

**AB LINAS AGRO GROUP**  
**CONSOLIDATED ANNUAL REPORT**  
**FOR THE FINANCIAL YEAR 2012/2013**  
**ENDED 30 JUNE 2013**





MITSA  
GEORGE TOWN  
IMO NO. 7929276

## CONTENT

<b>1. LETTER TO THE SHAREHOLDERS</b>	<b>1</b>
<b>2. REPORTING PERIOD OF THE CONSOLIDATED ANNUAL REPORT</b>	<b>4</b>
<b>3. REFERENCES AND ADDITIONAL EXPLANATORY NOTES ON THE INFORMATION DISCLOSED IN THE ANNUAL REPORT</b>	<b>4</b>
<b>4. ABOUT THE COMPANY</b>	<b>5</b>
<b>5. ACTIVITY AND FINANCIAL RESULTS OF THE GROUP</b>	<b>17</b>
<b>6. THE PUBLICLY DISCLOSED INFORMATION AND OTHER EVENTS OF THE REPORTING PERIOD</b>	<b>31</b>
<b>7. SCOPE OF RISK AND MANAGEMENT THEREOF</b>	<b>34</b>
<b>8. EMPLOYEES</b>	<b>36</b>
<b>9. STRUCTURE OF THE AUTHORISED CAPITAL AND SHARES OF THE COMPANY</b>	<b>37</b>
<b>10. SHAREHOLDERS</b>	<b>38</b>
<b>11. THE COMPANY'S BODIES AND THEIR COMPETENCE</b>	<b>40</b>
<b>12. INFORMATION ABOUT TRADE IN THE COMPANY'S SECURITIES IN REGULATED MARKETS</b>	<b>53</b>
<b>13. PROCEDURE FOR AMENDING THE COMPANY'S ARTICLES OF ASSOCIATION</b>	<b>56</b>
<b>14. ESSENTIAL AGREEMENT TO WHICH THE COMPANY IS A PARTY AND WHICH MAY BE IMPORTANT IN CASE OF CHANGE IN THE CONTROL OF THE COMPANY</b>	<b>57</b>
<b>15. MAJOR TRANSACTIONS WITH RELATED PARTIES</b>	<b>57</b>
<b>16. INFORMATION ABOUT THE COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE</b>	<b>57</b>
<b>17. SOCIAL AND ENVIRONMENTAL RESPONSIBILITY</b>	<b>57</b>



## 1. LETTER TO THE SHAREHOLDERS



Manager of VšĮ Versli Lietuva Lina Vaitkevičienė awarded Darius Zubas, managing director of AB Linas Agro Group, Exporter of the Year Award. *Photo by Vladimir Ivanov*

### DEAR SHAREHOLDERS,

When in 2009 we set the Group's objective to reach 1.6 million tons of agricultural raw materials sales during 2012/2013 financial year, for us this goal seemed to be ambitious, even a little too large and exceeding our possibilities. We had doubts whether we were really able to achieve it within four years. We are proud to have not only reached, but exceeded our dream – this year the volume of our products sold amounted to 1.8 million tons.

We were praised for such growth – during Lithuanian Business Leaders award ceremony, organized by the business newspaper Verslo žinios and Nordea Bank, AB Linas Agro Group was announced exporter of the year, as export of the Group in 2012, compared with 2010, increased by 69%.

Indeed, we feel as having grown and improved our positions in all our activities. Our revenue increased by 53%, while gross profit increased by 67%. Of course, high grain yield in the Baltic States as well as high grain prices had a significant impact on revenue growth; however, gross profit growth shows that we are able to use favorable conditions, long-term presence of the Group on the export markets and to control debtors, currency and trading risks.

Our ongoing investment in construction of grain elevators that we have been implementing already for a decade gives a return. We are a unique company in Lithuania by the fact that all of our elevators, with the exception of one, are the greenfield investments. The most high-tech equipment is installed in these elevators, and still they are modernized on a regular basis. This year our grain elevators have accepted and

sent for export 558 thousand tons of different grain, which is 54% more than last year. We consider this activity promising and plan to invest in it furthermore.

Our positions in the port of Klaipėda are also good – in accordance with long-term agreements we can warehouse over 70 thousand tons of grain and 10 thousand tons of liquid products in this port at the same time. This greatly facilitates the export.

One of the most successful of our investments this year is UAB Dotnuvos projektai. One of the main products marketed by the company, used as an indicator of successful commerce, is the number of sold tractors. This year, the company's sales of tractors increased by 31% – from 163 to 214 units. This demonstrates that our choice to invest in one of the best companies in its field of business in Lithuania is paying off. Moreover, the company is constantly expanding and has already built its business in Latvia and Estonia.

Purchase of agricultural company Kėdainiai district Labūnavos ŽŪB increased our revenue by 18 million LTL. We consider agricultural activities perspective, therefore, we will continue to invest in the development of agricultural activities. Our goal is to increase the cultivated land area over the next two years from 14 to 20 thousand hectares.

One of our features is the desire for innovation. It starts with the little things: for example, on an annual basis we sow demo crops on the field belonging to Aukštadvaris Agricultural Company located close to Via Baltica road to analyze different crop production technologies and tillage techniques and later offer the farmers the most optimal variants. The companies AB Linas Agro and UAB Dotnuvos Projektai constantly offer new products to the market and each year are awarded for the presented innovative products and solutions with medals at the agricultural exhibitions. This year, three more of the Group companies have introduced electronic billing system, which allows delivering invoices to payers faster.

We are glad to be appreciated by investors. An independent asset management company East Capital during traditional award ceremony acknowledged AB Linas Agro Group to be one of the leading companies of Eastern Europe in 2012 and presented “Discovery of the Year” award. “Discovery of the Year” award is presented to a company, which, according to East Capital team of investors, works efficiently and can achieve exceptional performance results.

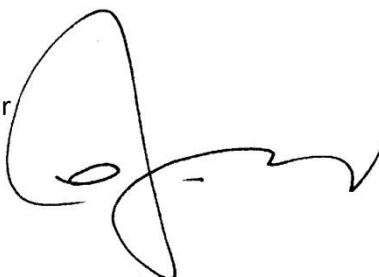
The shares of AB Linas Agro Group went up by 29 per cent during the reporting period. The market capitalization of the company exceeded 100 million euros threshold and reached 116 million euros on 30 June, 2013.

2012/2013 financial year was the most successful in the entire history of our business. It showed that we already have a strong position on export markets, that we invest purposefully, thus, we can expect the growth in the value of the Group in the future.

Sincerely yours,

Managing Director

Darius Zubas



# our values



striving for progress

long time partnership

teamwork

tolerance

respect for everybody

attention

## 2. REPORTING PERIOD OF THE ANNUAL REPORT

Financial year of AB Linas Agro Group starts on 1 July of each year and ends on 30 June of the next year; therefore, this Consolidated Annual Report has been prepared for 2012/2013 financial year, and all the figures are stated as at 30 June 2013 unless it is indicated otherwise.

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

All the financial data disclosed in this Annual Report have been calculated in accordance with the International Financial Reporting Standards and have been audited unless it is indicated otherwise.

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

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

### CONTACT PERSONS:

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Finance Director

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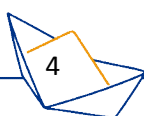
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Agnė Barauskaitė

Investor Relations Specialist

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## 4. ABOUT THE COMPANY

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

The Company does not have any branches and representative offices.

AB Linas Agro Group together with its subsidiaries and associate is a Group of 30 companies, founded in 1991 and operating in four countries – Lithuania, Latvia, Estonia and Denmark. As at 30 June, 2013 the total headcount of the Group amounted to 1,039 employees. The financial year of the Group companies begin on 1 July.





The subsidiaries controlled by the Company produce, handle and merchandise agricultural products, also provide products and services for farming.

The Group is the leading exporter of grains and secondary products of food industry in the Baltic countries and one of the leaders in supplies of agricultural inputs (such as certified seeds, fertilisers and agricultural machinery) in Lithuania. Also the Group is a major grain and milk producer in Lithuania, owns and further expands an extensive network of grain storage facilities.

## ACTIVITIES

The Group's activities are subdivided into four basic operating segments: *Grain and Feedstuff Handling and Merchandising*, *Products and Services for Farming*, *Agricultural Production* and *Other*. Division into separate segments is dictated by different types of products and character of related activities; however, activities of the segments are often interconnected. The Company performs only the management function and is not involved in any trading or production activities.



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



## STRATEGY AND GOALS

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



**our vision** – leadership in Baltic agribusiness sector

# our mission

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

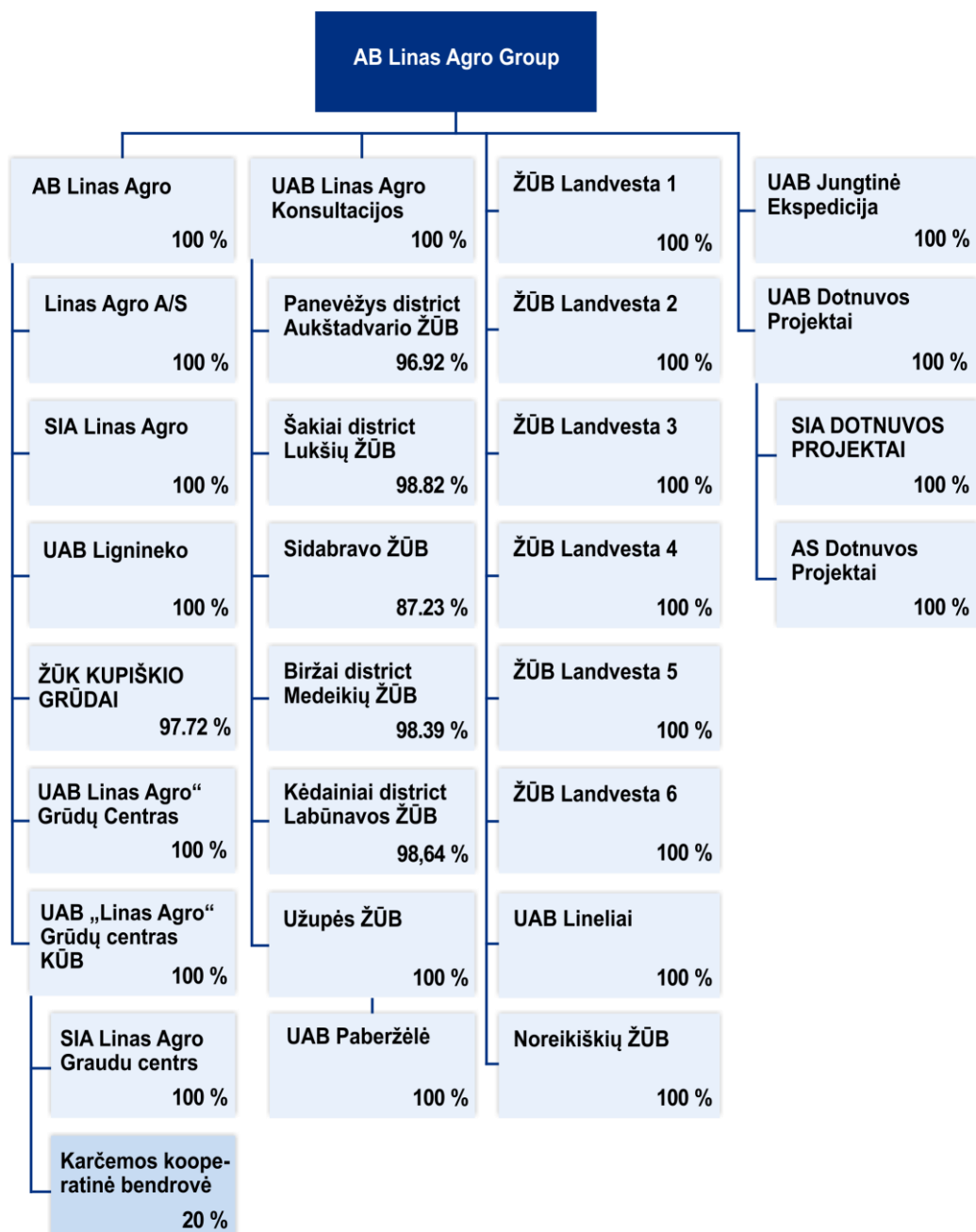
To seek constant **growth of the company's value** while ensuring maximum return on investments for shareholders and investors

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

## AFFILIATES

The Company consolidated twenty nine companies in Lithuania, Latvia, Estonia and Denmark as at 30 June 2013.

### STRUCTURE OF AB LINAS AGRO GROUP (AS AT 30 JUNE 2013)\*:



\* Dormant companies UAB Gerera (100% shares) and UAB Dotnuvos technika (100% shares) not included.

## SHAREHOLDING STRUCTURE OF THE COMPANIES

As at 30 June 2013, AB Linas Agro Group controlled, either directly or indirectly, the following companies\*:

Company	Status	Share of the stock held by companies					Share of the stock held by the Group
		AB Linas Agro Group	AB Linas Agro	UAB Linas Agro Konsultacijos	UAB Linas Agro Grūdų Centras	UAB Dotnuvos Projektai	
AB Linas Agro	Subsidiary	100%					100%
Linus Agro A/S	Subsidiary		100%				100%
SIA Linas Agro	Subsidiary		100%				100%
UAB Linas Agro Grūdų Centras	Subsidiary		100%				100%
UAB Linas Agro Grūdų Centras KŪB**	Subsidiary	24.69%	75.29%		0.02%		100%
SIA Linas Agro Graudu Centrs	Subsidiary	UAB „Linus Agro“ Grūdų centras KŪB owns 100% shares of the company					100 %
UAB Lignineko	Subsidiary		100%				100%
UAB Linas Agro Konsultacijos	Subsidiary	100%					100%
UAB Lineliai	Subsidiary	100%					100 %
Panevėžys district Aukštadvario ŽŪB	Subsidiary			96.92%			96.92%
Sidabravo ŽŪB	Subsidiary			87.23%			87.23%
Šakiai district Lukšių ŽŪB	Subsidiary			98.82%			98.82%
Biržai district Medeikių ŽŪB	Subsidiary			98.39%			98.39%
Kėdainių rajono Labūnavos ŽŪB	Subsidiary			98.64%			98.64%
Užupės ŽŪB	Subsidiary	0.05%		99.95%			100%
UAB Paberžėlė	Subsidiary	Užupės ŽŪB owns 100% shares of the company					100%
ŽŪB Landvesta 1	Subsidiary	99.68%	0.32%				100%
ŽŪB Landvesta 2	Subsidiary	99.88%	0.12%				100%

Company	Status	Share of the stock held by companies					Share of the stock held by the Group
		AB Linas Agro Group	AB Linas Agro	UAB Linas Agro Konsultacijos	UAB Linas Agro Grūdų Centras	UAB Dotnuvos Projektai	
ŽŪB Landvesta 3	Subsidiary	99%	1%				100%
ŽŪB Landvesta 4	Subsidiary	86.5%	13.5%				100%
ŽŪB Landvesta 5	Subsidiary	96.12%	3.88%				100%
ŽŪB Landvesta 6	Subsidiary	88.94%	11.06%				100%
Noreikiškių ŽŪB	Subsidiary	99,9 %		0,1%			100%
ŽŪK KUPIŠKIO GRŪDAI	Subsidiary	Lukšių ŽŪB, Aukštadvario ŽŪB and Sidabravo ŽŪB holds 9.09%, Medeikių ŽŪB – 45.46%, AB Linas Agro – 27.27% shares of ŽŪK KUPIŠKIO GRŪDAI					97.72%
UAB Dotnuvos Projektai	Subsidiary	100%					100%
SIA DOTNUVOS PROJEKTAI	Subsidiary					100%	100%
AS Dotnuvos Projektai	Subsidiary					100%	100%
UAB Jungtinė Ekspedicija	Subsidiary	100%					100%
Karčemos kooperatinė bendrovė***	Subsidiary	UAB Linas Agro Grūdų centras KŪB owns 20% shares of the company					20%

\* Dormant companies UAB Gerera (100% shares owned by AB Linas Agro) and UAB Dotnuvos Technika (100% shares owned by UAB Dotnuvos Projektai) are not included.

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

\*\*\* The Group owns 20% shares of Karčemos kooperatinė bendrovė, but controls this company and consolidates in financial statements.

