

Ordinary general shareholders meeting, 28th April, 2017, 9.30 a.m.

**GENERAL VOTING BALLOT**

Shareholder: \_\_\_\_\_, code \_\_\_\_\_  
 (Name, surname, personal code / company name, code)

Number of shares: \_\_\_\_\_

<i>Draft resolutions of the general meeting of shareholders.</i>	<i>Shareholder's vote</i>	
	<i>For</i>	<i>Against</i>
<b>1. Consolidated annual report of the Company for the year 2016 and report of the Auditor.</b>	<i>Taken for the information.</i>	
<b>2. Approval of consolidated annual financial statements of the Company for the year 2016.</b>  To approve consolidated annual financial statements for the year 2016.		
<b>3. Approval of the profit (loss) appropriation of the Company for the year 2016.</b>  To leave inappropriated the result of the Company for the year 2016 as indicated in the consolidated Financial Statements of the Company for the year 2016.		
<b>4. Election of the auditor of the Company.</b>  To elect UAB "PricewaterhouseCoopers" (code 111473315) as the Company's audit enterprise to perform the audit of the Group financial statements (including - consolidated) for the 2017 financial year. To authorize the Company's general manager or any member of the Board to conclude the agreement for audit services, establishing the payment for services as agreed between the parties but in any case not more than 50 000 EUR (fifty thousand euros) (VAT excluded) per year for the audit of the Company's financial statements (including - consolidated).		

Shareholder \_\_\_\_\_  
 (Signature) \_\_\_\_\_ (Name and Surname)

**AUGA GROUP AB**

*Independent Auditor's Report,  
Consolidated Annual Report and  
Consolidated and Separate  
Financial Statements for the Year Ended  
31 December 2016*

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## Independent auditor's report

To the shareholders of AUGA Group AB

### Our opinion

In our opinion, the separate and consolidated financial statements present fairly, in all material respects, the separate and consolidated financial position of AUGA Group AB ("the Company") and its subsidiaries ("the Group") as at 31 December 2016, and their separate and consolidated financial performance and their separate and consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union.

#### *What we have audited*

The Company's and the Group's separate and consolidated financial statements comprise:

- the separate and consolidated balance sheets as at 31 December 2016;
- the separate and consolidated income statements and statements of other comprehensive income for the year then ended;
- the separate and consolidated statements of changes in equity for the year then ended;
- the separate and consolidated statements of cash flows for the year then ended; and
- the notes to the separate and consolidated financial statements, which include significant accounting policies.

### Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the financial statements* section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### *Independence*

We are independent of the Company and the Group in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) and the Law on Audit of the Republic of Lithuania that are relevant to our audit of the separate and consolidated financial statements in the Republic of Lithuania. We have fulfilled our other ethical responsibilities in accordance with the IESBA Code and the Law on Audit of the Republic of Lithuania.

### Emphasis of matter

We draw attention to Note 30 to these separate and consolidated financial statements, and the key audit matter "Regulatory oversight actions over the Company" below, which describe the uncertainty related to the outcome of the legal dispute between the Company and the Bank of Lithuania. Our opinion is not qualified in respect of this matter.

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T: +370 (5) 239 2300, F: +370 (5) 239 2301, Email: [vilnius@lt.pwc.com](mailto:vilnius@lt.pwc.com), [www.pwc.com/lt](http://www.pwc.com/lt)

PricewaterhouseCoopers UAB, company code 111473315, is a private company registered with the Lithuanian Register of Legal Entities.



## Our audit approach

### Overview



#### Materiality

- Overall Company materiality is EUR **318** thousand,
- Overall Group materiality is EUR **317** thousand

#### Audit scope

- We conducted our audit work at 3 reporting units, all located in Lithuania.
- Our full-scope audit addressed substantially all of the Group's revenues and assets.

#### Key audit matters

- Valuation of land
- Valuation of biological assets
- Regulatory oversight actions over the Company

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the separate and consolidated financial statements (together “the financial statements”). In particular, we considered where management made subjective judgements; for example, in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits, we also addressed the risk of management override of internal controls, including among other matters, consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.

#### Materiality

The scope of our audit was influenced by our application of materiality. An audit is designed to obtain reasonable assurance whether the financial statements are free from material misstatement. Misstatements may arise due to fraud or error. They are considered material if individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

Based on our professional judgement, we determined certain quantitative thresholds for materiality, including the overall Company and Group materiality for the separate and consolidated financial statements as a whole as set out in the table below. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements, if any, both individually and in aggregate on the financial statements as a whole.

<b>Overall Company materiality</b>	EUR 318 thousand
<b>Overall Group materiality</b>	EUR 317 thousand
<b>How we determined it</b>	Overall Company materiality was determined as 0.75% of the Company's net assets. Overall Group materiality was determined as 0.8% of the Group's total revenue.



***Rationale for the materiality benchmark applied***

We chose net assets as the benchmark for overall Company materiality because, in our view, it is the most appropriate measure for the Company as a holding company with no external income.

We chose total revenue as the benchmark for overall Group materiality because total revenue is one of the Group's key performance indicators analysed by the management and communicated to the shareholders. Total revenue is also a more stable measure compared to profitability ratio, as it does not depend directly on such external factors as the EU's farming subsidy policy.

We chose to apply 0.75% of net assets to overall Company materiality and 0.8% of total revenue to overall Group materiality, which are within the range of acceptable quantitative materiality thresholds for these benchmarks.

We agreed with the Audit Committee that we would report to them misstatements identified during our audit above EUR 16 thousand, as well as misstatements below that amount that, in our view, warranted reporting for qualitative reasons.

***Key audit matters***

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

<b><i>Key audit matter</i></b>	<b><i>How our audit addressed the key audit matter</i></b>
<p><b>Valuation of land</b> (Refer to Note 2 <i>Summary of significant accounting policies</i>; Note 4 <i>Critical accounting estimates and assumptions</i>; Note 5 <i>Property, plant and equipment</i>; and Note 6 <i>Investment property</i>). The carrying value of land as at 31 December 2016 was EUR 13.5 million and gain from fair value adjustments recognised in 2016 amounted to EUR 0.8 million.</p> <p>We focused on this area because the fair value determination for land involves a number of subjective judgements about such land characteristics as its size, fertility and geographical location. In addition, the management estimates the value of all land plots based on information on a sample of land plots as evaluated by independent valuers.</p> <p>The land plots are measured at fair value based on a sample of land plots determined by independent valuers on an annual basis. In 2016, in total 114 land plots were evaluated by two independent valuers, representing 31% of total land value. The management determined the value of all land plots owned by the Group by way of applying the results of</p>	<p>We obtained and reviewed the valuation of land plots performed by independent valuers, and compared the values of the selected land plots to the data of the recent market transactions in the same geographical location.</p> <p>We discussed the identified differences with the Group's responsible employees and agreed on adjustments, which were made in the financial statements.</p> <p>We discussed with management and tested the assumptions used by management in application of independent valuation results to all land plots owned by the Group.</p> <p>As a result of our work, we noted no significant exceptions that would require material adjustment.</p>



independent valuation to other land plots, taking into account their geographical location.

