUR 103 thousand).
On 8 August 2019 was approved the EU project „Implementation of biosecurity preventitive measures in AS Putnu fabrika Kekava, eligible costs of projetc are EUR 240 thousand, compensation as subsidies are EUR 190 thousand.
On 3 September 2019 the member of the Board Darius Jaloveckas resigned from the Boards of AB Linas Agro Group, AB Linas Agro, SIA Linas Agro, UAB Dotnuva Baltic, AS Dotnuva Baltic.
On 18 September 2019 SIA Dotnuva Baltic prolonged overdraft agreement with AS SEB banka till 22 September 2020. The total overdraft limit is EUR 1,5 million.

Company

From the 1st of July 2019 changes have been started in the organizational structure of AB Linas Agro Group by transferring some employees from AB Linas Agro to the Company. The aim of such change is to strengthen the functions of the holding company.
On 23 July 2019 the Company, AB Linas Agro and AB SEB bank signed the subordinated loan agreement.
On 29 July 2019 the Company signed agreement for increase share capital of subsidiary Noreikiškių ŽŪB by EUR 35 thousands.
On 30 July 2019 the Company prolonged the loan agreement with UAB Linas Agro Konsultacijos for EUR 1,450 thousand.
On 27 August 2019 the Company signed the overdraft limit agreement with OP Corporate Bank plc Lithuanian branch. The total overdraft limit is EUR 6,5 million.
On 29 August 2019 the Company signed loan agreement with AB Linas Agro and granted a loan of EUR 6,5 million.
On 16 September 2019 the Company increased share capital of its subsidiary UAB Lineliai by EUR 30 thousand.
On 23 September 2019 the Company prolonged the loan agreement with AS Putnu fabrika Kekava. Total amount EUR 4 million, prolongation till 28 September 2023.