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

### SUBSIDIARIES IN LITHUANIA\*

Company name	Principal activities	Registration date, code of legal entity, legal form, company register	Contact data
AB Linas Agro	Wholesale trade of grains and oilseeds, feedstuffs and agricultural inputs supply	8/7/1991, Code of legal entity 1473 28026, public limited liability company, State Enterprise Centre of Registers	Smėlynės St. 2C, LT-35143 Panevėžys, Lithuania Ph. +370 45 507 333 fax +370 45 507 444 e-mail <a href="mailto:info@linasagro.lt">info@linasagro.lt</a> <a href="http://www.linasagro.lt">www.linasagro.lt</a> , <a href="http://www.rapsai.lt">www.rapsai.lt</a>
UAB Linas Agro Grūdų Centras	Management services	5/7/2002, Code of legal entity 148450944, private limited liability company, State Enterprise Centre of Registers	Smėlynės St. 2C, LT-35143 Panevėžys, Lithuania Ph. +370 45 507 365 fax +370 45 507 344 e-mail <a href="mailto:grudai@linasagro.lt">grudai@linasagro.lt</a>
UAB Linas Agro Grūdų Centras KŪB	Grain processing and storage	10/7/2002, Code of legal entity 148451131, limited partnership, State Enterprise Centre of Registers	Smėlynės St. 2C, LT-35143 Panevėžys, Lithuania Ph. +370 45 507 343 fax +370 45 507 344 e-mail <a href="mailto:grudu.centras@linasagro.lt">grudu.centras@linasagro.lt</a>
UAB Lignineko	Lignin biofuel stock operator	5/10/1994, Code of legal entity 134231520, private limited liability company, State Enterprise Centre of Registers	Smėlynės St. 2C, LT-35143 Panevėžys, Lithuania Ph. +370 45 507 333 fax +370 45 507 444 e-mail <a href="mailto:info@lignineko.lt">info@lignineko.lt</a>
UAB Linas Agro Konsultacijos	Management of subsidiary farming companies	23/6/2003, Code of legal entity 248520920, private limited liability company, State Enterprise Centre of Registers	The principal place of business: Kėdainių elevator, Žibuoklių St. 14, LT-57130 Kėdainiai, Lithuania. The registered address: Smėlynės St. 2C, LT-35143 Panevėžys, Lithuania Ph. +370 688 674 29 fax +370 347 415 28 e-mail <a href="mailto:konsultavimas@linasagro.lt">konsultavimas@linasagro.lt</a>
ŽŪB Landvesta 1	Rent and management of agricultural purposes land	21/10/2005, Code of legal entity 300501060, agricultural company, State Enterprise Centre of Registers	Smėlynės St. 2C, LT-35143 Panevėžys, Lithuania Ph. +370 45 507 406 fax +370 45 507 404 e-mail <a href="mailto:info@landvesta.lt">info@landvesta.lt</a>

Company name	Principal activities	Registration date, code of legal entity, legal form, company register	Contact data
ŽŪB Landvesta 2	Rent and management of agricultural purposes land	21/10/2005, Code of legal entity 300501085, agricultural company, State Enterprise Centre of Registers	Smėlynės St. 2C, LT-35143 Panevėžys, Lithuania Ph. +370 45 507 406 fax +370 45 507 404 e-mail <a href="mailto:info@landvesta.lt">info@landvesta.lt</a>
ŽŪB Landvesta 3	Rent and management of agricultural purposes land	21/10/2005, Code of legal entity 300501092, agricultural company, State Enterprise Centre of Registers	Smėlynės St. 2C, LT-35143 Panevėžys, Lithuania Ph. +370 45 507 406 fax +370 45 507 404 e-mail <a href="mailto:info@landvesta.lt">info@landvesta.lt</a>
ŽŪB Landvesta 4	Rent and management of agricultural purposes land	23/04/2007, Code of legal entity 300709428, agricultural company, State Enterprise Centre of Registers	Smėlynės St. 2C, LT-35143, Panevėžys, Lithuania Ph. +370 45 507 406 fax +370 45 507 404 e-mail <a href="mailto:info@landvesta.lt">info@landvesta.lt</a>
ŽŪB Landvesta 5	Rent and management of agricultural purposes land	16/8/2007, Code of legal entity 301019661, agricultural company, State Enterprise Centre of Registers	Smėlynės St. 2C, LT-35143 Panevėžys, Lithuania Ph. +370 45 507 406 fax +370 45 507 404 e-mail <a href="mailto:info@landvesta.lt">info@landvesta.lt</a>
ŽŪB Landvesta 6	Rent and management of agricultural purposes land	14/1/2008, Code of legal entity 301520074, agricultural company, State Enterprise Centre of Registers	Smėlynės St. 2C, LT-35143 Panevėžys, Lithuania Ph. +370 45 507 406 fax +370 45 507 404 e-mail <a href="mailto:info@landvesta.lt">info@landvesta.lt</a>
UAB Dotnuvos Projektai	Sale of seeds, agricultural machinery	5/3/1996, Code of legal entity 261415970, private limited liability company, State Enterprise Centre of Registers	Parko St. 6, Akademija, 58351 Kėdainių district, Lithuania Ph.+370 347 370 30 fax +370 347 370 40 e-mail <a href="mailto:info@dotnuvosprojektai.lt">info@dotnuvosprojektai.lt</a> <a href="http://www.dotnuvosprojektai.lt">www.dotnuvosprojektai.lt</a>
Noreikiškių ŽŪB	Rent and management of agricultural purposes land	16/8/2012, Code of legal entity 302841649, agricultural company, State Enterprise Centre of Registers	Žibartonių St. 70, Žibartoniai 38323 Panevėžio r., Lithuania Ph.+370 45 507 333 fax +370 45 507 444 e-mail <a href="mailto:noreikiskes@linasagro.lt">noreikiskes@linasagro.lt</a>
Užupės ŽŪB	Growing and sale of crop	6/4/2011, Code of legal entity 302612561, agricultural company, State Enterprise Centre of Registers	Smėlynės St. 2C, LT-35143 Panevėžys, Lithuania Ph. +370 45 507 333 fax +370 45 507 444 e-mail <a href="mailto:uzupe@linasagro.lt">uzupe@linasagro.lt</a>



Company name	Principal activities	Registration date, code of legal entity, legal form, company register	Contact data
UAB Paberžėlė	Rent and management of agricultural purposes land	30/6/2008, Code of legal entity 301772627, private limited liability company, State Enterprise Centre of Registers	Liaudės St.81, Užupės vill., Kėdainiai district, Lithuania Ph. +370 698 58583 e-mail <a href="mailto:uzupe@linasagro.lt">uzupe@linasagro.lt</a>
UAB Lineliai	Rent and management of agricultural purposes land	9/6/2012, Code of legal entity 302740714, private limited liability company, State Enterprise Centre of Registers	Smėlynės St. 2C, 35143 Panevėžys, Lithuania Ph. +370 45 507 406 Fax +370 45 507 404 e-mail <a href="mailto:lineliai@linasagro.lt">lineliai@linasagro.lt</a>
Šakiai district Lukšių ŽŪB	Mixed agricultural activities	30/10/1992, Code of legal entity 174317183, agricultural company, State Enterprise Centre of Registers	Lukšių vill. 2, LT-71176 Šakiai district, Lithuania Ph. +370 345 442 88 fax +370 345 442 25 e-mail <a href="mailto:luksiai@linasagro.lt">luksiai@linasagro.lt</a>
Kėdainiai district Labūnavos ŽŪB	Mixed agricultural activities	9/3/1993, Code of legal entity 161228959, agricultural company, State Enterprise Centre of Registers	Barupės St. 9, Labūnavos vill. LT-58173 Kėdainiai district, Lithuania Ph. + 370 347 34 4166 fax. + 370 347 34 180 e-mail <a href="mailto:labunava@linasagro.lt">labunava@linasagro.lt</a>
Biržai district Medeikių ŽŪB	Growing and sale of crop	5/10/1992, Code of legal entity 154771488, agricultural company, State Enterprise Centre of Registers	Biržų St.32, Medeikių vill., LT-41462 Biržai district, Lithuania Ph. +370 450 584 22 fax +370 450 584 12 e-mail <a href="mailto:medeikiai@linasagro.lt">medeikiai@linasagro.lt</a>
ŽŪK KUPIŠKIO GRŪDAI	Grain processing and storage	8/4/1999, Code of legal entity 160189745, co-operative society, State Enterprise Centre of Registers	Technikos St. 6D, LT-40122 Kupiškis, Lithuania Ph. +370 688 674 77 fax +370 688 67 471 e-mail <a href="mailto:info@kupiskiogrudai.lt">info@kupiskiogrudai.lt</a>
Panevėžys district Aukštadvario ŽŪB	Mixed agricultural activities	9/3/1993, Code of legal entity 168573274, agricultural company, State Enterprise Centre of Registers Register of Enterprises of Republic of Lithuania, VĮ Registrų centras	Pirties St. 3, Aukštadvario vill. LT-38255 Panevėžys district, Lithuania Ph./fax +370 45 592 651 e-mail <a href="mailto:aukstadvaris@linasagro.lt">aukstadvaris@linasagro.lt</a>

Company name	Principal activities	Registration date, code of legal entity, legal form, company register	Contact data
Sidabravo ŽŪB	Mixed agricultural activities	20/4/1993, Code of legal entity 171331516, agricultural company, State Enterprise Centre of Registers	Pergalės St. 1A, Sidabravas, LT-82251 Radviliškis district, Lithuania Ph. +370 422 477 27 fax +370 422 476 18 e-mail <a href="mailto:sidabravas@linasagro.lt">sidabravas@linasagro.lt</a>
UAB Jungtinė Ekspedicija	Logistics and forwarding services	17/2/1998, Code of legal entity 141642963, private limited liability company, State Enterprise Centre of Registers	I. Kanto g. 12-3, LT-92235 Klaipėda, Lithuania Ph. +370 46 310 163 fax +370 46 312 529 e-mail <a href="mailto:info@je.lt">info@je.lt</a> , <a href="http://www.je.lt">www.je.lt</a>
Karčemos kooperatinė bendrovė**	Grain processing and storage	9/3/2010, Code of legal entity 302487798, co-operative society, State Enterprise Centre of Registers	Šiaulių St. 72, Gustonių vill. LT-38355 Panevėžys district, Lithuania Ph. +370 45 454 051 fax +370 45 454 054 e-mail <a href="mailto:priemimas@karcemoskb.lt">priemimas@karcemoskb.lt</a>

\* *Dormant companies are not included:*

1. *UAB Gerera, private limited liability company, founded 15/1/1993, Code of legal entity 147676584, address Smėlynės St. 2C, LT-35143 Panevėžys, Lithuania, company register – State Enterprise Centre of Registers (Valstybės įmonė Registrų centras);*
2. *UAB Dotnuvos technika, private limited liability company, founded 25/6/1998, Code of legal entity 161452398, address Parko St. 6, Akademija, LT-58351 Kėdainiai district, Lithuania, company register – State Enterprise Centre of Registers (Valstybės įmonė Registrų centras).*

\*\* *The Group owns 20% shares of Karčemos kooperatinė bendrovė, but controls this company and consolidates in financial statements.*

## SUBSIDIARIES OPERATING IN FOREIGN COUNTRIES

Company name	Principal activities	Registration date, code of legal entity, company register	Contact data
Linus Agro A/S	Wholesale trade of grains and oilseeds, feedstuffs and other similar products and services	15/3/1994, Code of legal entity CVR 17689037, register of the company – Danish Commerce and Companies Agency	Vinkel Allé 1, DK-9000 Aalborg, Denmark Ph. +45 988 430 70 fax +45 988 440 07 e-mail <a href="mailto:info@linasagro.dk">info@linasagro.dk</a> <a href="http://www.linasagro.dk">www.linasagro.dk</a>

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 Republic of Latvia	Bauskas St. 2, LV-3001 Jelgava, Latvia Ph. +371 630 840 24 fax +371 630 842 24 e-mail <a href="mailto:info@linasagro.lv">info@linasagro.lv</a> , <a href="http://www.rapsim.lv">www.rapsim.lv</a>
SIA Linas Agro Graudu Centrs	Grain processing and storage	2/5/2013, Code of legal entity 43603059101, Register of Enterprises of Republic of Latvia	Bauskas St. 2, LV-3001 Jelgava, Latvija Ph. +371 630 840 24 fax +371 630 842 24 e-mail <a href="mailto:graudu.centrs@linasagro.lv">graudu.centrs@linasagro.lv</a>
SIA DOTNUVOS PROJEKTAI	Sale of seeds, agricultural machinery	26/04/2010, Code of legal entity 43603041881, Register of Enterprises of Republic of Latvia	The principal place of business: Jūrmalas iela 13C, Pinki, LV–2107 Babītes novads, Latvia. The registered address: Bauskas iela 2, LV-3001 Jelgava, Latvia. Ph. +371 679 131 61 fax +371 677 602 52 e-mail <a href="mailto:info@dotnuvosprojektai.lv">info@dotnuvosprojektai.lv</a> , <a href="http://www.dotnuvosprojektai.lv">www.dotnuvosprojektai.lv</a>
AS Dotnuvos Projektai	Sale of seeds, agricultural machinery	11/11/2010, Code of legal entity 12019737, Estonian Central Register of Securities (Eesti Väärtpaberikeskus AS)	Savimäe 7, Vahi 60534, Tartu vald., Estonia Ph. +372 661 2800 fax +372 661 8004 e-mail <a href="mailto:info@dotnuvosprojektai.ee">info@dotnuvosprojektai.ee</a> <a href="http://www.dotnuvosprojektai.ee">www.dotnuvosprojektai.ee</a>

## 5. ACTIVITY AND FINANCIAL RESULTS OF THE GROUP

# 53%

Consolidated revenue of AB Linas Agro Group amounted to LTL 2,043 million in 2012/2013 financial year and was 53% more as compared to the corresponding period of the previous year (LTL 1,338 million).

# 31%

The Group sold 1.77 million tons of various agricultural products and inputs for farming or 31% more as compared to previous year (1.35 million tons).

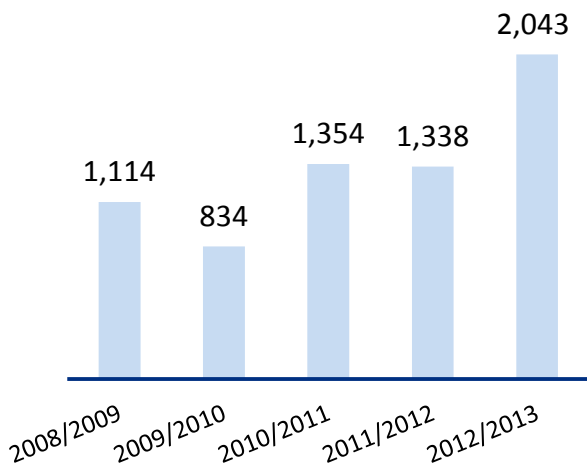
# 67%

Gross profit was record high and reached LTL 158 million or 67% more compared to LTL 95 million in 2011/2012 financial year.

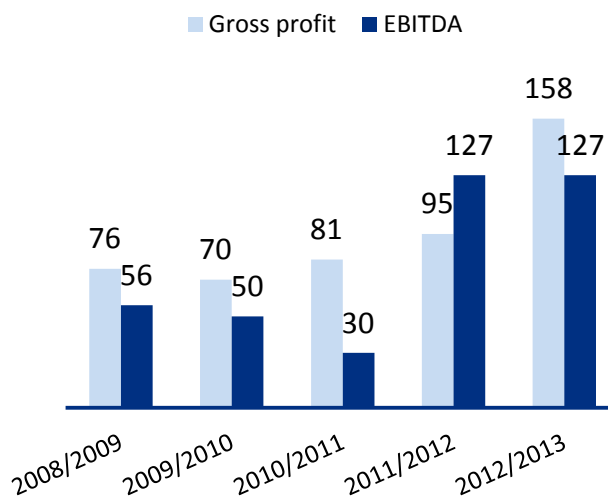
During the reporting period AB Linas Agro Group acquired farming company Kėdainiai district Labūnavos ŽŪB, logistics company UAB Jungtinė Ekspedicija, also the leading seller of seeds, agricultural machinery and grain storage equipment in Lithuania – UAB Dotnuvos Projektai.