### **Valuation of biological assets**

(Refer to Note 2 *Summary of significant accounting policies*, Note 4 *Critical accounting estimates and assumptions*, and Note 10 *Biological assets*)

The carrying value of biological assets as at 31 December 2016 was EUR 12.1 million and loss from change in fair value recognised in 2016 amounted to EUR 0.6 million.

We focused on this area because it involves management's estimates in determining the fair value of biological assets.

Biological assets consist of livestock (including milk cows, heifers and bulls), crops, mycelium cultivation seedbed and perennial plantations growing in the Group's farms in Lithuania. The carrying value of perennial plantations is not material for the Group.

Livestock is measured at fair value less estimated point-of-sale costs. The fair value of milk cows is determined using the future cash flow forecast model, including expected cash flows from milk sales and subsequent sale of cows. The fair value of heifers and bulls is determined using the average expected sales price per kg of meat of heifers or bulls, and based on the market research performed by the management.

Crops at the balance sheet date are measured at cost, which is used as an approximation of the fair value, given that minor biological transformation has taken place since the initial cost was incurred (e.g. shortly after seeding the crop). The cost of crops is estimated by allocating all direct and directly attributable indirect costs to the newly seeded crops. The fair value of grain is calculated at the point of harvest based on the market prices of grain at the date when grain is harvested.

Mycelium cultivation seedbed at the balance sheet date are measured at cost of production, given that minor biological transformation has taken place since the initial cost was incurred.

We obtained and reviewed the valuation of livestock of the Group. We traced the input data to independent market information and tested the key assumptions used for calculating the fair value of livestock.

We tested the internal control procedures over purchase process of the Group and allocation of costs to the crops.

We performed a detailed testing of the cost of crops and mycelium cultivation seedbed at the balance sheet date.

We also performed a detailed testing over the calculation of the fair value of grain at the point of harvest.

As a result of our work, we noted no significant exceptions to the assumptions applied in the valuation of biological assets that would require material adjustment.



### **Regulatory oversight actions over the Company**

(Refer to Note 30 *Commitments and contingencies*)

In April 2014, the Company issued shares that were settled by an investor with 100% shares of eTime Invest, which controls agriculture business in Crimea. The value of such in-kind contribution was determined by an independent valuer as at 28 February 2014. The Regulator – the Bank of Lithuania – ordered Property Valuation Oversight Agency to perform an independent analysis of the valuation report and challenged the value of the in-kind contribution for the shares issued. Based on the findings of the independent analysis and given the fact that the Company did not update the value of the in-kind contribution in view of the significant developments in Crimea between the date of the valuation report and the transaction completion date (15 April 2014), the Regulator required the Company to update the valuation retrospectively. If the updated valuation indicated that the value of eTime Invest shares was overstated, it might lead to the decision that the shares issued were not paid in full.

In 2016 the Company appealed against the Regulator's decision to the court. The court of first instance adopted a decision that was in favour of the Regulator's position. The Company appealed against the decision, but the final court decision has not been reached yet.

In February 2017 the Company agreed with an external valuer to update the valuation of eTime Invest shares, which had not been completed at the date of our auditor's report. The result of the updated valuation report will have impact on the outcome of the legal dispute with the Regulator.

The Company disclosed all the circumstances related to the Regulatory oversight actions in its financial statements for the year ended 31 December 2016.

We consider the above as a key audit matter because it attracts significant attention from the Regulator and may require adjustments to the financial statements.

We analysed the Company's correspondence with the Regulator in relation to this matter.

We involved legal and accounting experts in the analysis of the potential legal and accounting implications of this matter.

We also met with the representatives of the Regulator and enquired about their view on this matter.

We read the disclosures regarding the legal dispute and the resulting contingent liability, and assessed these disclosures to determine whether they met the requirements of IFRS and reflect appropriately the nature of the legal dispute and uncertainties related to its outcome.

No material exceptions noted as a result of the above procedures.

### ***How we tailored our Group audit scope***

We tailored the scope of our audit in order to perform sufficient work to enable us to provide an opinion on the consolidated financial statements as a whole, taking into account the structure of the Group, the accounting processes and controls, and the industry in which the Group operates.

The Group comprises a number of subsidiaries operating in Lithuania (refer to Note 1 *General information*). A full-scope audit was performed by PwC Lithuania for the separate financial statements of the following Group entities:

- AUGA Group AB
- Baltic Champs UAB
- Gruduva UAB





For other entities of the Group, we carried out audit work on the selected balances and transactions, which were assessed by us as material from the Group audit perspective.

### **Other information**

Management is responsible for the other information. The other information comprises the consolidated annual report (but does not include the financial statements and our auditor's report thereon).

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

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

### **Responsibilities of management and those charged with governance for the financial statements**

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

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

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

### **Auditor's responsibilities for the audit of the financial statements**

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

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

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



- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's and Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's and Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company and Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

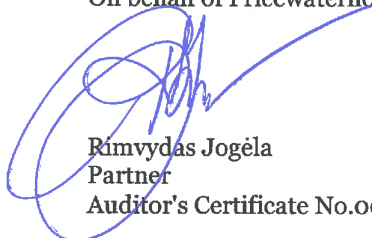
We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

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

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

The certified auditor on the audit resulting in this independent auditor's report is Rimvydas Jogėla.

On behalf of PricewaterhouseCoopers UAB



Rimvydas Jogėla  
Partner  
Auditor's Certificate No.000457

Vilnius, Republic of Lithuania  
27 April 2017

**CONSOLIDATED ANNUAL REPORT FOR THE YEAR 2016**

**AUGA GROUP AB AND THE SUBSIDIARIES CONSOLIDATED  
ANNUAL REPORT FOR THE YEAR 2016**

**1. Accounting period covered by the Report**

Consolidated annual report was prepared for the year ended 31 December 2016.

**2. Key data on the Group**

Name of the company: AUGA Group AB (hereinafter – “Company”)  
 Share capital: EUR 54,350,713.08  
 Address of headquarters: Konstitucijos av. 21C, Quadrum North, LT-08130, Vilnius, Lithuania  
 Telephone: (8~5) 233 53 40  
 Fax: (8~5) 233 53 45  
 E-mail address: [info@auga.lt](mailto:info@auga.lt)  
 Website: [www.auga.lt](http://www.auga.lt)  
 Legal-organizational form: Legal body, joint stock company  
 Place and date of registration: 25 June 2003, Vilnius  
 Register code: 1262 64360  
 Register number: AB2003-926  
 Registrant of the Register of legal bodies: State Enterprise Centre of registers

As at 31 December 2016 the Group was comprised of the Company and its subsidiaries:

<b>Name</b>	<b>Legal form</b>	<b>Date and place of registration</b>	<b>Company Code</b>	<b>Address</b>	<b>Phone, fax and email</b>
UAB Baltic Champs	Joint stock company	27-12-2012, Registrar	State 302942064	Poviliškės, Šiauliai distr.	(8~5) 233 53 40; fax: (8~5) 233 53 45, e-mail: <a href="mailto:info@auga.lt">info@auga.lt</a>
UAB AVG Investment	Joint stock company	10-02-2005, Registrar	State 300087691	Vilniaus m. sav. Vilniaus m. Konstitucijos pr. 21C	(8~5) 233 53 40; fax: (8~5) 233 53 45, e-mail: <a href="mailto:info@auga.lt">info@auga.lt</a>
UAB AWG Investment 1	Joint stock company	18-06-2008, Registrar	State 301745765	Vilniaus m. sav. Vilniaus m. Konstitucijos pr. 21C	(8~5) 233 53 40; fax: (8~5) 233 53 45, e-mail: <a href="mailto:info@auga.lt">info@auga.lt</a>
UAB AWG Investment 2	Joint stock company	24-07-2008, Register	State 301807590	Vilniaus m. sav. Vilniaus m. Konstitucijos pr. 21C	(8~5) 233 53 40; fax: (8~5) 233 53 45, e-mail: <a href="mailto:info@auga.lt">info@auga.lt</a>
UAB Agross	Joint stock company	24-07-2008, Register	State 301807601	Jonavos r. sav. Bukonių k. Lankesos g. 1	(8~5) 233 53 40; fax: (8~5) 233 53 45, e-mail: <a href="mailto:info@auga.lt">info@auga.lt</a>
UAB Grain Lt	Joint stock company	17-03-2010, Register	State 302489354	Vilniaus m. sav. Vilniaus m. Konstitucijos pr. 21C	(8~5) 233 53 40; fax: (8~5) 233 53 45, e-mail: <a href="mailto:info@auga.lt">info@auga.lt</a>
UAB AMT Žemė	Joint stock company	15-03-2011, Register	State 302602713	Smolensko st. 10, Vilnius	(8~5) 233 53 40; fax: (8~5) 233 53 45, e-mail: <a href="mailto:info@auga.lt">info@auga.lt</a>
UAB Agro GIS	Joint stock company	18-01-2011, Register	State 302583978	Vilniaus m. sav. Vilniaus m. Konstitucijos pr. 21C	(8~5) 233 53 40; fax: (8~5) 233 53 45, e-mail: <a href="mailto:info@auga.lt">info@auga.lt</a>
UAB Agro Management Team	Joint stock company	02-03-2011, Register	State 302599498	Jonavos r. sav. Bukonių k. Lankesos g. 1	(8~5) 233 53 40; fax: (8~5) 233 53 45, e-mail: <a href="mailto:info@auga.lt">info@auga.lt</a>
UAB Agrotechnikos centras	Joint stock company	03-02-2011, Register	State 302589187	Jonavos r. sav. Bukonių k. Lankesos g. 1	(8~5) 233 53 40; fax: (8~5) 233 53 45,

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UAB AUGA Trade	Joint stock company	29-02-2012, Registrar	State	302753875	Jonavos r. sav. Bukonių k. Lankesos g. 1	e-mail: info@auga.lt (8~5) 233 53 40; fax: (8~5) 233 53 45, e-mail: info@auga.lt
ŽŪB Žemės fondas	Agricultural entity	07-04-2006, Register	State	300558595	Vilniaus m. sav. Vilniaus m. Konstitucijos pr. 21C	(8~5) 233 53 40; fax: (8~5) 233 53 45, e-mail: info@auga.lt
UAB Žemės vystymo fondas 6	Joint stock company	10-08-2006, Registrar	State	300589719	Jonavos r. sav. Bukonių k. Lankesos g. 1	(8~5) 233 53 40; fax: (8~5) 233 53 45, e-mail: info@auga.lt
UAB Žemės vystymo fondas 9	Joint stock company	09-03-2006, Registrar	State	300547638	Jonavos r. sav. Bukonių k. Lankesos g. 1	(8~5) 233 53 40; fax: (8~5) 233 53 45, e-mail: info@auga.lt
UAB Žemės vystymo fondas 10	Joint stock company	10-01-2008, Registrar	State	301522723	Jonavos r. sav. Bukonių k. Lankesos g. 1	(8~5) 233 53 40; fax: (8~5) 233 53 45, e-mail: info@auga.lt
UAB Žemės vystymo fondas 20	Joint stock company	22-06-2007, Registrar	State	300887726	Jonavos r. sav. Bukonių k. Lankesos g. 1	(8~5) 233 53 40; fax: (8~5) 233 53 45, e-mail: info@auga.lt
ŽŪB AUGA Spindulys	Agricultural entity	09-04-1993, Radviliškis municipality	district	171330414	Radviliškio r. sav. Vaitiekūnų k. Spindulio g. 13	(8~5) 233 53 40; fax: (8~5) 233 53 45, e-mail: info@auga.lt
ŽŪB AUGA Smilgiai	Agricultural entity	16-09-1992, Panevėžys municipality	district	168548972	Panevėžys st. 23, Smilgiai, Smilgiai mun., LT-38375	(8~5) 233 53 40; fax: (8~5) 233 53 45, e-mail: info@auga.lt
ŽŪB AUGA Skėmiai	Agricultural entity	01-10-1992, Radviliškis municipality	district	171306071	Radviliškio r. sav. Skėmių k. Kėdainių g. 36	(8~5) 233 53 40; fax: (8~5) 233 53 45, e-mail: info@auga.lt
ŽŪB AUGA Nausodė	Agricultural entity	11-08-1992, Anykščiai district municipality		154179675	Anykščių r. sav. Kirmėlių k.	(8~5) 233 53 40; fax: (8~5) 233 53 45, e-mail: info@auga.lt
ŽŪB AUGA Dumšiškės	Agricultural entity	29-09-1992, Raseiniai district board	LR	172276179	Raseinių r. sav. Paraseinio k.	(8~5) 233 53 40; fax: (8~5) 233 53 45, e-mail: info@auga.lt
ŽŪB AUGA Žadžiūnai	Agricultural entity	30-06-1992, Šiauliai district municipality		175706853	Šiaulių r. sav. Žadžiūnų k. Gudelių g. 30-2	(8~5) 233 53 40; fax: (8~5) 233 53 45, e-mail: info@auga.lt
ŽŪB AUGA Mantviliškis	Agricultural entity	06-11-1992, Kėdainiai district board		161274230	Kėdainių r. sav. Mantviliškio k.	(8~5) 233 53 40; fax: (8~5) 233 53 45, e-mail: info@auga.lt
ŽŪB AUGA Alanta	Agricultural entity	29-06-1992, Molėtai district municipality		167527719	Molėtų r. sav. Kazlių k. Skiemionių g. 2A	(8~5) 233 53 40;