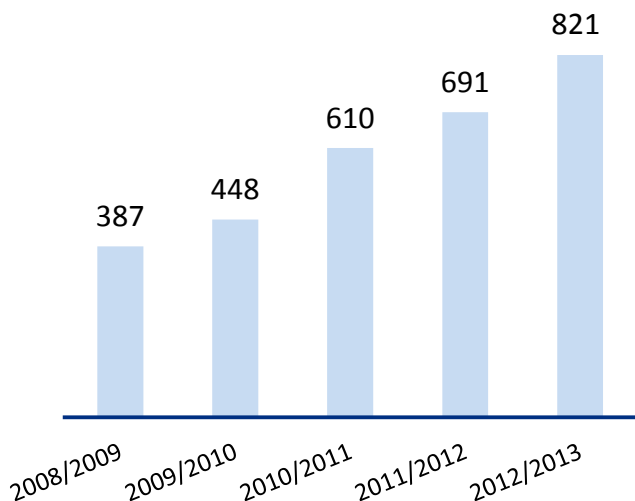
### REVENUE, LTL MILLION



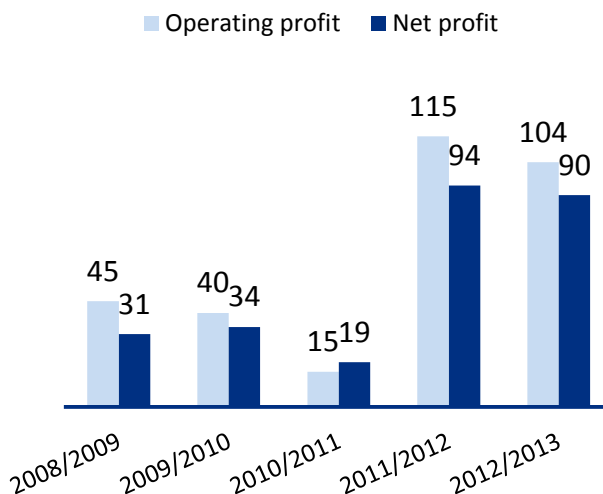
### EBITDA & GROSS PROFIT, LTL MILLION



### ASSETS, LTL MILLION



### OPERATING & NET PROFIT, LTL MILLION



## THE MAIN FINANCIAL RATIOS

	2009/2010	2010/2011	2011/2012	2012/2013	Change 2012/2013 compared to 2011/2012 (LTL in thousands)	Change 2012/2013 compared to 2011/2012 (%)
<b>Sales revenue (thousand LTL)</b>	<b>834,116</b>	<b>1,353,976</b>	<b>1,337,961</b>	<b>2,043,140</b>	<b>705,179</b>	<b>53%</b>
<b>Sales in tons</b>	<b>1,211,865</b>	<b>1,483,064</b>	<b>1,348,619</b>	<b>1,767,224</b>	<b>418,605</b>	<b>31%</b>
Gross profit (thousand LTL)	70,341	80,969	94,863	158,247	63,384	67%
<b>EBITDA (thousand LTL)</b>	<b>49,658</b>	<b>30,120</b>	<b>127,020</b>	<b>127,158</b>	<b>138</b>	<b>0.1%</b>
Operating profit (thousand LTL)	39,684	15,215	114,581	104,059	-10,522	-9%
Earnings before taxes EBT (thousand LTL)	39,988	14,522	115,576	101,105	-14,471	-13%
<b>Net profit (thousand LTL)</b>	<b>33,510</b>	<b>18,970</b>	<b>94,299</b>	<b>90,498</b>	<b>-3,801</b>	<b>-4%</b>
<b>Margins</b>						
Gross profit margin	8.43%	5.98%	7.09%	7.75%	0.66%	9%
EBITDA margin	5.95%	2.22%	9.49%	6.22%	-3.27%	-34%
Operating profit margin	4.76%	1.12%	8.56%	5.09%	-3.47 %	-41%
Earnings before taxes margin	4.79%	1.07%	8.64%	4.95%	-3.69%	-43%
Net profit margin	4.02%	1.40%	7.05%	4.43%	-2.62%	-37%
<b>Solvency ratios</b>						
Current ratio	1.95	1.44	1.78	1.76	-0.02	-1%
Financial debt / Equity ratio	0.53	0.81	0.65	0.47	-0.18	-28%
Net financial debt / EBITDA	2.10	7.28	1.38	1.35	-0.03	-2%
Return on equity (ROE)	12.72%	6.78%	26.48%	20.54%	-5.94%	-22%
Return on capital employed (ROCE)	10.60%	3.95%	20.02%	16.72%	-3.30%	-16%
Return on assets(ROA)	7.47%	3.11%	13.65%	11.02%	-2.63%	-19%
Basic and diluted earnings per share (LTL) (EPS)	0.30	0.12	0.56	0.57	0.01	2%
Price earnings ratio (P/E)*	6.23	14.56	3.10	4.42	1.32	43%

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

## INFORMATION ON THE GROUP'S PERFORMANCE RESULTS

Consolidated revenue of AB Linas Agro Group for the period from July 2012 to June 2013 was record high amounting to LTL 2,043 million. A record high harvest in the Baltic States, increasing grain prices in the international market and the consolidation of the new activities of the Group had the greatest positive impact on revenue growth. The Group's sales volume has increased by 31% and reached 1.8 million (1.3 million tons in 2011/2012 financial year). The Group's performance was successful: an increase in grain, oilseed and feedstuff sales was recorded, the revenue of agricultural companies of the Group and volume of services provided by grain elevators have been growing.

Most of the Group's revenue accounted for grain and feedstuff sales making LTL 1,632 million or 80% of the total Group's revenue while products and services for farming earned LTL 397 million (19% of total revenue). The major part of the production is sold abroad, trade with foreign countries accounted for 74% of total sales. The main export regions were European (43%) and Asian (30%) countries; 26% of income gained in Lithuania.

The Group was further strengthening its position in such strategic export markets as Scandinavian countries as well as expanding trade with Iran, Saudi Arabia, Germany and Poland. The Group has exported products to over 20 countries of the world; new export markets included Portugal, Azerbaijan, Uzbekistan and Algeria. Most of the goods were transported through the Baltic Sea ports: 1.4 million tons of freights were shipped through the above ports, including 1.1 million tons through the ports of Lithuania. Goods from Ukraine, Russia, Moldova and Romania have been shipped through the Black Sea ports with the total volume of sales amounting to 115 thousand tons. Approx. 160 thousand tons of products were shipped from West-European sea ports.

Due to the record high grain harvest in the Baltic States and the competitive positions of the Group in this region, the volume of grain sales has been growing the most. The Group has sold 0.8 million tons of wheat and 0.12 million tons of rapeseed, which is 139% and 15% more than the previous year. The volume of feedstuff sales has also increased (by 45%), which includes increase in suncake and rapecake sales by 37%, while sugar beet pulp pellets sales increased 2.2 times. Production volume of agricultural products has increased by 71% and amounted to LTL 80 million. Only the volume of sales in the segment of products and services for farming activities decreased and made LTL 397 million, which is 4% less comparing with 2011/2012 financial year (LTL 415 million). Drop in the sales in this business segments is explained by the sale of fertilizer business in Ukraine that took place in 2011/2012 financial year. Excluding the Ukrainian

fertilizer sales volume, segment's revenue has increased more than twice, from LTL 158 million to LTL 397 million.

All of the major business segments of the Group were profitable, therefore Group's gross profit increased from LTL 95 million to LTL 158 million. Gross profit margin increased from 7.09% to 7.75% and exceeded the average for the sector (5.5-6.0%). Grain and feedstuff sale had the greatest impact on the total profitability as it generated over half of gross profit of the Group. The Group's operating profit amounted to LTL 104 million, which is 9% less than for the previous year (LTL 115 million). However, excluding the revenue gained during 2011/2012 financial year from the disposal of Ukrainian fertilizer trading company PJ-SC UKRAGRO NPK, the Group's operating profit increased twice. The Group's earnings before taxes (EBT) amounted to LTL 101 million, which made 13% less than in 2011/2012 financial year (LTL 116 million).

Earnings before interest, taxes, depreciation, and amortization (EBITDA) remained almost unchanged, amounting to LTL 127.2 million (LTL 127.0 million during 2011/2012 financial year). High profitability of the Group shows that the Group managed to take advantage of the favorable market situation in the region: It successfully used its long-term experience and expertise in the domestic and export markets. The Company's net profit attributed to shareholders amounted to nearly LTL 90 million, which is 1% higher than during 2011/2012 financial year (LTL 89 million). Excluding the impact of the Ukrainian company's sales on the financial results for the previous year, the Group's net profit almost doubled, from LTL 44 million to LTL 90 million.

The gross profit from the main activities of the Group companies AB Linas Agro, Linas Agro A/S and SIA Linas Agro, which is grain, oilseed and feedstuff trading, increased 1.8 times and amounted to LTL 101 million ( LTL 56 million during the previous year). The performance results of these companies determined the overall profitability of the Group. Nearly all of the Group companies were profitable.

Cost of the Group's goods sold has increased as a result of increased sales volume and higher market prices of products from LTL 1,243 million to LTL 1,885 million. The cost of inventories has increased from LTL 1,136 million to LTL 1,716 million. Due to increased sales volumes logistics costs also increased, which accounts for up to 7% of total cost of the Group's products and services. They increased by 41% during the reporting period making LTL 126 million (LTL 89 million during 2011/2012 financial year). Group's consolidated operating expenses amounted to LTL 80 million, which is 63% higher compared with the previous corresponding period (LTL 49 million). Increase in costs was mainly influenced by the acquisition of new businesses and their consolidation in the Group. Other operating income amounted to LTL 29 million



due to successful acquisitions of subsidiaries – agricultural company Kėdainiai district Labūnavos ŽŪB, UAB Dotnuvos Projektai (LTL 62 million during 2011/2012 financial year). The value of the assets of the companies acquired, compared with the acquisition price, was considerably higher, which had a major impact on other operating revenue. This also shows that the Group's investment policy has been successful, aiming an increase of the long-term value for the shareholders of the Group.

The Group has experienced nearly LTL 7.1 million losses from its financial and investment activities. The major share of the financial costs is attributed to the interest expenses, which decreased from LTL 9.8 million to LTL 8.4 million. Having free funds as a result of disposal of subsidiary in Ukraine, the Group successfully invested them in working capital and short-term money market instruments, as a result, despite a doubled increase in the Group's demand for working capital, the Group's interest expenses have decreased.

The Group continued to successfully implement its investment program. The main investment directions were focused on the improvement of commercial activities in the Baltic region, the development and modernization of grain elevators, the development of agricultural companies and the purchase of arable lands.

The Group has expanded the network of elevators, by increasing the storage capacity up to 194 thousand tons. During 2012/2013 financial year the Group's grain storage facilities were expanded by 25.5 thousand tons; up to LTL 18 million was invested in the development of the above elevators in Joniškis and Pasvalys. At the end of 2012, the Company together with partners launched a new grain elevator in Gustonys, Panevėžys district, capable to store almost 17 thousand tons of grain. Farmers' Service Center was purchased in Vilkaviškis, land plot with warehouse was purchased and reconstruction of the elevator was completed in Kupiškis. In addition the Group purchased land plot for further development of elevators network, investing the total of LTL 5 million. Expanded warehousing facilities and renewed equipment increased network efficiency and allowed to process larger quantities of grain and rapeseed. Currently, the Group owns one of the largest and modern networks of elevators in Lithuania.

In fall 2012 reconstruction of UAB Dotnuvos Projektai Plungė branch, which cost LTL 2 million, was completed.

Agricultural land management companies owned by the Group have expanded agricultural land area up to 4.2 thousand hectares by purchasing around 297 hectares of arable land.

By means of consistent implementation of the approved market development strategy, the Group acquired one of the most profitable agricultural companies in Lithuania – Kėdainiai district Labūnavos ŽŪB,

thereby enlarging the number of the companies managed up to six. All the agricultural companies of the Group are currently cultivating almost 14 thousand hectares land area, altogether harvest approximately 70 thousand tons of various grains. Their consolidated revenue amounts to about LTL 80 million. The Group's agricultural companies continue to be one of the largest milk suppliers in Lithuania, delivering about 16 thousand tons of milk per year.

Having purchased the rest 50% of the shares of UAB Dotnuvos projektai, the Group has become one of the strongest suppliers with the widest range of goods and services for Lithuanian farmers, improved its positions in Latvia and entered into Estonian market. Acquisition of UAB Dotnuvos Projektai has increased consolidated revenue the Group by almost LTL 202 million.

## CASH FLOWS AND LIQUIDITY

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

As at the balance-sheet date, the Group had LTL 34 million in cash and cash equivalents (in 2011/2012 they were LTL 55 million), its current solvency ratio amounted to 1.8. Debt and equity ratio amounted to 0.47 (0.7 during previous year). The Group's relative net debt to EBITDA ratio remained low, the same as during 2011/2012 financial year and amounting to 1.4. The Group's solvency and liquidity ratios remain on a highly secure level, conditioned by profitable activity of the Group and its ability to manage the commercial risk. The Group's financial debts (excluding financial lease obligations) amounted to a total of approx. LTL 198 million (LTL 226 million during 2011/2012 financial year), 16% of them were long-term debts. The Group's short-term debts, most of which were allocated to finance the working capital, were covered with inventories, accounts receivable, cash, property, plant and equipment, investment property and biological assets. If the Group gets the permission of Latvian Competition Authority to purchase Latvian poultry farming companies, long-term loans share in total loans during 2013/2014 financial year may grow because the Group will use long-term loans to finance the acquisition.

The Group's cash flow from operating activities before the changes in working capital has increased up to LTL 103 million, compared with LTL 61 million during the corresponding period of the previous year. Cash flows from operating activities after changes in working capital amounted to LTL 108 million (during the respective period of 2011/2012 financial year they amounted to LTL 44 million). The Group's cash flow from investment activities was negative, amounting to LTL 38 million (LTL 12 million during 2011/2012 financial

year). This is explained by an active investment policy of the Group and acquisition of new companies (Kėdainiai district Labūnavos ŽUB, UAB Jungtinė Ekspedicija and UAB Dotnuvos Projektai). All the companies managed by the Group have been investing as well – network of grain elevators was expanded, long-term assets of agricultural companies were renewed, and agricultural land was being purchased.

The Group's cash flows from financial activities were negative, amounting to LTL 90 million, which was affected by repayment of financial loans (LTL 175 million).

AB Linas Agro Group is fully capable of funding its own operating and investment activities. The Group finances its working capital in three banks – AB SEB Bankas, BNP PARIBAS (Suisse) SA and ABN AMRO Bank N.V. The total amount of credit facilities of the above banks exceeds LTL 300 million.

## PERFORMANCE RESULTS OF THE SEGMENTS

With the new business, sales of agricultural equipment, grain storage facilities and forest machinery, coming into the Group, also with the prospect of new business after Latvian poultry companies are acquired by the Group, the Board of AB Linas Agro Group made the decision No 4 on 9 September 2013, to increase the size of the existing business segments by combining several activities of the Group. Four new business segments and one estimated operational segment has been approved:

1. Grain and feedstuff handling and merchandising (previously Grain and oilseeds). Segment will combine the former segments Grains and Oilseeds and Feedstuffs, also grain storage and logistics services are added from the former segment Other Products and Services.
2. Products and services for farming (previously Agricultural inputs). Segment will combine the former segment Agricultural inputs and the newest activity segment– Machinery and Equipment.
3. Agricultural production (former segment – Farming). There are no changes in latter segment.
4. Other (previous name Other products and services). Grain storage and logistics services excluded from the segment. It includes not significant activities, not attributable to other segments.
5. Food products (prospective segment). This segment will appear in 2013/2014 financial year after the Company acquires Latvian poultry companies.

**OPERATING PROFIT (LOSS) BY ACTIVITY SEGMENTS , THOUSAND LTL**

	2012/2013	2011/2012	2010/2011	2009/2010
Grain and feedstuff handling and merchandising	80,723	31,727	(15,851)	29,873
Products and services for farming	26,396	89,202	26,504	9,717
Agricultural production	28,425	8,621	15,475	5,856
Other	(247)	1,540	2,158	3,218

**GRAIN AND FEEDSTUFF HANDLING AND MERCHANDISING**

This business segment includes grains, oilseeds and feedstuffs handling, transportation, international trading and wholesale. The Group has been operating in this field since 1991. This activity generates most of the Group's revenue.

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

"Oilseeds" means rapeseed, sunflower and flax seeds.

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

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

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

Main financial indicators	2009/2010	2009/2010	2010/2011	2012/2013	Change 2012/2013 compared to 2011/2012 (thousand LTL)	Change 2012/2013 compared to 2011/2012 (%)
Sales in tons	1,054,590	941,875	962,970	1,541,250	578,280	60%
Sales revenue (thousand LTL)	729,507	870,230	906,490	1,631,876	705,047	76%
Gross profit (thousand LTL)	45,836	14,760	42,629	100,915	58,286	137%
Gross profit margin	5.1%	6.0%	4.6%	6.2%	1.6%	35%

Sales revenue of one of the most important and largest segment of the Group's activity amounted to LTL 1,632 million (LTL 906 million during 2011/2012) and operating profit amounted to LTL 81 million (LTL 32 million during 2011/2012 financial year).

The volume of sales in the segment amounted to 1,541 thousand tons, which is 60% higher than during previous years (963 thousand tons). Over one million tons of grain were sold, which is 70% more than last year. The increase was primarily attributable to a record high grain harvest in the Baltic States and the Group's ability to buy grains and oilseeds in a fast and flexible manner.

Feedstuff sales volume amounted to 534 thousand tons, which is 44% higher than during the corresponding period of the previous year (371 thousand tons). Sales volume has been growing due to the increased demand for these products in Poland, the Baltic States and Western European countries, as well as long-lasting Group's performance on the marker.

Revenue from grain elevators went up from LTL 22 million to LTL 37 million. The grain elevators processed and prepared for export approximately 558 thousand tons of different grains, i.e. 54% more than during the corresponding period of the previous year (363 thousand tons).

The segment's gross profit amounted to LTL 101 million, which is 2.3 times higher than during 2011/2012 financial year (LTL 43 million). Gross profit margin increased to 6.2% compared with 4.6% in the previous year.

## PRODUCTS AND SERVICES FOR FARMING

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

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

Supply of agricultural machinery is a new business activity, which originated during the current financial year, when the Group obtained 50% of UAB Dotnuvos Projektai share, by increasing ownership interest up to 100%. This activity includes wholesale and retail trade of new and used agricultural and forest machinery and spare parts, as well as design and installation of grain cleaning, drying and storage facilities. The same business is developed in three countries – Lithuania, Latvia and Estonia. Operating results of UAB Dotnuvos Projektai are consolidated in the Group since October 2012.

### PERFORMANCE RESULTS OF PRODUCTS AND SERVICES FOR FARMING SEGMENT

Main financial indicators	2009/2010	2009/2010	2010/2011	2012/2013	Change 2012/2013 compared to 2011/2012 (thousand LTL)	Change 2012/2013 compared to 2011/2012 (%)
Sales in tons	95,595	450,006	333,469	144,197	(189,272)	-57 %
Sales revenue (thousand LTL)	101,644	481,260	414,929	396,765	(18,164)	-4 %
Gross profit (thousand LTL)	12,638	44,593	38,396	40,341	1,944	5 %
Gross profit margin	12.4 %	9.3 %	9.3 %	10.2 %	-0.9 %	11 %

Products and services for farming remains the second largest activity, its revenue amounted to LTL 397 million, which is 4% lower than during previous year (LTL 415 million). The reduction in sales revenue was influenced by the sale of fertilizers business in Ukraine in 2011/2012 financial year. Excluding the Ukrainian fertilizers, fertilizers sales volume in litas increased by 47%. Sale of plant protection products increased by 41%, sale of certified seed increased over 3 times.

During the reporting period, the Group has sold 776 units of new agricultural machinery and equipment as well as 22 units of second hand equipment. 12 grain elevators were installed or reconstructed.

UAB Dotnuvos Projektai agricultural machinery sales during the reporting period (from 1 October 2012 to 30 June 2013), compared to the same period of the previous financial year, increased by 45%; grain storage facilities sale went up by 121%, while spare parts sale increased by 38%.

The total operating profit of the segment amounted to LTL 26 million. Again, the decrease was influenced by selling fertilizers business in Ukraine (operating profit in 2011/2012 financial year made LTL 89 million). The segment's gross profit amounted to almost LTL 40 million, which was 5% higher compared to the previous year (LTL 38 million).

## AGRICULTURAL PRODUCTION

This segment covers primary agricultural production: milk and meat production as well as cultivation of grains, rapeseed and sugar beet. The group owns six agricultural companies, located in fertile lands of Lithuania – Panevėžys district Aukštadvario ŽŪB, Kėdainiai district Labūnavos ŽŪB, Šakiai district Lukšių ŽŪB, Biržai district Medeikių ŽŪB, Užupės ŽŪB and Sidabravo ŽŪB.

Agricultural companies supply part of resources required for Grain and Feedstuff segment.

## PERFORMANCE RESULTS OF AGRICULTURAL PRODUCTION SEGMENT

Main financial indicators	2009/2010	2009/2010	2010/2011	2012/2013	Change 2012/2013 compared to 2011/2012 (thousand LTL)	Change 2012/2013 compared to 2011/2012 (%)
Sales in tons	42,335	41,221	42,907	77,484	34,577	81%
Sales revenue (thousand LTL)	31,021	39,446	47,034	80,467	33,433	71%
Gross profit (thousand LTL)	8,694	19,247	12,272	16,885	4,613	38%
Gross profit margin	28%	48.8%	26.1%	21%	-5.1 %	-20%

This financial year has been successful for the Group's agricultural companies. Conditions were favorable for crop production: yields and prices for grains were high. Buying-in prices for milk and meat were also rising. Operating revenue for the segment due to record-high grain harvest in Lithuania and purchase of agricultural company Kėdainiai district Labūnavos ŽŪB increased from LTL 47 million to LTL 80 million. The segment's operating profit amounted to LTL 28 million (LTL 8.4 million in 2011/2012).

The companies of the Group produced 35 thousand tons of wheat, 11 thousand tons of malting barley, over 10 thousand tons of rapeseed, over 5.5 thousand tons of triticale and other cereals. During the reporting period, 16 thousand tons of milk of 2,244 dairy cows were sold.

During the reporting period, the Group has been actively investing in the modernization of the agricultural companies, renewed the agricultural machinery fleet, renovated dairy farms, expanded cultivated land area by allocating LTL 8 million, including investment in amount of of LTL 6.5 million to agricultural machinery stock for purchase of tractors, trucks and agricultural implements.

During the financial year, the Group had purchased 353 hectares of agricultural land, sold 56 hectares, therefore, the land area managed by the Group increased by 297 hectares. Furthermore, after the purchase of agricultural company Kėdainiai district Labūnavos ŽŪB, the total cultivated area of the Group has increased up to 14 thousand hectares.

The average yield of winter wheat in the companies managed by the Group in 2012 amounted to 7.2 t/ha (Lithuanian average yield was 5.17 t/ha), yield of spring wheat amounted to 5.7 t/ha (Lithuanian average was 3.89 t/ha), winter oilseed rape – 4.77 t/ha (Lithuanian average was 3.4 t/ha), spring barley - 6 t/ha (Lithuanian average was 3.38 t/ha).

The Group's agricultural land management companies are members of the associations of users of land reclamation systems. Together with the other members and partners – Šakiai District Municipality and Radviliškis District Municipality – they have been participating in "Agricultural Water Management" program of the activity sphere of the measure "Development of Agriculture and Forestry and Adaptation Infrastructure" of Lithuanian Rural Development Program 2007-2013. In September 2012, these associations have signed support agreement with the National Paying Agency under the Ministry of Agriculture for allocation of 2.07 million LTL support for the implementation of reconstruction of land reclamation systems belonging to the Association's members. It is estimated that after completion of the project reclamation systems on nearly 200 hectares of land will be reconstructed.

## **OTHER**

This segment includes all other activities, which cannot be assigned to either one of the three main segments referred to above. This segment includes solid biofuel sale and sales of other products and services.



## PERFORMANCE RESULTS OF OTHER SEGMENT

Main financial indicators	2009/2010	2009/2010	2010/2011	2012/2013	Change 2012/2013 compared to 2011/2012 (thousand LTL)	Change 2012/2013 compared to 2011/2012 (%)
Sales in tons	19,245	49,962	9,273	4,293	(4,980)	-54%
Sales revenue (thousand LTL)	9,013	12,667	9,142	10,738	1,596	17%
Gross profit (thousand LTL)	3,172	2,368	1,540	107	(1,433)	-93,1%
Gross profit margin	35.2%	18.7%	16.8%	1.0%	-15.8%	-94,0%

This segment's operating revenue amounted to LTL 11 million, which is 17% higher than during 2011/2012 financial year (LTL 9 million). The segment's gross profit amounted to LTL 0.1 million, which is significantly lower than profit comparing with the previous year (LTL 1.6 million). The main income of this segment consists of sales of raw lignin for biofuel production. To promote sales of this product, the Group has invested in specialized equipment and infrastructure for mining and processing of lignin raw material. Therefore, due to small amounts sold on trial and large initial costs of the infrastructure development, the segment's activity was loss-making and amounted to LTL 0.2 million of loss. The sales volume of lignin raw materials for biofuel production has not been high because the product was and is currently used only to test technological equipment at the Group's and consumers' site.

## INVESTMENTS

The Group has spent over LTL 56 million for the acquisition of subsidiaries (Kėdainiai district Labūnavos ŽŪB, UAB Dotnuvos Projektai, UAB Jungtine Ekspedicija).

During the reporting period the Group's subsidiaries have invested nearly LTL 39 million.

Major investments of the Group by character:

Investment object	Investment amount, thousand LTL
Grain storage equipment, warehouses, buildings, various appliances and other machinery	22,400
Purchase and upgrade of agricultural machinery, vehicles, equipment, buildings and purchase of land	15,900
Other investment	500

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

### THE PUBLICLY DISCLOSED INFORMATION

During the reporting period ended 30 June 2013, the Company publicly disclosed and distributed via NASDAQ OMX GlobeNewswire system and in Company's website the following information:

AB Linas Agro Group notification about interim nine months financial results of the financial year 2012/2013	Interim information	2013-05-29 09:06:31 EEST
Regarding resignation of the Board member of the Company	Notification on material event	2013-05-02 09:00:30 EEST
AB Linas Agro Group took over management of UAB Jungtine Ekspedicija	Notification on material event	2013-03-15 09:00:32 EET
AB Linas Agro Group notification about interim six months financial results of the financial year 2012/2013	Interim information	2013-02-28 09:00:32 EET
Notice on sales of own shares	Notification on material event	2013-01-14 09:00:30 EET
AB Linas Agro Group is planning to acquire 54.95% shares of UAB Jungtine Ekspedicija	Notification on material event	2012-12-28 09:00:31 EET
Notice on acquisition of own shares	Notification on material event	2012-12-28 08:09:31 EET
Notice on acquisition of own shares	Notification on material event	2012-12-06 08:13:32 EET
AB Linas Agro Group notification about interim three months financial results of the financial year 2012/2013	Interim information	2012-11-30 09:00:32 EET

AB Linas Agro Group investor's calendar for the end of 2012 and 2013	Other information			2012-11-21 09:09:32 EET
Procedure for the payout of dividends for the financial year ended 30 June 2012	Notification on material event			2012-10-26 08:39:35 EEST
AB Linas Agro Group notification about the Annual information of the financial year 2011/2012	Annual information			2012-10-26 08:30:37 EEST
Results of voting of Annual General Meeting of AB Linas Agro Group, held on 25 of October, 2012	Notification on material event			2012-10-26 08:26:35 EEST
AB Linas Agro Group took over management of UAB Dotnuvos Projektai	Notification on material event			2012-10-12 09:00:32 EEST
Notice on Annual General Meeting of Shareholders of AB Linas Agro Group	Notification on material event			2012-10-03 09:00:32 EEST
AB Linas Agro Group notification about interim twelve months financial results of the financial year 2011/2012	Interim information			2012-08-30 10:05:32 EEST
AB Linas Agro Group is planning the purchase of 50% of shares of UAB Dotnuvos Projektai	Notification on material event			2012-08-06 11:48:30 EEST
Linas Agro Group acquired Labūnavos agricultural company	Notification on material event			2012-07-16 09:00:30 EEST

## OTHER EVENTS DURING THE REPORTING PERIOD

On 2 May 2013 UAB Linas Agro Grūdų centras KŪB established subsidiary in Latvia SIA Linas Agro Graudu Centrs.

On 25 April 2013 AB Linas Agro Group signed agreement on acquisition of 87% of shares in Latvian company AS Putnu fabrika Kekava.

On 17 January 2013 AB Linas Agro Group sold part (7,028 units) of acquired own common shares.

On 15 January 2013 SIA BUVNIECIBAS DIZAINA GRUPA was affiliated to SIA DOTNUVOS PROJEKTAI by the way of reorganization.

On 2 January 2013 UAB Labūnava 2 was renamed into UAB Lineliai, also registration address of the company and the start of the financial year was changed. On 13 March 2013 share capital increased from LTL 10,000 to LTL 60,000.

On 18 December 2012 UAB EDFERMUS 2 renamed into UAB Paberžėlė and authorized capital of the company increased from LTL 10,000 to LTL 271,000.

In August and November 2012 the share capital of UAB Linas Agro Konsultacijos increased from LTL 3,109,000 to LTL 10,144,600.

On 1 November 2012 UAB Linas Agro Konsultacijos additionally purchased LTL 1,041 worth of shares of Šakiai district Lukšių ŽŪB.

On October and November months of 2012 share capital of ŽŪB Landvesta 4 increased from LTL 426,000 to LTL 437,000.

On October and November months of 2012 UAB Linas Agro Konsultacijos additionally purchased LTL 219,365.6 worth of shares of Sidabravo ŽŪB.

On 23 October 2012 share capital of ŽŪB Landvesta 6 increased from LTL 310,000 to LTL 320,000.

On 16 August 2012 Noreikiškių ŽŪB was established. Share capital of the company was increased several times from LTL 10,000 to LTL 1,009,000 during financial year 2012/2013.

On 31 July 2012 share capital of Užupės ŽŪB increased from LTL 10,000 to LTL 6,314,000.

On 12 July 2012 AB SEB bank increased credit limit to AB Linas Agro from LTL 103 to LTL 149.8 million.

## SUBSEQUENT EVENTS

On 1 August 2013 share capital of UAB Lineliai was increased from LTL 60,000 to LTL 1,060,000.

On 24 July 2013 SEB bank has increased its credit limit issued a year before to AB Linas Agro by LTL 50 million to LTL 200 million.

On 22 July 2013 a subsidiary of AB Linas Agro Group UAB Linas Agro Konsultacijos signed purchase agreement on acquisition of 100% of shares of UAB Žemės Ūkio Investicijos that owns farming company and took over ownership of these shares on 5 September, 2013.

On 2 July 2013 AB Linas Agro Group signed agreements on acquisition of 100% of shares in Latvian company SIA Broileks, acquisition of 100% of shares in Latvian company SIA Cerova and acquisition of 100% of shares in Latvian company SIA Lielzeltini.

## 7. SCOPE OF RISK AND MANAGEMENT THEREOF

### 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 Company from receiving surplus profit. In a market situation when grain purchase prices fall due to certain reasons, intervention prices are used as a leverage to uphold a certain price level and thus to ensure guaranteed income to farmers. When intervention prices are higher than or identical to market prices, the Group sells the purchased grains to the agency and thus earns certain income which under regular market conditions would be lower than market prices. Starting from 2005, intervention prices are set by the EU and are calculated for two years in advance. The mechanism has not been applied so far; however, if intervention prices were applied, the Group would have been deprived of surplus profit.

In FY 2012/2013 this risk did not manifest itself as regards the Company and the Group.

### RISK RELATED TO ACTIVITIES OF SUBSIDIARIES

The companies controlled by the Group are involved in trade in agricultural goods, implementation of crop programs, warehousing of agricultural products and other activities. Although operations of a majority

of controlled companies are profitable, negative changes in the markets, where the parent company and controlled companies operate, may affect its profitability. Managers constantly monitor and analyse the activities of the Group companies, their essential transactions, provide budgets of activities of the controlled companies to the Group management and, correspondingly, control their execution and material changes.

In FY 2012/2013 this risk did not manifest itself as regards the Company and the Group.

## **POLITICAL RISK**

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

In FY 2012/2013 this risk did not manifest itself as regards the Company and the Group.

## **SOCIAL RISK**

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

In FY 2012/2013 this risk did not manifest itself as regards the Company and the Group.

## **COUNTERPARTY RISK**

The Group enters forward contracts with more than 1,300 clients who commit the delivery of production under terms and conditions of the contract. As the prices of products increase, the risk of breach of forward contracts and non-delivery of production by counterparties emerges. The bigger the difference between the contract price and the current market price on the day of delivery, the higher is the risk.

In 2012/2013 financial year, the Group according its risk management policy has been using risk management mitigating tools for forward purchases. No loss has been recorded for the year ended 30 June 2013, as the situation in the market was positive for such forward purchases. Additionally the Group has revised and stringent the terms of its purchase agreements, continuously monitored, controlled and analyzed probable scenarios for losses (for example, setting limits on forward contracts, evaluation and assessment of client's credit rating, capacity of cultivated land etc.).

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.

In FY 2012/2013 this risk did not manifest itself as regards the Company and the Group.

## 8. EMPLOYEES

As at 30 June 2013 the number of employees of the Group was 1,039 or 444 employees more as at 30 June 2012 (at that time was 595). This increase was conditioned by acquisition of UAB Dotnuvos Projektai (companies in Lithuania, Latvia, Estonia), Kėdainiai district Labūnavos ŽŪB and UAB Jungtinė Ekspedicija (additionally 398 employees).

As at 30 June 2013 the number of employees of the Company remained unchanged and was 9 (9 as at 30 June 2012).