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ŽŪB AUGA Eimučiai	Agricultural entity	29-06-1992, Šiauliai district municipality	175705032	Šiaulių r. sav. Žadžiūnų k. Gudelių g. 30-2	fax: (8~5) 233 53 45, e-mail: info@auga.lt (8~5) 233 53 40;
ŽŪB AUGA Vėriškės	Agricultural entity	29-09-1992, Radviliškis district municipality	171305165	Radviliškio r. sav. Vėriškių k.	fax: (8~5) 233 53 45, e-mail: info@auga.lt (8~5) 233 53 40;
ŽŪB AUGA Želsvelė	Agricultural entity	03-07-1992, Marijampolė municipality	165666499	Marijampolės sav. Želsvos k.	fax: (8~5) 233 53 45, e-mail: info@auga.lt (8~5) 233 53 40;
ŽŪB AUGA Lankesa	Agricultural entity	06-04-1999, Jonava district municipality	156913032	Jonavos r. sav. Bukonių k.	fax: (8~5) 233 53 45, e-mail: info@auga.lt (8~5) 233 53 40;
ŽŪB AUGA Kairėnai	Agricultural entity	02-03-1993, Radviliškis district municipality	171327432	Radviliškio r. sav. Kairėnų k.	fax: (8~5) 233 53 45, e-mail: info@auga.lt (8~5) 233 53 40;
ŽŪB AUGA Jurbarkai	Agricultural entity	31-07-1992, Jurbarkas district municipality	158174818	Jurbarko r. sav. Klišių k. Vytauto Didžiojo g. 99	fax: (8~5) 233 53 45, e-mail: info@auga.lt (8~5) 233 53 40;
UAB Grūduva	Joining stock company	24-02-1997, Šakiai district municipality	174401546	Šakių r. sav. Gotlybiškių k.	fax: (8~5) 233 53 45, e-mail: info@auga.lt (8~5) 233 53 40;
Panevėžio region ŽŪB Gustoniai	Agricultural entity	09-12-1992, Panevėžys district municipality	168565021	Panevėžio r. sav. Gustonių k. M. Kriaučiūno g. 15	fax: (8~5) 233 53 45, e-mail: info@auga.lt (8~5) 233 53 40;
S.R.L. Natur Agro Grup	Closed joint stock company	23-09-2005, Republic of Moldova	1,006E+12	Stefan cel Marebd. 132, ap. 64, Chisinau mun., Moldova	fax: (8~5) 233 53 45, e-mail: info@auga.lt (8~5) 233 53 40;
S.R.L. Agrowill group	Closed joint stock company	01-07-2008, Republic of Moldova	1,009E+11	Kogalniceanu Mihail, 51, Chisinau mun., Moldova	fax: (8~5) 233 53 45, e-mail: info@auga.lt (8~5) 233 53 40;
ZAO Agroprom	Closed joint stock company	01-09-2008, Russian Federation	1,088E+12	Baimanskaja st. 7-10, Moscow, Russia	fax: (8~5) 233 53 45, e-mail: info@auga.lt (8~5) 233 53 40;
KB Siesartis	Cooperative entity	21-04-2010, Šakiai district municipality	302501098	Šakių r. sav. Gotlybiškių k. Mokyklos g. 18	fax: (8~5) 233 53 45, e-mail: info@auga.lt (8~5) 233 53 40;
KB Kašėta	Cooperative entity	21-04-2010, Jonavos district municipality	302501251	Jonavos r. sav. Bukonių k. Lankesos g. 1	fax: (8~5) 233 53 45, e-mail: info@auga.lt (8~5) 233 53 40;

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						fax: (8~5) 233 53 45, e-mail: info@auga.lt
ŽŪB Gustonys	Agricultural entity	08-06-2010, Vilniaus district municipality	302520102	Panevėžio r. sav. Gustonių k. M. Kriaučiūno g. 15	(8~5) 233 53 40;	fax: (8~5) 233 53 45, e-mail: info@auga.lt
ŽŪB Skėmių pienininkystės centras	Agricultural entity	05-03-2012 Radviliškis district municipality	302737554	Radviliškio r. sav. Skėmių k. Alyvų g. 1	(8~5) 233 53 40;	fax: (8~5) 233 53 45, e-mail: info@auga.lt
Agrobokštai ŽŪK	Cooperative entity	02-03-2010, Marijampolė municipality	302485217	Vilniaus m. sav. Vilniaus m. Smolensko g. 10	(8~5) 233 53 40;	fax: (8~5) 233 53 45, e-mail: info@auga.lt
KB Dotnuvėlės valdos	Cooperative entity	21-04-2011, Šiauliai district municipality	302618614	Šiaulių r. sav. Žadžiūnų k. Gudelių g. 30-2	(8~5) 233 53 40;	fax: (8~5) 233 53 45, e-mail: info@auga.lt
KB Nevėžio lankos	Cooperative entity	21-04-2011, Radviliškis district municipality	302618596	Kėdainių r. sav. Mantviliškio k. Liepos 6-osios g. 60	(8~5) 233 53 40;	fax: (8~5) 233 53 45, e-mail: info@auga.lt
KB Radviliškio kraštas	Cooperative entity	20-04-2011, Radviliškis district municipality	302618742	Radviliškio r. sav. Skėmių k. Kėdainių g. 13	(8~5) 233 53 40;	fax: (8~5) 233 53 45, e-mail: info@auga.lt
KB Šventosios pievos	Cooperative entity	20-04-2011, Radviliškis district municipality	302618201	Radviliškio r. sav. Vaitiekūnų k. Spindulio g. 13-2	(8~5) 233 53 40;	fax: (8~5) 233 53 45, e-mail: info@auga.lt
KB Kairių ūkis	Cooperative entity	13-04-2011, Marijampolė municipality	302615194	Panevėžio r. sav. Gustonių k. M. Kriaučiūno g. 15	(8~5) 233 53 40;	fax: (8~5) 233 53 45, e-mail: info@auga.lt
KB Šiaurinė valda	Cooperative entity	13-04-2011, Šakiai district municipality	302615187	Šiaulių r. sav. Poviliškių k.	(8~5) 233 53 40;	fax: (8~5) 233 53 45, e-mail: info@auga.lt
KB Šušvės žemė	Cooperative entity	21-04-2011, Radviliškis district municipality	302618767	Kelmės r. sav. Pašiaušės k. Vilties g. 2	(8~5) 233 53 40;	fax: (8~5) 233 53 45, e-mail: info@auga.lt
ŽŪK Agromilk	Cooperative entity	23-04-2009, Radviliškis district municipality	302332698	Anykščių r. sav. Nausodės k. Nausodės g. 55	(8~5) 233 53 40;	fax: (8~5) 233 53 45, e-mail: info@auga.lt
KB Žalmargėlis	Cooperative entity	23-09-2013, Registrar	State 303145954	Vilniaus m. sav. Vilniaus m. Smolensko g. 10	(8~5) 233 53 40;	fax: (8~5) 233 53 45, e-mail: info@auga.lt
KB Juodmargėlis	Cooperative entity	03-10-2013, Registrar	State 303159014	Raseinių r. sav. Paraseinio k. Paraseinio g. 2	(8~5) 233 53 40;	fax: (8~5) 233 53 45,

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UAB Agrosaulė 8	Joint stock company	23-08-2012, Registrar	State	302846105	Jonavos r. sav. Bukonių k. Lankesos g. 1	e-mail: info@auga.lt (8~5) 233 53 40; fax: (8~5) 233 53 45, e-mail: info@auga.lt
Pasvalys distr., Pušalotas reclamation infrastructure users association	Association	11-12-2009 district municipality	Pasvalys	302465563	Pasvalio r. sav. Diliauskų k. Diliauskų g. 23	(8~5) 233 53 40; fax: (8~5) 233 53 45, e-mail: info@auga.lt
Grūduvos melioracija	Association	23-11-2010, Registrar	State	302567116	Mokyklos st. 2, Gotlybiškės, Šakiai distr.	(8~5) 233 53 40; fax: (8~5) 233 53 45, e-mail: info@auga.lt
Skėmių statinių melioracijos naudotojų asociacija	Association	22-10-2013, Registrar	State	303170256	Vilniaus m. sav. Vilniaus m. Smolensko g. 10	(8~5) 233 53 40; fax: (8~5) 233 53 45, e-mail: info@auga.lt
Melioracijos sistemų naudotojų asociacijos "Nausodė"	Association	22-10-2013, Registrar	State	304219592	Vilniaus m. sav. Vilniaus m. Konstitucijos pr. 21C	(8~5) 233 53 40; fax: (8~5) 233 53 45, e-mail: info@auga.lt
Vaitiekūnų melioracijos statinių naudotojų asociacija	Association	22-10-2013, Registrar	State	303170306	Vilniaus m. sav. Vilniaus m. Smolensko g. 10	(8~5) 233 53 40; fax: (8~5) 233 53 45, e-mail: info@auga.lt
UAB Traktorių nuomos centras	Joint stock company	16-07-2012, Registrar	State	302820808	Jonavos r. sav. Bukonių k. Lankesos g. 1	(8~5) 233 53 40; fax: (8~5) 233 53 45, e-mail: info@auga.lt
UAB Traktorių nuomos paslaugos	Joint stock company	16-07-2012, Registrar	State	302820797	Jonavos r. sav. Bukonių k. Lankesos g. 1	(8~5) 233 53 40; fax: (8~5) 233 53 45, e-mail: info@auga.lt
UAB Arnega	Joint stock company	13-08-2011, Registrar	State	302661957	Jonavos r. sav. Bukonių k. Lankesos g. 1	(8~5) 233 53 40; fax: (8~5) 233 53 45, e-mail: info@auga.lt
UAB AGRO Ramučiai	Joint stock company	05-09-2012, Registrar	State	302854479	Šiaulių r. sav. Poviliškių k.	(8~5) 233 53 40; fax: (8~5) 233 53 45, e-mail: info@auga.lt
UAB Luganta	Joint stock company	05-09-2012, Registrar	State	300045023	Kelmės r. sav. Pašiaušės k.	(8~5) 233 53 40; fax: (8~5) 233 53 45, e-mail: info@auga.lt
UAB ŽVF projektai	Joint stock company	27-12-2012, Registrar	State	300137062	Jonavos r. sav. Bukonių k. Lankesos g. 1	(8~5) 233 53 40; fax: (8~5) 233 53 45, e-mail: info@auga.lt
UAB Bukonių ekologinis ūkis	Joint stock company	23-08-2012, Registrar	State	302846621	Vilniaus m. sav. Vilniaus m. Konstitucijos pr. 21C	(8~5) 233 53 40; fax: (8~5) 233 53 45, e-mail: info@auga.lt