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

	The number of employees at the end of financial year		Average monthly salary before taxes in LTL	
	30 June 2013	30 June 2012	30 June 2013	30 June 2012
Managers	73	43	8,147	6,713
Specialists	405	184	4,288	3,708
Workers	561	368	2,440	1,913
<b>Total for the Group</b>	<b>1,039</b>	<b>595</b>		

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

	30 June 2013	30 June 2012
Graduate academic	339	181
Higher education	197	110
Secondary education	457	281
Primary	46	23
<b>Total for the Group</b>	<b>1,039</b>	<b>595</b>

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

	30 June 2013	30 June 2012
Lithuania	956	577
Latvia	49	12
Estonia	28	–
Denmark	6	6
<b>Total for the Group</b>	<b>1,039</b>	<b>595</b>

AB Linas Agro Group has no collective agreement.

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

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

## 9. STRUCTURE OF THE AUTHORISED CAPITAL

The authorised capital of the Company amounts to LTL 158,940,398 (one hundred and fifty-eight million, nine hundred and forty thousand, three hundred and ninety-eight litas). The authorized capital of



the Company is divided into 158,940,398 ordinary registered non-certificated shares. The nominal value of one share is LTL 1.00 (one litas).

Type of shares	Number of shares	Nominal value (LTL)	Total nominal value (LTL)	Portion in the authorised capital (%)
Ordinary registered shares	158,940,398	1	158,940,398	100
<b>Total</b>	<b>158,940,398</b>	-	<b>158,940,398</b>	<b>100</b>

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

All shares issued by the Company grant equal rights to the Company's shareholders. The Company has not issued any shares of a class other than the aforementioned ordinary shares.

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

Following the Resolution of the General Meeting of Shareholders from October 27, 2011 and the decision of the Board from December 5, 2012 concerning the procedure of purchase of own shares of the Company, the Company acquired 800,000 own shares with a nominal value of 800,000 litas (0.5% of the Company's share capital) in December, 2012.

On 11 January, 2013 the Board of the Company approved the procedure how Company's shares are to be transferred and organized the sale of 7,028 shares of the Company in January 2013.

At the end of the reporting period, the Company holds 790,972 units of Company's shares with a nominal value of LTL 790,972, which do not grant the right to vote in the General Meeting of Shareholders.

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

## 10. SHAREHOLDERS

As at the end of the reporting period, i.e. 30 June 2013, the number of the Company's shareholders totalled to 1,065.

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

Investors	Number of shares	Portion in the authorised capital and voting rights
<b>Non-resident investors</b>	<b>124 231 218</b>	<b>78,16%</b>
Companies	123 338 672	77,60%
Individuals	892 546	0,56%
<b>Resident investors</b>	<b>34 709 180</b>	<b>21,84%</b>
Companies	2 795 302	1,76%
Individuals	31 913 878	20,08%
<b>Total</b>	<b>158 940 398</b>	<b>100,00%</b>

The shareholders controlling more than 5% of the Company’s shares and/or votes in the General Meeting of shareholders:

	Financial year ended on 30 June 2013	
	Number of shares held	Portion in the authorised capital and voting rights
Akola ApS (Company Code 2517487; registration address: Sundkrogsgade 21, DK-2100 Copenhagen, Denmark)	87,784,443	55.23%
Darius Zubas	17, 049,995	10.73%
Skandinaviska Enskilda Banken (Sweden) clients	15,131,697	9.52%
Swedbank AS (Estonia) clients	9, 824,712	6.18%

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

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

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

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

The Company's bodies shall be as follows:

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

The Supervisory Board shall not be formed in the Company.

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

1. The activities of all bodies of the Company should be focused on the implementation of the strategic goals of the Company taking into account the need of increasing the equity of the Company's shareholders.

2. The Company's management and supervisory bodies should maintain close mutual cooperation seeking maximum possible benefit to the Company and shareholders.

3. The Company's bodies should ensure that not only the rights and interests of the shareholders would be respected, but also those of other persons participating in the activities of the Company or related to those activities (employees, creditors, suppliers, customers, and local communities).

4. A member of a management body of the Company may not use the assets of the Company for private purposes, the use whereof was not discussed with him/her specifically, with his/her own assets or to use such assets or information received by such person in the capacity of a member of a body of the Company for personal benefit or for the benefit of a third person without consent of the Board of the Company.

5. A member of a management body of the Company should refrain from voting when decisions related to transactions or other issues, wherewith he/she is related by personal or business interest, are to be adopted.

6. The Company's bodies should act in a fair, diligent and responsible manner in respect to the benefits and interests of the Company and its shareholders taking into account the interests of the employees and public welfare.

7. The Company's management bodies, when adopting decisions assigned to their competence, should follow the recommendations specified in the Management Code for companies listed on NASDAQ

OMX Vilnius Stock Exchange as far as it is reasonable and relevant according to the activities carried out by the Company and its objectives.

## GENERAL MEETING OF SHAREHOLDERS

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

In addition to the exclusive rights of a general meeting of shareholders specified in Article 20 of the Law of the Republic of Lithuania on Companies, the Company's General Meeting of Shareholders, with the right of consultative vote (which is not obligatory unless it is approved by the Company's Board) shall consider and approve, at an Annual General Meeting of Shareholders, the following:

1. The Company's Remuneration Policy or any material change in the Company's Remuneration Policy as well as the report on the Remuneration Policy;
2. Schemes (including changes thereof), under which the Head of the Company and Board Members of the Company are to be remunerated in the form of the Company's shares, share options or other rights for the acquisition of shares, or are to be remunerated on the basis of changes in share prices. The approval should be related to the scheme itself, and the shareholders shall not be entitled to decide on the share-based benefit to be granted to separate persons according to that scheme;
3. In addition to the aforementioned schemes and changes thereof:
  - a. Allocation of the remuneration to the Head of the Company and Board Members of the Company on the basis of share-based schemes including share options;
  - b. Establishment of the maximum number of shares and basic conditions of the procedure for the granting of shares;
  - c. The period during which options can be exercised;
  - d. Conditions for establishing the change in the price of each further exercise of options provided that it is allowed by laws;
  - e. All other long-term schemes for the motivation of the Head of the Company and Board Members of the Company which are not offered to all other employees of the Company on similar conditions.

## BOARD OF THE COMPANY

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

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

1. The Company shall be obliged to disclose to the Company's General Meeting of Shareholders all reasonably required information about the candidates to the Company's board members in order to enable the Company's General Meeting of Shareholders to adopt a document decision on the election of the Company's board members. The information should be provided prior to the Company's General Meeting of Shareholders, while providing the shareholders with a sufficient time reserve for deciding as for which candidate to vote.
2. During the election of the Company's board members, each shareholder of the Company shall have the number of votes which is equal to the number of votes carried by the shares held by him/her as multiplied by the number of members of the Board being elected. The shareholder shall distribute the votes at his/her own discretion, giving them for one or several candidates. Candidates who receive the greatest number of votes shall be elected.
3. If the number of candidates who received an equal number of votes is larger than the number of vacancies on the Company's Board, a repeat voting shall be held in which each shareholder may vote only for one of the candidates who received an equal number of votes.

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

The number of terms of Board members shall be unlimited.

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

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

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

The Board shall consider and approve the following:

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

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

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

The Board shall adopt the following:

1. Decisions on the Company's becoming an incorporator or participant of other legal entities;
2. Decisions on the establishment of branches and representative offices of the Company;
3. Decisions on the investment, transfer, and lease of fixed assets, the book value whereof exceeds LTL 2,050,000.00 (two million fifty thousand litas) (to be calculated separately for each type of the transactions);
4. Decisions on the pledge or mortgage of fixed assets, the book value whereof exceeds LTL 2,050,000.00 (two million fifty thousand litas) (to be calculated for the total amount of the transactions);

5. Decisions on offering surety or guarantee for the discharge of obligations of third persons, the amount whereof exceeds LTL 2,050,000.00 (two million fifty thousand litas);
6. Decisions on the acquisition of fixed assets, the price whereof exceeds LTL 2,050,000.00 (two million fifty thousand litas);
7. Decisions on the Company's transactions, the value whereof exceeds LTL 2,050,000.00 (two million fifty thousand litas);
8. Decisions on taking and providing loans, the value whereof exceeds LTL 2,050,000.00 (two million fifty thousand litas);
9. Decisions to issue the Company's bonds;
10. Decisions to restructure the Company in the cases stipulated by the Law of the Republic of Lithuania on Restructuring of Enterprises;
11. Other decisions assigned to the competence of the Board in the Articles of Association and decisions of the General Meeting of Shareholders.

The Board analyse and evaluate the materials provided by the Head of the Company on the following:

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

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

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

The Company's Board elects the Chairperson of the Board from among its members.

As at 30 June 2013, the number of the Company's board members was 6. Arunas Jarmolavicius resigned from the Board of the Company from May 1, 2013.

The Company does not have independent members of the Board.

**THE MEMBERS OF THE BOARD (AS AT 30 JUNE, 2013) :**

Name	Participation in Company's authorized capital	Position within the Board	Cadence starts	Cadence ends
Darius Zubas	10.73% shares and votes	Chairman of the Management Board	25/10/2012	24/10/2016
Vytautas Šidlauskas	3.78% shares and votes	Deputy Chairman of the Management Board	25/10/2012	24/10/2016
Arūnas Zubas	0.3% shares and votes	Member of the Management Board	25/10/2012	24/10/2016
Dainius Pilkauskas	0.3% shares and votes	Member of the Management Board	25/10/2012	24/10/2016
Andrius Pranckevičius	–	Member of the Management Board	25/10/2012	24/10/2016
Tomas Tumėnas	0.001% shares and votes	Member of the Management Board	25/10/2012	24/10/2016

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

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

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



**Darius Zubas** (b. 1965) – Chairman of the Management Board, shareholder – has 17,049,995 shares of the Company equal to 10.73% of all shares and votes of the Company. The main founder of the Group.

Graduated from Veterinary Academy of Lithuanian University of Health Sciences in 1988. Managing Director of the Company since 1997. Managing Director of AB Linas Agro since 1991 and Chairman of the Management Board since 2006. Chairman of the Board of Directors of Linas Agro A/S since 2004.





**Vytautas Šidlauskas** (b. 1963) – Member of the Management Board (Deputy Chairman of the Management Board), shareholder of the Company – owns 6,003,521 shares of the Company or 3.78% of all shares and votes of the Company.

Graduated from Faculty of Chemistry of Kaunas University of Technology in 1987. Has been employed with the Group since 1991. Managing Director of UAB Gerera since 1993. Trade Director of AB Linas Agro since 1999 and Member of the Management Board since 2006. Member of the Board of Directors of Linas Agro A/S since 2004.



**Dainius Pilkauskas** (b. 1966) – Member of the Management Board, shareholder of the Company – owns 480,281 shares of the Company or 0.3% of all shares and votes of the Company.

He is a graduate of Veterinary Academy of Lithuanian University of Health Sciences in 1991. Has been employed with the Group since 1991. Trade Director for Baltic States and Member of the Management Board of AB Linas Agro since 2006.



**Arūnas Zubas** (b. 1962) – Member of the Management Board, shareholder of the Company – owns 480,281 shares of the Company or 0.3% of all shares and votes of the Company.

Graduated from Faculty of Chemistry of Kaunas University of Technology in 1985. He was employed with the Group from 1995 to 2005 as director of commerce in AB Linas Agro. Member of the Management Board of AB Linas Agro since 2006.



**Andrius Pranckevičius** (b. 1976) – Member of the Management Board. Does not own shares of the Company.

Is a graduate of Kaunas Technological University where in 1998 he obtained a bachelor's degree in Business Administration and, in 2000, master's degree in Marketing Management. He also took executive education programs in Harvard Business School, Wharton Business School, Stanford and Berkeley Business School (2004–2007) and program of leadership development in Harvard Business School (2009). Joined the Group in 1999. Deputy Managing Director of AB Linas Agro since 2005 and the Member of the Management Board since 2006. Deputy Managing Director of AB Linas Agro Group since 2009.



**Tomas Tumėnas** (b. 1972) – Member of the Management Board, shareholder of the Company – owns 2,200 shares of the Company or 0.001% of all shares and votes of the Company.

In 1995 obtained the diploma in Economics from Vilnius University and a certificate in International Business Economics from Aalborg University. In 2011 obtained MBA (Master of Business Administration, Program for (Full) Financial Specialist & Managers) at Manchester Business School, The University of Manchester. Has been employed with the Group since 2001. Finance Director at AB Linas Agro since 2006 and Member of the Management Board since 2009. Finance Director of AB Linas Agro Group since 2009.

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

The Group's management remuneration amounted to LTL 6,377 thousand (including LTL 4,610 thousand bonuses) for the year ended 30 June 2013. Average remuneration to the member of management board was LTL 911 thousand.

## ACTIVITIES OF THE BOARD MEMBERS IN OTHER COMPANIES

Person / Companies	Position	Since	Until	Held currently
<b>Darius Zubas</b>				
<i>Companies of the Group</i>				
AB Linas Agro	Managing Director	1991	-	Yes
	Chairman of the Management Board	2006	-	Yes
Linus Agro A/S	Chairman of the Management Board	2005	-	Yes
<i>Other companies:</i>				
UAB MESTILLA	Chairman of the Management Board	2006	-	Yes
<b>Vytautas Šidlauskas</b>				
<i>Companies of the Group:</i>				
AB Linas Agro	Trade Director	1999	-	Yes
	Deputy Chairman of the Management Board	2006	-	Yes
UAB Gerera	Managing Director	1993	-	Yes
Linus Agro A/S	Member of the Management Board	2004	-	Yes
<i>Other companies:</i>				
UAB MESTILLA	Member of the Management Board	2006	-	Yes
<b>Arūnas Zubas</b>				
<i>Companies of the Group:</i>				
AB Linas Agro	Member of the Management Board	2006	-	Yes
	Commerce Director	1995	2005	No
<i>Other companies:</i>				
UAB MESTILLA	Managing Director	2005	-	Yes
<b>Dainius Pilkauskas</b>				
<i>Companies of the Group:</i>				
AB Linas Agro	Trade Director for Baltic States	2006	-	Yes
	Member of the Management Board	2006	-	Yes
	Commerce Director	1991	2006	No
<b>Andrius Pranckevičius</b>				
<i>Companies of the Group:</i>				
AB Linas Agro	Deputy Managing Director	2005	-	Yes
	Member of the Management Board	2006	-	Yes

Person / Companies	Position	Since	Until	Held currently
	Business Development Manager	2003	2005	No
<i>Other companies:</i>				
Lithuanian agricultural companies association	Member of the Management Board	2008	-	Yes
<b>Tomas Tumėnas</b>				
<i>Companies of the Group:</i>				
AB Linas Agro	Member of the Management Board	2009	-	Yes
	Finance Director	2005	-	Yes
	Financial Analyst	2001	2005	No
<i>Other companies:</i>				
UAB Baltic Fund Investments	Director	2003	-	Yes

## THE HEAD OF THE COMPANY

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

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

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

7. Publication of the information stipulated by the Law of the Republic of Lithuania on Companies in the daily newspapers specified in the Company's Articles of Association;

8. Provision of information to shareholders;

9. Performance of other duties stipulated in the Law on Companies and other laws and legal acts of the Republic of Lithuania as well as in the Company's Articles of Association and office regulations of the Head of the Company.

The Head of the Company, within the scope of his/her competence, shall conclude transactions with third persons and represent the Company in all institutions and relations with third persons. The Head of the Company shall be obliged to receive a written approval of the Board of the Company for transactions to be concluded on behalf of the Company with third persons when the approval of such transactions lies within the scope of the competence of the Board. The Board's approval shall not annul the responsibility of the Head of the Company for the conclusion of the transactions specified in this Clause.