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ŽŪB Želsvelės ekologinis ūkis	Agricultural entity	09-06-2014, Registrar	State	303325856	Marijampolės sav. Želsvos k. Želsvelės g. 1	(8~5) 233 53 40; fax: (8~5) 233 53 45, e-mail: info@auga.lt
ŽŪB Smilgių ekologinis ūkis	Agricultural entity	09-06-2014, Registrar	State	303325824	Panevėžio r. sav. Smilgių mstl. Panevėžio g. 23-1	(8~5) 233 53 40; fax: (8~5) 233 53 45, e-mail: info@auga.lt
ŽŪB Skėmių ekologinis ūkis	Agricultural entity	09-06-2014, Registrar	State	303325692	Radviliškio r. sav. Skėmių k. Kėdainių g. 13	(8~5) 233 53 40; fax: (8~5) 233 53 45, e-mail: info@auga.lt
ŽŪB Mantviliškio ekologinis ūkis	Agricultural entity	09-06-2014, Registrar	State	303325703	Kėdainių r. sav. Mantviliškio k. Liepos 6-osios g. 60	(8~5) 233 53 40; fax: (8~5) 233 53 45, e-mail: info@auga.lt
ŽŪB Spindulio ekologinis ūkis	Agricultural entity	09-06-2014, Registrar	State	303325817	Radviliškio r. sav. Vaitiekūnų k. Spindulio g. 13-2	(8~5) 233 53 40; fax: (8~5) 233 53 45, e-mail: info@auga.lt
ŽŪB Lankesos ekologinis ūkis	Agricultural entity	09-06-2014, Registrar	State	303325710	Jonavos r. sav. Bukonių k. Lankesos g. 1	(8~5) 233 53 40; fax: (8~5) 233 53 45, e-mail: info@auga.lt
ŽŪB Dumšiškių ekologinis ūkis	Agricultural entity	09-06-2014, Registrar	State	303324722	Raseinių r. sav. Paraseinio k. Paraseinio g. 2	(8~5) 233 53 40; fax: (8~5) 233 53 45, e-mail: info@auga.lt
ŽŪB Kairėnų ekologinis ūkis	Agricultural entity	09-06-2014, Registrar	State	303325774	Radviliškio r. sav. Vaitiekūnų k. Spindulio g. 13-2	(8~5) 233 53 40; fax: (8~5) 233 53 45, e-mail: info@auga.lt
ŽŪB Žadžiūnų ekologinis ūkis	Agricultural entity	09-06-2014, Registrar	State	303325870	Šiaulių r. sav. Žadžiūnų k. Gudelių g. 30-2	(8~5) 233 53 40; fax: (8~5) 233 53 45, e-mail: info@auga.lt
ŽŪB Vėriškių ekologinis ūkis	Agricultural entity	09-06-2014, Registrar	State	303325849	Radviliškio r. sav. Skėmių k. Kėdainių g. 13	(8~5) 233 53 40; fax: (8~5) 233 53 45, e-mail: info@auga.lt
ŽŪB Nausodės ekologinis ūkis	Agricultural entity	09-06-2014, Registrar	State	303325781	Anykščių r. sav. Nausodės k. Nausodės g. 55	(8~5) 233 53 40; fax: (8~5) 233 53 45, e-mail: info@auga.lt
ŽŪB Jurbarkų ekologinis ūkis	Agricultural entity	09-06-2014, Registrar	State	303325361	Jurbarko r. sav. Klišių k. Vytauto Didžiojo g. 99	(8~5) 233 53 40; fax: (8~5) 233 53 45, e-mail: info@auga.lt
ŽŪB Eimučių ekologinis ūkis	Agricultural entity	09-06-2014, Registrar	State	303324715	Šiaulių r. sav. Žadžiūnų k. Gudelių g. 30-2	(8~5) 233 53 40; fax: (8~5) 233 53 45, e-mail: info@auga.lt
ŽŪB Alantos ekologinis ūkis	Agricultural entity	09-06-2014, Registrar	State	303324747	Molėtų r. sav. Kazlų k. Skiemonių g. 2A	(8~5) 233 53 40; fax: (8~5) 233 53 45,



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ŽŪB Grūdų avos ekologinis ūkis	Agricultural entity	09-06-2014, Registrar	State	303324804	Šakių r. sav. Gotlybiškių k. Mokyklos g. 2	e-mail: info@auga.lt (8~5) 233 53 40; fax: (8~5) 233 53 45, e-mail: info@auga.lt
UAB eTime invest	Joint stock company	09-06-2014, Registrar	State	300578676	Vilniaus m. sav. Vilniaus m. Saltoniškių g. 29	(8~5) 233 53 40; fax: (8~5) 233 53 45, e-mail: info@auga.lt
OOO Karakash Agro	Joint stock company	09-09-2010, Ukraine		37171461	Adalet st. 18, Chechova, Razdolnenskiy distr., Krym	(8~5) 233 53 40; fax: (8~5) 233 53 45, e-mail: info@auga.lt
OOO Karakash	Joint stock company	09-09-2010, Ukraine		32140884	Adalet st. 18, Chechova, Razdolnenskiy distr., Krym	(8~5) 233 53 40; fax: (8~5) 233 53 45, e-mail: info@auga.lt
AgroSchool OU	Joint stock company	15-07-2013, Estonia		12491954	Parnu st. 15, Harju distr., Tallinn	(8~5) 233 53 40; fax: (8~5) 233 53 45, e-mail: info@auga.lt
Public AgroSchool institution	Public institution	22-07-2013, Registrar	State	303104797	Vilniaus m. sav. Vilniaus m. Smolensko g. 10	(8~5) 233 53 40; fax: (8~5) 233 53 45, e-mail: info@auga.lt
Sendri Capital OU	Private limited company	02-05-2014, Estonia		12655539	Parnu st. 15, Harju distr., Tallinn	(8~5) 233 53 40; fax: (8~5) 233 53 45, e-mail: info@auga.lt
Turvaste partners OU	Private limited company	02-05-2014, Estonia		12655410	Parnu st. 15, Harju distr., Tallinn	(8~5) 233 53 40; fax: (8~5) 233 53 45, e-mail: info@auga.lt
Nakamaa Agro OU	Private limited company	02-05-2014, Estonia		12655522	Parnu st. 15, Harju distr., Tallinn	(8~5) 233 53 40; fax: (8~5) 233 53 45, e-mail: info@auga.lt
Hindaste Invest OU	Private limited company	24-04-2014, Estonia		12655384	Parnu st. 15, Harju distr., Tallinn	(8~5) 233 53 40; fax: (8~5) 233 53 45, e-mail: info@auga.lt
Tuudi River OU	Private limited company	02-05-2014, Estonia		12655384	Parnu st. 15, Harju distr., Tallinn	(8~5) 233 53 40; fax: (8~5) 233 53 45, e-mail: info@auga.lt
Palderma Partners OU	Private limited company	02-05-2014, Estonia		12654959	Parnu st. 15, Harju distr., Tallinn	(8~5) 233 53 40; fax: (8~5) 233 53 45, e-mail: info@auga.lt
Ave-Martna Capital OU	Private limited company	02-05-2014, Estonia		12655155	Parnu st. 15, Harju distr., Tallinn	(8~5) 233 53 40; fax: (8~5) 233 53 45, e-mail: info@auga.lt
Hobring Invest OU	Private limited company	02-05-2014, Estonia		12655427	Parnu st. 15, Harju distr., Tallinn	(8~5) 233 53 40;