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

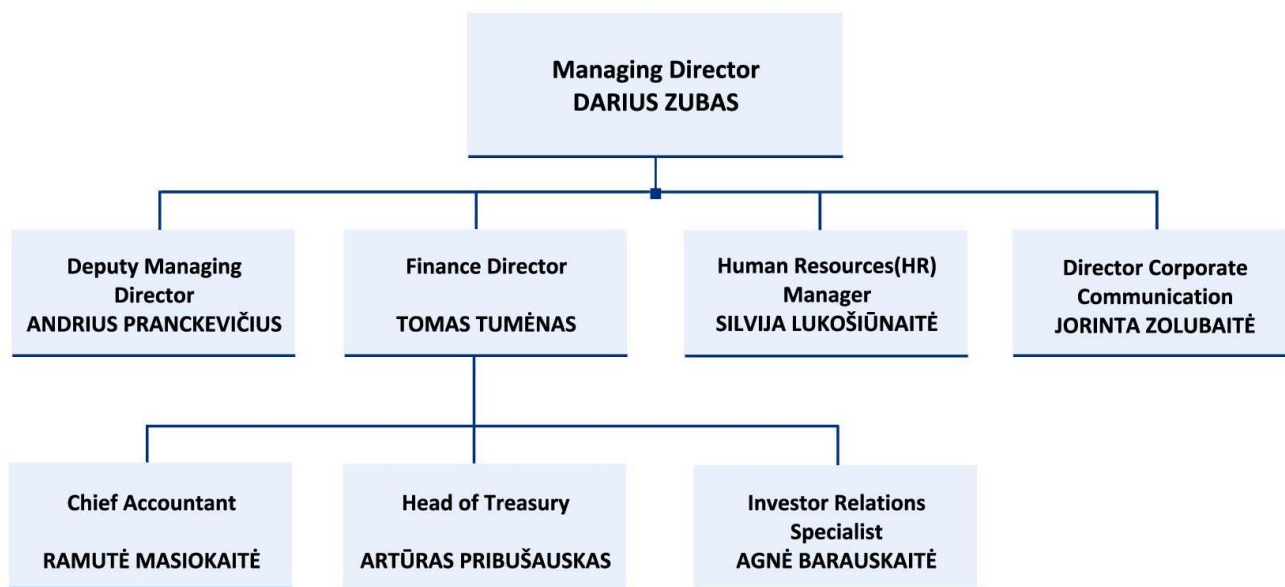
The Head of the Company shall establish the rates of depreciation of assets to be applied in the Company and has the right to issue procuratories.

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

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

## COMPANY ADMINISTRATION

### THE SCHEME OF ADMINISTRATIVE MANAGEMENT



## COMPANY MANAGEMENT

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

Information about Darius Zubas, Andrius Pranckevičius, and Tomas Tumėnas is provided in the chapter **BOARD 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 in the capacity of the Chief Accountant of AB Linas Agro. In 2001 she became Finance Controller of AB Linas Agro and works so far, in 2009 was appointed as Chief Accountant of AB Linas Agro Group.

For the year ended 30 June 2013 the Company's management remuneration amounted LTL 15 thousand.

## ACTIVITIES OF THE COMPANY MANAGEMENT IN OTHER COMPANIES

Person / Companies	Position	Since	Until	Held currently
Information about Darius Zubas, Andrius Pranckevičius, and Tomas Tumėnas is provided in the chapter <b>BOARD OF THE COMPANY.</b>				
<b>Ramutė Masiokaitė</b> <i>Company of the Group:</i> AB Linas Agro	Finance controller	2001	–	Yes

## COMMITTEES FORMED BY THE COMPANY

The Ordinary General Meeting of the Company's Shareholders held on 28 October 2010 formed the Audit Committee and elected the members of the Audit Committee. The Audit Committee consists of 3 members, including an independent member. The members of the Committee are elected for the term of office of 4 (four) years. The elected members of the Committee began their service from the moment the General Meeting of the Company's Shareholders during which they had been elected was over.

## THE MEMBERS OF AUDIT COMMITTEE AS AT 30 JUNE 2013:

**Andrius Drazdys** – independent member of the Audit Committee. Term of office began on 28 October 2010, term of office ends on 27 October 2014. Does not own shares of the Company. Employed at UAB Vilniaus margarino gamykla as a Chief Finance Officer.

**Artūras Pribušauskas** – member of the Audit Committee. Term of office began on 28 October 2010, term of office ends on 27 October 2014. Treasury Manager of the Company and shareholder of the Company – owns 15,000 shares of the Company or 0.003% of all shares and votes of the Company. Also employed as a Treasury Manager at AB Linas Agro.

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

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

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

All the shares of the Company are ordinary shares with the nominal value of LTL 1 as at 30 June 2013. The shares are subscribed and were fully paid as at 30 June 2013.

During the reporting period from 1 July 2012 to 30 June 2013, all 158,940,398 ordinary registered shares of the Company were included in the Official List of NASDAQ OMX Vilnius Stock Exchange (ISIN Code of the shares is LT0000128092). The ticker of the shares on NASDAQ OMX Vilnius Stock Exchange is LNA1L.

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



## TRADE IN THE COMPANY'S SHARES

Information on the automated execution transactions, prices of shares sold on NASDAQ OMX Vilnius Stock Exchange and turnovers during the period from 1 July 2012 to 30 June 2013:

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
2012 III	0.598	0.500	235,306.75	0.00	0.568	25,178.51	28/09/2012	1,715,256	977,376.33
2012 IV	0.590	0.546	923,179.76	0.00	0.570	3,083.99	28/12/2012	3,835,501	2,208,172.40
2013 I	0.719	0.579	316,354.34	0.00	0.709	0.00	28/03/2013	2,985,383	1,911,755.06
2013 II	0.740	0.660	485,563.32	0.00	0.730	9,805.50	28/06/2013	2,245,843	1,590,381.07

## CAPITALISATION OF THE COMPANY'S SHARES

Date	Capitalization, EUR	Share Price, EUR
28/09/2012	90,278,146.06	0.568
28/12/2012	90,596,026.86	0.570
28/03/2013	112,688,742.18	0.709
28/06/2013	116,026,490.54	0.730

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

Year and quarter	Price, LTL		Total turnover for the quarter units	
	Max.	Min.	Cash payments	Non-cash payments
2012 III	2.15	0.50	2,033,433	9,000
2012 IV	2.06	0.55	8,018,620	756,000
2013 I	3.29	0.58	2,430,195	3,900
2013 II	2.99	0.68	1,505,176	52,950

## AGREEMENTS CONCLUDED WITH INTERMEDIARIES OF THE PUBLIC SECURITIES MARKET

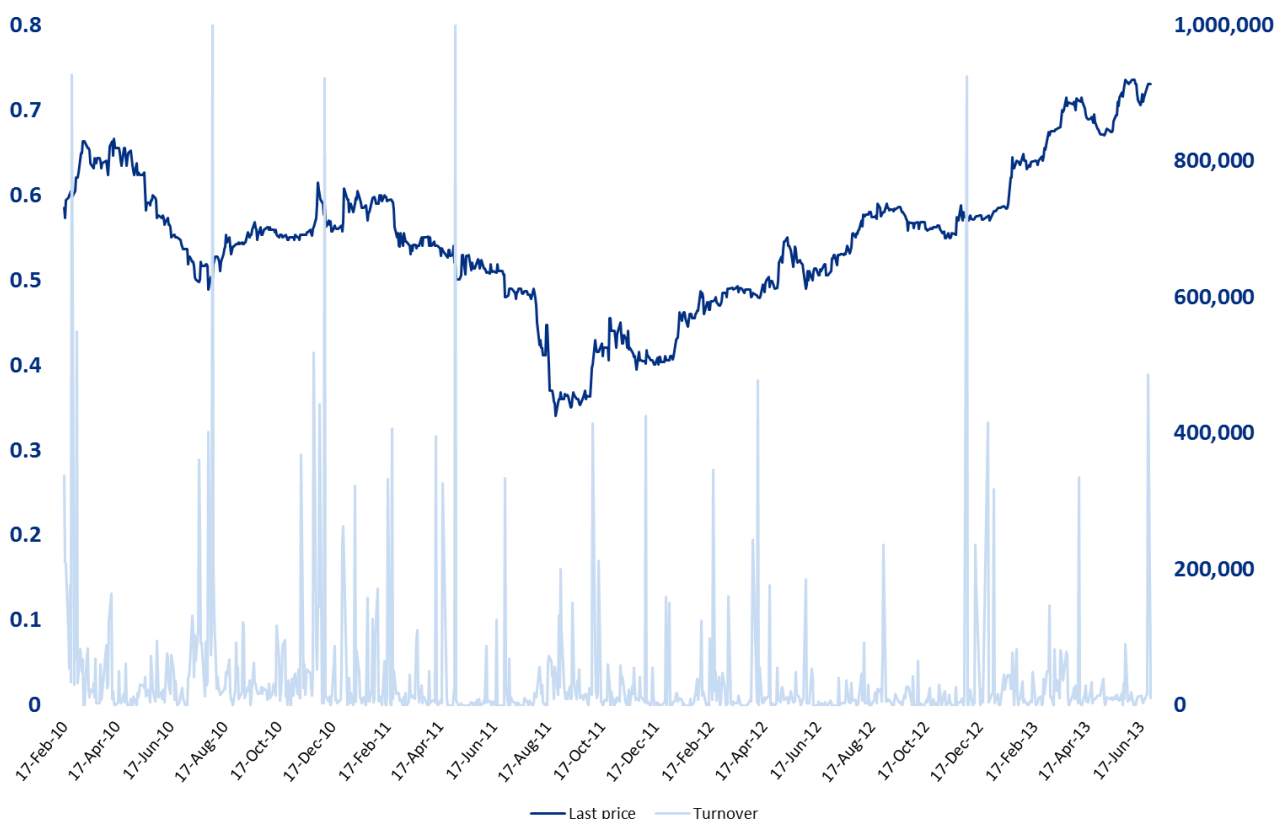
On 11 November 2009, the Company signed the Issuer’s Securities Accounting Management Agreement with AB Swedbank represented by the Securities Transactions Department (Code: 112029651; address: Konstitucijos ave. 20A, LT-03502 Vilnius).

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

## AB LINAS AGRO GROUP SHARE PRICE AND TURNOVER

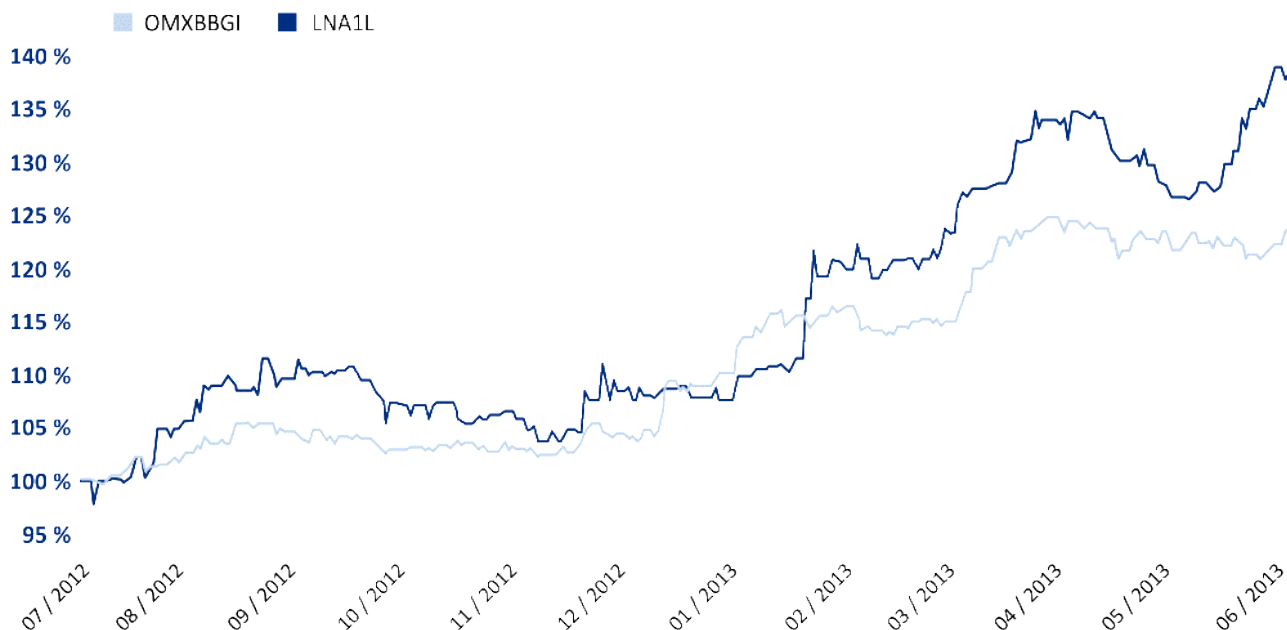
Information on changes in the prices of Company’s shares and turnover from starting trade until the end of the reporting period, i. e. 30 June 2013, is presented in the following diagram:

**EUR**



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

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



### 13. PROCEDURE FOR AMENDING THE COMPANY'S ARTICLES OF ASSOCIATION

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

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

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

## **14. 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.

## **15. MAJOR TRANSACTIONS WITH RELATED PARTIES**

Major transactions of the Company with related parties are provided in Note **No. 33** of the Explanatory Note to the Consolidated Annual Financial Statements for 2012/2013 financial year.

## **16. INFORMATION ABOUT THE COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE**

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

## **17. SOCIAL AND ENVIRONMENTAL RESPONSIBILITY**

### **SOCIAL RESPONSIBILITY IN RELATIONS WITH EMPLOYEES**

Employees of the Group's companies receive social guarantees: allowance on death of a family member; employee's child birth benefit; bonus on the occasion of employee's anniversary birthday. After 10 years of uninterrupted length of service in the Group, employees receive a commemorative with an image of the Company's symbol. And after 20 years of continuous work, employees receive 1,000 of Company's shares.

The workers have conditions for learning, vocational training, participation in various seminars and training in Lithuania and abroad.

Employees of several of the Group's companies have access to required medical services; most of them have voluntary health insurance coverage.

A common summer event is annually organized for the employees of the Group to facilitate the informal environment for the employees working in the companies across four countries to get to know each other, to improve team communication and collaboration. Most of the Group's companies individually organize summer and Christmas events for their employees.

## **RESPONSIBILITY TO THE SOCIETY, CHARITY AND SUPPORT**

The Group of companies AB Linas Agro Group holds civic education, cultural and social projects important. By allocating support, AB Linas Agro Group prioritizes farmers' organizations, local cultural projects, youth education, environment decoration, public spirit promotion events, and sponsors child care organizations and organizations for people with disabilities.

### **SUPPORT FOR FARMERS' ORGANISATIONS AND EVENTS**

Operating in many regions of Lithuania, the Group has a tradition of supporting farmers', ploughmen's and harvest celebrations in these region as well as rural communities. During the reporting period the Group has supported:

- Republican "Harvest Feast 2012";
- Feast "Farmer's Summer 2013";
- Farmers' and harvest celebrations in Akmenė, Anykščiai, Joniškis, Kaunas, Klaipėda, Kupiškis, Marijampolė, Panevėžys, Pasvalis, Plungė, Radviliškis, Šiauliai, Telšiai, Vilkaviškis regions as well as in Estonia;
- Competition among Samogitia region ploughmen;
- Lithuanian and Estonian ploughing competitions;
- Conference organized by Plungė Farmers' Union;
- Pasvalys region farmers feast "Farm of the year 2012";
- Participation of Lithuanian Ploughmen's Association in the World Ploughing Championships in Canada and Croatia;
- Communities of Ēriškiai and Vainotiškiai villages.

## SUPPORT FOR EDUCATIONAL AND SCIENTIFIC INSTITUTIONS AND THEIR EVENTS

The Group has supported:

- Conference of young scientists organized by Lithuanian Academy of Sciences ‘Young Scientists – for the Agricultural Progress’;
- Participation of scientific workers of the Institute of Agriculture in the International Grasslands Congress;
- Organization of graduation year events of Kėdainiai Region Academy gymnasium and of the purchase of exhibition cabinets;
- Event in Kėdainiai Region’s Dotnuva elementary school, which aimed to stimulate schoolchildren’s learning motivation and improve the cooperation between the school and the family;
- Kedainiai Vocational Training Centre.

## SUPPORT OF CULTURAL EVENTS

The Group has supported the following cultural and recreational events:

- Panevėžys, Kėdainiai and Joniškis town celebrations;
- Joniškis region rural song festival;
- Žagarė cherry fest;
- Events of Panevėžys “Rumba” sport dance club;
- Activities of campus cultural center’s amateur groups of Kėdainiai Region Academy;
- Organization of classical music concerts and cultural events in Kėdainiai Regional Museum's Multicultural Centre.

## SUPPORT FOR PEOPLE IN NEED, PEOPLE WITH DISABILITIES AND CHILDREN FROM CHILDREN FOSTER HOMES

The Group has sponsored:

- Caritas Employment Centre for Children and Youth;
- Christmas TV marathon organized by the Food Bank charity and support fund;
- Holidays for eight children from Panevėžys Algimantas Bandza Foster Home for Infants and Children at “Draugai” summer camp;
- Panevėžys Vision Centre “Linelis” (playground equipment);

- Social project “Kalėdinės žaidynės” (Christmas Games) for children from Lithuanian foster homes;
- Festival of theatres of people with disabilities “Širdys vilčiai plaka”(Hearts are being in hope);
- Kėdainiai Region Association of Paraplegics rehabilitation project “Health Restoration and Active Rehabilitation” and organization of interregional competition of paraplegics;
- “Solidarity” charity and support fund which sponsors the families in need.