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						fax: (8~5) 233 53 45, e-mail: info@auga.lt
Rukkirahhu Capital OU	Private limited company	02-05-2014, Estonia		12655232	Parnu st. 15, Harju distr., Tallinn	(8~5) 233 53 40; fax: (8~5) 233 53 45, e-mail: info@auga.lt
Pahasoo OU	Private limited company	02-05-2014, Estonia		12655367	Parnu st. 15, Harju distr., Tallinn	(8~5) 233 53 40; fax: (8~5) 233 53 45, e-mail: info@auga.lt
KB Ganiklis	Cooperative entity	20-10-2014, Registrar	State	303429417	Radviliškio r. sav. Skėmių k. Alyvų g. 1-3	(8~5) 233 53 40; fax: (8~5) 233 53 45, e-mail: info@auga.lt
KB Ganiavos gėrybės	Cooperative entity	20-10-2014, Registrar	State	303429431	Radviliškio r. sav. Skėmių k. Alyvų g. 1-3	(8~5) 233 53 40; fax: (8~5) 233 53 45, e-mail: info@auga.lt
KB Žemėpačio pieno ūkis	Cooperative entity	22-10-2014, Registrar	State	303432388	Radviliškio r. sav. Skėmių k. Alyvų g. 1-3	(8~5) 233 53 40; fax: (8~5) 233 53 45, e-mail: info@auga.lt
KB Žemynos pienelis	Cooperative entity	17-10-2014, Registrar	State	303427989	Radviliškio r. sav. Skėmių k. Alyvų g. 1-3	(8~5) 233 53 40; fax: (8~5) 233 53 45, e-mail: info@auga.lt
KB Lygiadienio ūkis	Cooperative entity	17-10-2014, Registrar	State	303428087	Radviliškio r. sav. Skėmių k. Alyvų g. 1-3	(8~5) 233 53 40; fax: (8~5) 233 53 45, e-mail: info@auga.lt
KB Laumės pieno ūkis	Cooperative entity	17-10-2014, Registrar	State	303427996	Radviliškio r. sav. Skėmių k. Alyvų g. 1-3	(8~5) 233 53 40; fax: (8~5) 233 53 45, e-mail: info@auga.lt
KB Medeinės pienas	Cooperative entity	17-10-2014, Registrar	State	303428112	Radviliškio r. sav. Skėmių k. Alyvų g. 1-3	(8~5) 233 53 40; fax: (8~5) 233 53 45, e-mail: info@auga.lt
KB Gardaitis	Cooperative entity	20-10-2014, Registrar	State	303429381	Radviliškio r. sav. Skėmių k. Alyvų g. 1-3	(8~5) 233 53 40; fax: (8~5) 233 53 45, e-mail: info@auga.lt
KB Dimstipatis	Cooperative entity	20-10-2014, Registrar	State	303429424	Radviliškio r. sav. Skėmių k. Alyvų g. 1-3	(8~5) 233 53 40; fax: (8~5) 233 53 45, e-mail: info@auga.lt
KB Aušlavis	Cooperative entity	20-10-2014, Registrar	State	303429456	Radviliškio r. sav. Skėmių k. Alyvų g. 1-3	(8~5) 233 53 40; fax: (8~5) 233 53 45, e-mail: info@auga.lt
KB Austėjos pieno ūkis	Cooperative entity	17-10-2014, Registrar	State	303428094	Radviliškio r. sav. Skėmių k. Alyvų g. 1-3	(8~5) 233 53 40; fax: (8~5) 233 53 45, e-mail: info@auga.lt
KB Aitvaro ūkis	Cooperative entity	20-10-2014, Registrar	State	303429374	Radviliškio r. sav. Skėmių k. Alyvų g. 1-3	(8~5) 233 53 40; fax: (8~5) 233 53 45, e-mail: info@auga.lt
KB Giraičio pieno ūkis	Cooperative entity	20-10-2014, Registrar	State	303429399	Radviliškio r. sav. Skėmių k. Alyvų g. 1-3	(8~5) 233 53 40; fax: (8~5) 233 53 45, e-mail: info@auga.lt

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**3. Main lines of business of the Group**

Operations area: Agriculture  
Main products manufactured: Cultural mushroom growing and sale, milk production and sale, grain, rapeseed growth and sale, rent of land.  
Other activities: Agricultural real estate, land rent mediation, consulting services.

**4. Agreements with the mediators of securities public circulation**

The Company and FMĮ Orion Securities UAB (A. Tumėno st. 4, B korpusas, LT-01109 Vilnius) signed an agreement regarding handling of Shareholders accounts.

**5. The trading in the Issuer's securities on exchanges and other organized markets**

During the reporting period, the Companies shares were traded on the NASDAQ OMX Vilnius Stock Exchange (hereinafter – VSE). Type of shares – ordinary, nominal value of EUR 0.29, total amount of shares in circulation - 187,416,252 units.

Reporting period	Price, EUR			Date of last session	Total turnover	
	Max	min	Last session		Units	EUR, mil
I quarter 2016	0.440	0.285	0.412	2016.03.31	1,402,512	0.475
II quarter 2016	0.418	0.387	0.402	2016.06.30	358,372	0.146
III quarter 2016	0.535	0.397	0.420	2016.09.30	777,912	0.347
IV quarter 2016	0.484	0.455	0.484	2016.12.30	323,045	0.151

**6. Group's financial and operating results analysis, information on personnel**

**Main performance indicators**

Main financial figures, EUR thousand	Group 2016	Group 2015
Revenues	39,630	47,425
Direct subsidies	8,680	7,615
Gross profit	10,777	10,401
Operating profit	3,890	8,129
Finance costs	(2,098)	(2,001)
Net profit	2,145	5,559
EBITDA	9,623	10,748
EBITDA margin, %	24.83	22.66
<b>Ratios</b>		
ROE, %	3.02	8.16
Debt/EBITDA	3.32	4.35
Liquidity ratio	1.37	0.76

In April 2014, Auga Group AB group of companies (hereinafter pre-acquisition consolidated entity – AWG) were acquired by Baltic Champs Group UAB. AWG issued 102,596,266 new shares, 88,444,014 of which were acquired by Baltic Champs Group UAB by contributing shares of Baltic Champs UAB (hereinafter – BC), the remaining 14,151,252 shares were acquired by Vretola Holdings Limited by contributing shares of eTime invest UAB. The new Auga Group AB group of companies, hereinafter in the consolidated annual report is referred to as the Group.

In the table above the main financial figures of the Group for 2016 are compared to the main financial figures of the Group for the year ended 31 December 2015.