## YOUTH ENGAGEMENT PROJECTS

To promote the youth employment program in local communities, the Group has allocated support for the following:

- Republican race walk competition “Kėdainiai Spring 2013”;
- Academy’s “Dotnuvėlė” tourism and sports club;
- Kėdainiai “Futbolas visiems” (Football for all) Football Club for purchase of necessary equipment;
- Public organization “Atletas” Basketball Club for the preparations for the country's major basketball league competition;
- Sports club “Adrenalino centras” (Centre of Adrenaline) for its members to participate in 2013 season motorcycle road-racing sport events and preparation of the sportsmen for motorcycle road-racing championships in Lithuania, the Baltic States and other European countries;
- Kėdainiai basketball team Kėdainiai “Nevėžis” for preparation for 2012–2013 LKL (Lithuanian Basketball League) season;
- Kėdainiai Archery Club for participation in competitions and the development of this sport in Lithuania;
- Bicycle trip of Panevėžys youth group to the international youth event in Poland.

## EDUCATIONAL AND PUBLIC SPIRIT PROMOTING PROJECTS

The Group has participated in the following projects:

- Ninth year in a row the Group, along with Panevėžys High School No. 5, organized contest for schoolchildren “Mokyklos pilietis” (School’s Citizen). This project is aimed at annual selection of

student leaders, capable of great academic results and active participation in community work. Most public spirited schoolchildren are awarded with scholarships founded by the Group;

- Sponsored the project “Elitas, kuriuo nemokame didžiutis” (The elite we are not able to be proud of) – a series of articles in “Veidas” magazine about most talented children in Lithuania;
- The Group has participated in and supported the ISM 100 talent program. The goal of the program is to stop the brain drain and ensure the opportunity for the most talented students to receive high-quality education in Lithuania;
- Sponsored participation of Pumpėnai youth group in the World Youth Days in Brazil;
- Sponsored educational project implemented in Kupiškis Region by AIESEC Lithuania Vilnius branch with international trainees “Beyond Limits” intended for schools in towns or villages.

## SUPPORT FOR OTHER ORGANIZATIONS AND EVENTS

The Group has supported the reconstruction of the Church of the Nation’s Martyrs Rectorate in Berčiūnai, has donated funds for the anniversary celebration of the Public Institution Panevėžys College, beekeepers' festival in Kupiškis, celebration of 100 years anniversary of Panevėžys Region’s fire rescue service, celebration of St. Florijonas day organized by Šiauliai County fire rescue administration, etc.

## ENVIRONMENTAL RESPONSIBILITY

While implementing its activities, the Groups observes the Law of the Republic of Lithuania on Waste Management (*Official Gazette*, 1998, No. 61-1726), also the Rules the Republic of Lithuania on Waste Management (*Official Gazette*, 2011, No. 57-2721) specifying labeling, use, and storage of various harmful substances.

The Group has entered into agreements with Public Organization Žalasis taškas, UAB Ekonovus and other companies for packaging waste management, which the company provides with information on the amount of packaging placed on the domestic market, the type of packaging and separation of packages to subtypes (primary and secondary).

According to the procedure set forth by the Minister of Environment, the Group informs the public on inappropriate use of packaging waste, their damage to the environment and human health.



The Group organizes the collection of taxable products, automotive batteries, hydraulic shock-absorbers, oil, fuel and air filters, tire over 3 kg and transportation to waste treatment facilities. Agreement with UAB Žalvaris is signed on an annual basis for waste collection, removal and processing.

The Group also observes environmental rules specifying labeling, use, storage, disposal of a range of harmful substances used in the company's activities (the procedure for classification and labeling of dangerous chemical substances and preparations prepared having evaluated the Directives 67/548/EEC and 1999/45/EC and approved in the Republic of Lithuania by the order No. 532/742 of the Minister of Environment and Health dd. 29 December 2000, etc.).

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

To meet the requirements of the environmental safety, during 2012/2013 financial year agricultural company Sidabravo ŽŪB has began to equip oil trap. The estimated completion is scheduled for the first half of 2013/2014 financial year.

Agricultural company Panevėžys Region Aukštadvario ŽŪB has invested over LTL 600 thousand for the installation of slurry tank and reconstruction and expansion of manure storage. Now, the agricultural company is in full compliance with the requirements of the environmental safety.

AB Linas Agro has the International Sustainability and Carbon Certification, which confirms that rapeseed, triticale and rye the Company buys from farmers and sells are grown in accordance with ISCC requirements, i.e. without use of children's working force, without deforestation for that purpose, without emission of excessive amounts of CO2 into the atmosphere.

The Group has traditionally been actively supporting the public clean-up campaign "Darom 2013" (Let's do it) in Panevėžys and Kėdainiai regions.



ANNEX 1 TO THE CONSOLIDATED ANNUAL REPORT OF AB LINAS AGRO GROUP  
FOR FINANCIAL YEAR 2012/2013

## **AB LINAS AGRO GROUP**

### **INFORMATION ON COMPLIANCE**

### **WITH THE CORPORATE GOVERNANCE CODE**

### **FOR THE COMPANIES LISTED ON NASDAQ OMX**



## CONTENT

<b>1</b>	<b>BASIC PROVISIONS</b>	<b>1</b>
<b>2</b>	<b>THE CORPORATE GOVERNANCE FRAMEWORK</b>	<b>3</b>
<b>3</b>	<b>THE ORDER OF THE FORMATION OF A COLLEGIAL BODY TO BE ELECTED BY A GENERAL SHAREHOLDERS' MEETING</b>	<b>6</b>
<b>4</b>	<b>THE DUTIES AND LIABILITIES OF A COLLEGIAL BODY ELECTED BY THE GENERAL SHAREHOLDERS' MEETING</b>	<b>12</b>
<b>5</b>	<b>THE WORKING PROCEDURE OF THE COMPANY'S COLLEGIAL BODIES</b>	<b>27</b>
<b>6</b>	<b>THE EQUITABLE TREATMENT OF SHAREHOLDERS AND SHAREHOLDER RIGHTS</b>	<b>29</b>
<b>7</b>	<b>THE AVOIDANCE OF CONFLICTS OF INTEREST AND THEIR DISCLOSURE</b>	<b>32</b>
<b>8</b>	<b>COMPANY'S REMUNERATION POLICY</b>	<b>34</b>
<b>9</b>	<b>THE ROLE OF STAKEHOLDERS IN CORPORATE GOVERNANCE</b>	<b>43</b>
<b>10</b>	<b>INFORMATION DISCLOSURE AND TRANSPARENCY</b>	<b>44</b>
<b>11</b>	<b>THE SELECTION OF THE COMPANY'S AUDITOR</b>	<b>47</b>

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

## PRINCIPLE I. BASIC PROVISIONS

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

PRINCIPLES/ RECOMMENDATIONS	YES NO NOT APPLICABLE	COMMENTARY
1.1. A company should adopt and make public the company's development strategy and objectives by clearly declaring how the company intends to meet the interests of its shareholders and optimize shareholder value.	YES	The main trends of the Company's development are publicly announced in Company's annual reports and interim reports. Also, the trends of the Company's development are disclosed by its corporate actions and reports to investors about the activities of the Company, communications presented in the statements of the Company's management in the press.
1.2. All management bodies of a company should act in furtherance of the declared strategic objectives in view of the need to optimize shareholder value.	YES	The Board of the Company has formed the long-term and short-term strategic objectives of the development of the Company's activities. The Company's management and managers of respective fields make every effort for the implementation of those objectives. Managers of the Company and the Group's companies are responsible for the implementation of the objectives and the optimization of shareholder value.
1.3. A company's supervisory and management bodies should act in close co-operation in order to attain maximum benefit for the company and its shareholders.	YES	The Board is formed in the Company, which represents the interests of the Company's shareholders. The Board makes the strategic decisions, adopts the strategy of the Company's activities, annual budget, main material contracts, etc. The decisions adopted by the Board are implemented by the Company's Managing Director, who is directly responsible to the Board, and responsible managers of respective fields,

		<p>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.</p>
<p>1.4. A company's supervisory and management bodies should ensure that the rights and interests of persons other than the company's shareholders (e.g. employees, creditors, suppliers, clients, local community), participating in or connected with the company's operation, are duly respected.</p>	<p>YES</p>	<p>The Company's managing bodies seek, in their activities, to ensure the interests of all people related to the Company's operations. The Company's management and managers of separate fields of the Group's companies give much time to communication with clients, suppliers, creditors in order to find the most optimum solutions. The Company follows the obligations undertaken and set in the legal acts, and it helps to maintain the long-term development of the Company's activities. The Company's employees are continuously informed by the management and managers of separate fields about news in the Company's activities, achievements, losses and other internal changes via the Company's channels of internal communication.</p>

## PRINCIPLE II. THE CORPORATE GOVERNANCE FRAMEWORK

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

PRINCIPLES/ RECOMMENDATIONS	YES NO NOT APPLICABLE	COMMENTARY
<p>2.1. Besides obligatory bodies provided for in the Law on Companies of the Republic of Lithuania – a general shareholders' meeting and the chief executive officer, it is recommended that a company should set up both a collegial supervisory body and a collegial management body. The setting up of collegial bodies for supervision and management facilitates clear separation of management and supervisory functions in the company, accountability and control on the part of the chief executive officer, which, in its turn, facilitate a more efficient and transparent management process.</p>	NO	<p>There is one collegiate managing body in the Company – the Board, which consists of 7 (seven) members. Since resignation of one member of the Board as at 01/05/2013, election of a new member was decided to organize during the next General Meeting of Shareholders. The collegiate supervisory body, or the Supervisory Board, is not formed.</p> <p>The Board of the Company performs certain functions of the Supervisory Board as far as it concerns the supervision of the activities of the Company and complies with the provisions of the Law on Companies.</p> <p>The Company's Managing Director is responsible to the Board and periodically reports to the Board on the Company's activities and implementation of the strategic decisions.</p>
<p>2.2. A collegial management body is responsible for the strategic management of the company and performs other key functions of corporate governance. A collegial supervisory body is responsible for the effective supervision of the company's management bodies.</p>	NOT APPLICABLE	<p>The Board performs these functions in the Company, as specified in Clause 2.1.</p>
<p>2.3. Where a company chooses to form only one collegial body, it is recommended that it should be a supervisory body, i.e. the supervisory board. In such a case, the supervisory</p>	NO	<p>So far the Board is able to properly perform the supervision of implementation of adopted strategic decisions and the control of the management of the Company.</p>

board is responsible for the effective monitoring of the functions performed by the company's chief executive officer.		If needed, the Supervisory Board may be formed in the future.
2.4. The collegial supervisory body to be elected by the general shareholders' meeting should be set up and should act in the manner defined in Principles III and IV. Where a company should decide not to set up a collegial supervisory body but rather a collegial management body, i.e. the board, Principles III and IV should apply to the board as long as that does not contradict the essence and purpose of this body. <sup>1</sup>	YES	The set principles are followed as specified in Clauses 2.1. and 2.3. The essential requirements are not violated.
2.5. Company's management and supervisory bodies should comprise such number of board (executive directors) and supervisory (non-executive directors) board members that no individual or small group of individuals can dominate decision-making on the part of these bodies. <sup>2</sup>	YES	The Board of the Company consists of 7 (seven) members responsible for different fields of activities.  The Board can adopt a decision only when at least two thirds of its members are in attendance and with a majority vote. It means that at least 3 votes of the Board's members are required to make the decision.
2.6. Non-executive directors or members of the supervisory board should be	NOT APPLICABLE	The Supervisory Board is not formed in the Company.

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

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

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.

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

NO The head of the Company – Managing Director - and the Chairman of the Board is the same person.

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



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

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

PRINCIPLES/ RECOMMENDATIONS	YES	COMMENTARY
	NO	
	NOT APPLICABLE	
3.1. The mechanism of the formation of a collegial body to be elected by a general shareholders' meeting (hereinafter in this Principle referred to as the 'collegial body') should ensure objective and fair monitoring of the company's management bodies as well as representation of minority shareholders.	YES	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. 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	YES	These provisions are set in the Articles of the Association of Company and are followed.

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

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.

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

YES The Company follows this provision.

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

YES 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 yet.

<p>3.5. All new members of the collegial body should be offered a tailored program focused on introducing a member with his/her duties, corporate organization and activities. The collegial body should conduct an annual review to identify fields where its members need to update their skills and knowledge.</p>	<p>NOT APPLICABLE</p>	<p>Members of the Company's Board are employees of the Group's companies; therefore, they are well aware of the Company's activities.</p> <p>The Board's members update their skills and knowledge while performing their functions.</p> <p>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.</p>
<p>3.6. In order to ensure that all material conflicts of interest related with a member of the collegial body are resolved properly, the collegial body should comprise a sufficient<sup>4</sup> number of independent<sup>5</sup> members.</p>	<p>NO</p>	<p>The issue of independent members as well as their sufficient number in the collegiate managing body (the Board) may be discussed in the future.</p> <p>The Audit Committee has one independent member.</p>
<p>3.7. A member of the collegial body should be considered to be independent only if he is free of any business, family or other relationship with the company, its controlling shareholder or the management of either, that creates a conflict of interest such as to impair his judgment. Since all cases when member of the collegial body is likely to become dependent are impossible to list, moreover, relationships and</p>	<p>NOT APPLICABLE</p>	<p>According to the comment of Clause 3.6., the provision is not applicable to the Company.</p>

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

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

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.

<p>3.8. The determination of what constitutes independence is fundamentally an issue for the collegial body itself to determine. The collegial body may decide that, despite a particular member meets all the criteria of independence laid down in this Code, he cannot be considered independent due to special personal or company-related circumstances.</p>	<p>NOT APPLICABLE</p>	<p>According to the comment of Clause 3.6., the provision is not applicable to the Company.</p>
<p>3.9. Necessary information on conclusions the collegial body has come to in its determination of whether a particular member of the body should be considered to be independent should be disclosed. When a person is nominated to become a member of the collegial body, the company should disclose whether it considers the person to be independent. When a particular member of the collegial body does not meet one or more criteria of independence set out in this Code, the company should disclose its reasons for nevertheless considering the member to be independent. In addition, the company should annually disclose which members of the collegial body it considers to be independent.</p>	<p>YES</p>	<p>By providing candidate of new board member the Board of the Company discloses whether it considers to be independent.</p>
<p>3.10. When one or more criteria of independence set out in this Code has not been met throughout the year, the company should disclose its reasons for considering a particular member of the collegial body to be independent. To ensure accuracy of the information disclosed in relation with the independence of the members of the collegial body, the company should require independent members to have their independence periodically re-confirmed.</p>	<p>NOT APPLICABLE</p>	<p>According to the comment of Clause 3.6., the provision is not applicable to the Company.</p>

<p>3.11. In order to remunerate members of a collegial body for their work and participation in the meetings of the collegial body, they may be remunerated from the company's funds.<sup>6</sup> The general shareholders' meeting should approve the amount of such remuneration.</p>	<p>NOT APPLICABLE</p>	<p>According to the comment of Clause 3.6., the provision is not applicable to the Company.</p>
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## PRINCIPLE IV. THE DUTIES AND LIABILITIES OF A COLLEGIAL BODY ELECTED BY THE GENERAL SHAREHOLDERS' MEETING

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

PRINCIPLES/ RECOMMENDATIONS	YES NO NOT APPLICABLE	COMMENTARY
<p>4.1. The collegial body elected by the general shareholders' meeting (hereinafter in this Principle referred to as the 'collegial body') should ensure integrity and transparency of the company's financial accountability and</p>	<p>YES</p>	<p>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</p>

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

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

the control system. The collegial body should issue recommendations to the company's management bodies and monitor and control the company's management performance.<sup>8</sup>

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. Members of the collegial body should act in good faith, with care and responsibility for the benefit and in the interests of the company and its shareholders with due regard to the interests of employees and public welfare. Independent members of the collegial body should (a) under all circumstances maintain independence of their analysis, decision-making and actions (b) do not seek and accept any unjustified privileges that might compromise their independence, and (c) clearly express their objections should a member consider that decision of the collegial body is against the interests of the company. Should a collegial body have passed decisions independent member has serious doubts about, the member should make adequate conclusions. Should an independent member resign from his office, he should explain the reasons in a letter addressed to the collegial body or audit committee

YES

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.

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



and, if necessary, respective company-not-pertaining body (institution).

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

YES 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 2012/2013 financial year, the Members of the Company's Board were all 100 percent involved in making the decisions.

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

YES 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. 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

YES 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

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

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.

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

the Board can be adopted only in case of the required quorum and majority and following the provisions of the Article of the Association of Company that comply with the Law on Companies. The same order is applied in all the Group's companies.

YES

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.

<sup>10</sup>

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

resources department, executive directors or collegial management organs of the company concerned.

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

YES

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 need of establishment of other committees indicated in this recommendation though the foundation of Nomination and Remuneration Committees will be considered in the future.

<sup>11</sup> *The Law of the Republic of Lithuania on Audit (Official Gazette, 2008, No 82-53233) determines that an Audit Committee shall be formed in each public interest entity (including, but not limited to public companies whose securities are traded in the regulated market of the Republic of Lithuania and/or any other member state).*

to the committees of the collegial body (in particular with respect to their role, operation, and transparency) should apply, where relevant, to the collegial body as a whole.

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

YES

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

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

YES

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

that undue reliance is not placed on particular individuals.

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

YES

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

The Company's Audit Committee activity report for the financial year is announced together with the Consolidated Annual Report of the Group.

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

YES

4.12. Nomination Committee.

NOT APPLICABLE

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

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.

<p>4.13. Remuneration Committee.</p> <p>4.13.1. Key functions of the remuneration committee should be the following:</p> <p>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;</p> <p>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;</p> <p>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;</p> <p>4) Periodically review the remuneration</p>	<p>NOT APPLICABLE</p>	<p>The Nomination Committee was not formed according to the circumstances set out in Clause 4.7.</p>
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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

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

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

4.14. Audit Committee.

YES

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

- 1) Observe the integrity of the financial information provided by the company, in particular by reviewing the relevance and consistency of the accounting methods used by the company and its group (including the criteria for the consolidation of the accounts of companies in the group);
- 2) At least once a year review the systems of internal control and risk management to ensure that the key risks (inclusive of the risks in relation with compliance with existing laws and regulations) are properly identified, managed and reflected in the information provided;
- 3) Ensure the efficiency of the internal audit function, among other things, by making recommendations on the selection, appointment, reappointment and removal of the head of the internal audit department and on the budget of the department, and by monitoring the responsiveness of the management to its findings and recommendations. Should there be no internal audit authority in the company, the need for one should be reviewed at least

annually;

- 4) Make recommendations to the collegial body related with selection, appointment, reappointment and removal of the external auditor (to be done by the general shareholders' meeting) and with the terms and conditions of his engagement. The committee should investigate situations that lead to a resignation of the audit company or auditor and make recommendations on required actions in such situations;
- 5) Monitor independence and impartiality of the external auditor, in particular by reviewing the audit company's compliance with applicable guidance relating to the rotation of audit partners, the level of fees paid by the company, and similar issues. In order to prevent occurrence of material conflicts of interest, the committee, based on the auditor's disclosed inter alia data on all remunerations paid by the company to the auditor and network, should at all times monitor nature and extent of the non-audit services. Having regard to the principals and guidelines established in the 16 May 2002 Commission Recommendation 2002/590/EC, the committee should determine and apply a formal policy establishing types of non-audit services that are (a) excluded, (b) permissible only after review by the committee, and (c) permissible without referral to the committee;
- 6) Review efficiency of the external audit process and responsiveness of management to recommendations made in the external auditor's management letter.

4.14.2. All members of the committee should be furnished with complete information on particulars of accounting,

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

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

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

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

The committee should be timely furnished information on all issues arising from the audit.

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

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

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

NO

So far there has been no practice in the Company for the Board to perform the assessment of its activities and to separately inform the shareholders about it as the controlling shareholder, by appointing the members of the Board, thoroughly checked and evaluated each member's experience, competence and determination to act for the interest of the Company.

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

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

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

PRINCIPLES/ RECOMMENDATIONS	YES NO NOT APPLICABLE	COMMENTARY
<p>5.1. The company's supervisory and management bodies (hereinafter in this Principle the concept 'collegial bodies' covers both the collegial bodies of supervision and the collegial bodies of management) should be chaired by chairpersons of these bodies. The chairperson of a collegial body is responsible for proper convocation of the collegial body meetings. The chairperson should ensure that information about the meeting being convened and its agenda are communicated to all members of the body. The chairperson of a collegial body should ensure appropriate conducting of the meetings of the collegial body. The chairperson should ensure order and working atmosphere during the meeting.</p>	YES	<p>The Chairman of the Board heads the Board, he implements all the requirements set out in this clause.</p>
<p>5.2. It is recommended that meetings of the company's collegial bodies should be carried out according to the schedule approved in advance at certain intervals of time. Each company is free to decide how often to convene meetings of the collegial bodies, but it is recommended that these meetings should be convened at such intervals, which would guarantee an interrupted resolution of the essential corporate governance issues. Meetings of the company's supervisory board should be convened at least once in a quarter, and the company's board should meet at</p>	YES	<p>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.</p>

least once a month<sup>12</sup>.

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

YES

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

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

NOT  
APPLICABLE

Only one collegiate managing body – the Board - is formed in the Company.

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<sup>12</sup>

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

## PRINCIPLE VI. THE EQUITABLE TREATMENT OF SHAREHOLDERS AND SHAREHOLDER RIGHTS

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

PRINCIPLES/ RECOMMENDATIONS	YES NO NOT APPLICABLE	COMMENTARY
6.1. It is recommended that the company's capital should consist only of the shares that grant the same rights to voting, ownership, dividend and other rights to all their holders.	YES	The Company's capital consists only of ordinary nominal intangible shares which grant the same rights to the Company's shareholders.
6.2. It is recommended that investors should have access to the information concerning the rights attached to the shares of the new issue or those issued earlier in advance, i.e. before they purchase shares.	YES	The 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 the Lithuanian and English languages.
6.3. Transactions that are important to the company and its shareholders, such as transfer, investment, and pledge of the company's assets or any other type of encumbrance should be subject to approval of the general shareholders' meeting. <sup>13</sup> All shareholders should be	NO	The approval of the indicated decisions in the general shareholders meeting could interfere with the effectiveness and efficiency of the Company's activity.

<sup>13</sup>

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

furnished with equal opportunity to familiarize with and participate in the decision-making process when significant corporate issues, including approval of transactions referred to above, are discussed.

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

YES

The information about the general meeting of shareholders will be announced through the information system of NASDAQ OMX Globe Newswire as well as on the Company's website in the Lithuanian and English languages.

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

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

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

YES

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



commercial secrets are not revealed.

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

YES

The 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. 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.

NO

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.

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

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

PRINCIPLES/ RECOMMENDATIONS	YES NO NOT APPLICABLE	COMMENTARY
<p>7.1. Any member of the company's supervisory and management body should avoid a situation, in which his/her personal interests are in conflict or may be in conflict with the company's interests. In case such a situation did occur, a member of the company's supervisory and management body should, within reasonable time, inform other members of the same collegial body or the company's body that has elected him/her, or to the company's shareholders about a situation of a conflict of interest, indicate the nature of the conflict and value, where possible.</p>	YES	<p>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.</p>
<p>7.2. Any member of the company's supervisory and management body may not mix the company's assets, the use of which has not been mutually agreed upon, with his/her personal assets or use them or the information which he/she learns by virtue of his/her position as a member of a corporate body for his/her personal benefit or for the benefit of any third person without a prior agreement of the general shareholders' meeting or any other corporate body authorized by the meeting.</p>	YES	<p>The members of the Board act in 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.</p>

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

YES

The members of the Company's Board have not concluded the transactions of high value of those under non-standard conditions with the Company.

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

YES

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

## PRINCIPLE VIII. COMPANY’S REMUNERATION POLICY

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

PRINCIPLES/ RECOMMENDATIONS	YES NO NOT APPLICABLE	COMMENTARY
<p>8.1. A company should make a public statement of the company’s remuneration policy (hereinafter the remuneration statement) which should be clear and easily understandable. This remuneration statement should be published as a part of the company’s annual statement as well as posted on the company’s website.</p>	NO	<p>The Company has not prepared the remuneration approval, revision and publication procedure; therefore, it does not prepare remuneration policy statement.</p> <p>The information about the Company’s payments to the members of the issuer’s managing bodies and the senior management during the previous period is announced according to the order stipulated by the legal acts. In the opinion of the Company and the Board, such information is off-the-record (confidential) and is currently considered as a trade secret of the Company according to the competitive environment and economic conditions for activities in Lithuania and other markets where the Company operates.</p> <p>The issue on the need for and preparation of the remuneration policy report is expected to be dealt with in the future alongside with the change of market conditions and competitive environment.</p>

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

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.

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

NOT  
APPLICABLE

The Company has no remuneration statement due to the reasons specified in Clause 8.1.

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

NOT  
APPLICABLE

The Company has no remuneration statement due to the reasons specified in Clause 8.1.

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.

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

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

8.8. Where a variable component of

NOT  
APPLICABLE

The Company has no remuneration statement due to the reasons specified in Clause 8.1.

NOT  
APPLICABLE

The Company has no remuneration statement due to the reasons specified in Clause 8.1.

NOT

The Company has no remuneration



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.	APPLICABLE	statement due to the reasons specified in Clause 8.1.
8.9. Contractual arrangements with executive or managing directors should include provisions that permit the company to reclaim variable components of remuneration that were awarded on the basis of data which subsequently proved to be manifestly misstated.	NOT APPLICABLE	The Company has no remuneration statement due to the reasons specified in Clause 8.1.
8.10. Termination payments should not exceed a fixed amount or fixed number of years of annual remuneration, which should, in general, not be higher than two years of the non-variable component of remuneration or the equivalent thereof.	NOT APPLICABLE	The Company has no remuneration statement due to the reasons specified in Clause 8.1.
8.11. Termination payments should not be paid if the termination is due to inadequate performance.	NOT APPLICABLE	The Company has no remuneration statement due to the reasons specified in Clause 8.1.
8.12. The information on preparatory and decision-making processes, during which a policy of remuneration of directors is being established, should also be disclosed. Information should include data, if applicable, on authorities and composition of the remuneration committee, names and surnames of external consultants whose services have been used in determination of the remuneration policy as well as the role of shareholders' annual general meeting.	NOT APPLICABLE	The Company has no remuneration statement due to the reasons specified in Clause 8.1.
8.13. Shares should not vest for at least three years after their award.	NOT APPLICABLE	The Company has no remuneration statement due to the reasons specified in Clause 8.1.
8.14. Share options or any other right to acquire shares or to be remunerated on the basis of share price movements	NOT APPLICABLE	The Company has no remuneration statement due to the reasons specified in Clause 8.1.

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.

<p>8.15. After vesting, directors should retain a number of shares, until the end of their mandate, subject to the need to finance any costs related to acquisition of the shares. The number of shares to be retained should be fixed, for example, twice the value of total annual remuneration (the non-variable plus the variable components).</p>	<p>NOT APPLICABLE</p>	<p>The Company has no remuneration statement due to the reasons specified in Clause 8.1.</p>
<p>8.16. Remuneration of non-executive or supervisory directors should not include share options.</p>	<p>NOT APPLICABLE</p>	<p>The Company has no remuneration statement due to the reasons specified in Clause 8.1.</p>
<p>8.17. Shareholders, in particular institutional shareholders, should be encouraged to attend general meetings where appropriate and make considered use of their votes regarding directors' remuneration.</p>	<p>NOT APPLICABLE</p>	<p>The Company has no remuneration statement due to the reasons specified in Clause 8.1.</p>
<p>8.18. Without prejudice to the role and organization of the relevant bodies responsible for setting directors' remunerations, the remuneration policy or any other significant change in remuneration policy should be included into the agenda of the shareholders' annual general meeting. Remuneration statement should be put for voting in shareholders' annual general meeting. The vote may be either mandatory or advisory.</p>	<p>NOT APPLICABLE</p>	<p>The Company has no remuneration statement due to the reasons specified in Clause 8.1.</p>
<p>8.19. Schemes anticipating remuneration of directors in shares, share options or any other right to purchase shares or be remunerated on the basis of share price movements should be subject to the prior approval of shareholders' annual general meeting by way of a resolution</p>	<p>NOT APPLICABLE</p>	<p>The Company has no remuneration statement due to the reasons specified in Clause 8.1.</p>

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.

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

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

8.21. Should national law or company's Articles of Association allow, any discounted option arrangement under which any rights are granted to subscribe to shares at a price lower than the market value of the share prevailing on the day of the price determination, or the

NOT  
APPLICABLE

The Company has no remuneration statement due to the reasons specified in Clause 8.1.

NOT  
APPLICABLE

The Company has no remuneration statement due to the reasons specified in Clause 8.1.

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.

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

NOT  
APPLICABLE

The Company has no remuneration statement due to the reasons specified in Clause 8.1.

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

NOT  
APPLICABLE

The Company has no remuneration statement due to the reasons specified in Clause 8.1.

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

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

PRINCIPLES/ RECOMMENDATIONS	YES NO NOT APPLICABLE	COMMENTARY
9.1. The corporate governance framework should assure that the rights of stakeholders that are protected by law are respected.	YES	The Company performs its activities and is managed following the legal and other normative acts of the Republic of Lithuania, according to the reasonable and lawful interests of the community and the third parties, which do not contradict and do not cause the threat to violate the reasonable and lawful interests of the Company.
9.2. The corporate governance framework should create conditions for the stakeholders to participate in corporate governance in the manner prescribed by law. Examples of mechanisms of stakeholder participation in corporate governance include: employee participation in adoption of certain key decisions for the company; consulting the employees on corporate governance and other important issues; employee participation in the company's share capital; creditor involvement in governance in the context of the company's insolvency, etc.	YES	All persons concerned and the third parties may access the publicly disclosed information about the activities of the Company on the websites of NASDAQ OMX Vilnius Stock Exchange or the Company.  All persons concerned can address the Company's Investor Relations Specialist orally or in written form.
9.3. Where stakeholders participate in the corporate governance process, they should have access to relevant information.	YES	All necessary information can be accessed on the websites of NASDAQ OMX Vilnius Stock Exchange and the Company.

## PRINCIPLE X. INFORMATION DISCLOSURE AND TRANSPARENCY

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

PRINCIPLES/ RECOMMENDATIONS	YES NO NOT APPLICABLE	COMMENTARY
<p>10.1. The company should disclose information on:</p> <ol style="list-style-type: none"> <li>1) The financial and operating results of the company;</li> <li>2) Company objectives;</li> <li>3) Persons holding by the right of ownership or in control of a block of shares in the company;</li> <li>4) Members of the company's supervisory and management bodies, chief executive officer of the company and their remuneration;</li> <li>5) Material foreseeable risk factors;</li> <li>6) Transactions between the company and connected persons, as well as transactions concluded outside the course of the company's regular operations;</li> <li>7) Material issues regarding employees and other stakeholders;</li> <li>8) Governance structures and strategy.</li> </ol>	YES	<p>The information about the Company specified in this clause is announced through the information system of NASDAQ OMX Vilnius Stock Exchange, the reports (periodical information) of the Company prepared according to the order stipulated by the legal acts of the Republic of Lithuania, also, on the website of the Company. By presenting the information specified in this clause the Company announces the consolidated information of both the Company and the Group of companies.</p>
<p>10.2. It is recommended to the company, which is the parent of other companies, that consolidated results of the whole group to which the company belongs should be disclosed when information specified in item 1 of Recommendation 10.1 is under disclosure.</p>	YES	<p>By presenting the information specified in this clause the Company announces the consolidated information of both the Company and the Group of companies.</p>

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

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

YES The Company ensures impartial, timely and inexpensive access to the information by announcing it on the Company's website or through NASDAQ OMX Vilnius Stock Exchange's information system in the Lithuanian and English languages.

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

YES This recommendation is fully implemented by the Company.



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

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

PRINCIPLES/ RECOMMENDATIONS	YES NO NOT APPLICABLE	COMMENTARY
11.1. An annual audit of the company's financial reports and interim reports should be conducted by an independent firm of auditors in order to provide an external and objective opinion on the company's financial statements.	YES	<p>This recommendation is implemented partly.</p> <p>The independent firm of auditors assesses the annual report and the annual statements. Since the legal acts of the Republic of Lithuania do not stipulate the assessment of interim financial reports and since it would cause additional costs and time expenses, the Company does not audit interim reports.</p> <p>Despite that, the Company's interim reports are prepared according to IFRS requirements.</p>
11.2. It is recommended that the company's supervisory board and, where it is not set up, the company's board should propose a candidate firm of auditors to the general shareholders' meeting.	YES	This recommendation is fully implemented.
11.3. It is recommended that the company should disclose to its shareholders the level of fees paid to the firm of auditors for non-audit services rendered to the company. This information should be also known to the company's supervisory board and, where it is not formed, the company's board upon their consideration which firm of auditors to propose for the general shareholders' meeting.	YES	The firm of auditors provided the Company with the consultations on tax and hedging policy issues in the financial year 2011/2012.