*Revenues*

During 2016 the Group generated EUR 39.6 million in agricultural activity revenues (in 2015: EUR 47.4 million). The Group's revenue in 2016 fell by about 16 percent as compared to 2015 mainly due to two main reasons: the Group is in second year of transition to fully organic activities and has to use mainly own-produced feed for cows. The second reason being the specifics of organic produce market, as most of the sales are quite evenly divided from the point of harvest until next summer. Due to this, the Group has increased inventories as compared to previous year end. Raw milk sales were on similar level as compared to 2015, while mushroom and compost sales increased marginally due to increased amounts of goods sold.

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*Cost of sales*

The cost of sales of the Group decreased from EUR 36.7 million to EUR 28.0 million in 2016. However, the gross margin of the Group increased marginally from EUR 10.4 million in 2015 to EUR 10.8 million in 2016. Only the gross profit of crop growing activities decreased – mainly due to much higher yields achieved by the Group in 2015, when until 15<sup>th</sup> of June 2015 it was allowed to use chemicals and non-organic fertilizers. Year 2016 harvest was already grown as organic, additionally the harvest period was extremely wet in Lithuania increasing the cost of production. The gross margin of crops fell from around EUR 2.5 million to EUR 0.4 million. The gross margin of mushroom and compost sales and cattle sales remained on similar levels as compared to previous years. The Group benefited from decrease in cost of milk produced, as well as larger than in previous year subsidies, as the Group received compensations for small milk price, as well as deductions made by State Payment Agency in 2013 – 2014, which were ruled by the court as illegal.

*Operating expenses*

The operating expenses of the Group grew slightly (from EUR 6.1 million to EUR 7.0 million in 2016). The increase was influenced by increased payroll and other administrative expenses, as well as costs of the Group unveiling new brand and Company name. Various acquisitions and projects throughout the year, as well as closure of restructuring cases in courts resulted in rather high one-time consultation and legal charges.

*Other income*

Over year 2015 – 2016 the Group sold large chunks of investment property – agricultural land. In 2016 the Group incurred net loss of EUR 227 thousand (2015: profit of EUR 174 thousand). The loss was mainly due to sale of land management Group (ŽVF group – EUR 184 thousand), which owned over 6 thousand Ha of agricultural land. The Group owned assets of around EUR 25 million and had net assets of EUR 7,4 million at time of sale. At the end of 2015, before transferring the investment property to the investment fund the Group revaluated investment property to its fair value and profit of EUR 3,339 thousand was accounted for. The Group also experienced gains from write-offs of liabilities and minor interest revenues.

*Balance sheet*

During 2016 the Group continued to make investments into renewal of its agricultural equipment and machinery, with acquisitions of non-current assets (agricultural land and agricultural machinery) totalling EUR 8 million (2015: 6.2 million). Also, during 2016 the Group sold land management group (ŽVF group) which owned land for own use and investment property land worth around EUR 25 million.

The book value of biological assets of the Group as at 31 December 2016 equalled EUR 12.1 million (2015: EUR 10.7 million). The Group also continued to grow its herd of cows and other livestock, and slightly increased the area of winter crops. As at the date of signing of this Report, no significant uninsured areas effected by winterkill were registered.

As discussed above, due to specifics of organic produce market, the Group's inventory levels doubled as compared to previous year (EUR 15.2 million vs EUR 8.9 million).

During 2015 the Group's companies under restructuring finished the repayment of restructured liabilities, and by the end of the year agreed with DNB bank AB and Swedbank, AB regarding the refinancing of all loans on favourable conditions. Big reduction of financial debt as compared to year 2015 occurred with the sale of ŽVF group, which at the time of sale had over EUR 13 million of debts from financial institutions. The financial debt decreased from EUR 46.7 million to EUR 32 million.

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**Personnel**

As at 31 December 2016 the number of employees and average monthly salary by education and categories was as follows:

<b>Employee category</b>	<b>Numbers of employees</b>	<b>Average monthly salary</b>
Central office / Company	53	1,871
Agricultural entities management	130	1051
Agricultural entities workers	916	752
<b>Total:</b>	<b>1,099</b>	

<b>Education</b>	<b>Central office / Company</b>	<b>Agricultural entities</b>
Higher	47	149
Special professional	5	417
Middle	1	480
Primary	-	-
<b>Total:</b>	<b>53</b>	<b>1,046</b>

<b>Structure</b>	<b>Employee number as at 31 December 2016</b>	<b>Average monthly salary</b>
Managing personnel	49	2,251
Specialists	176	1,005
Employees	874	752
<b>Total:</b>	<b>1,099</b>	

**7. Objective overview of Group's status, operations and development, description of key risks and exposures the Group faces**

**Overview of the Group's business, status and review of expansion**

AUGA Group AB started operations in 2003 and currently is Lithuania's largest group of agricultural development and investment companies applying the centralized business management model. The Group is a top-10 agricultural land owner in Lithuania – owning around 3 thousand ha, and additionally around 23 thousand ha were rented from others. In April 2014 AUGA Group AB legally acquired Baltic Champs UAB. AUGA Group AB issued new shares which were acquired by former shareholders of Baltic Champs UAB. The new shares emission was paid by Baltic Champs UAB shares which at the date of merger were evaluated at EUR 25.6 million.

In 2015, the Group took a strategic shift in its operation and declared all working area and held livestock herds as organic, with the aim by the end of 2017 to produce all agricultural produce and most of cultural mushrooms organically. The Group's vision is to work in a more stable and rapid growth representing organic agriculture segment, with a long-term vision of supplying a wide range of finished goods for the end users. In the end of 2016, the Group presented new brand name – "AUGA", and also changed it's legal name to AUGA Group AB.

As at 31 December 2016 the Group had 3,554 milking cows (2015: 3,439) in its herd, along with 3,277 heifers (2015: 3,294) grown for replacement of milking cows and 191 bulls (2015: 294). The main crop growing cultures grown for sales are winter and spring wheat and rapeseed, as well as various protein cultures (peas, beans and soy)– there were almost 15 thousand ha planted and harvested in 2016 by the Group's agricultural subsidiaries. The remaining area is planted with various feed cultures – corn, barley, perennial grasses. The grown green feed is used for feeding of the animal herds. The Group annually produces and sells around 11 thousand tonnes of fresh cultural mushrooms.

In 2017 the Group plans to finish the transition from common agricultural activities to organic. As the Group as of 15 June 2015 forfeited using of any mineral fertilizer and all pesticides, the harvest gathered in 2016 is labelled P2 (transition period 2 harvest), and only in 2017 first organic produce will be harvested and made. Timely and correct operations on the fields are vital in order to achieve the desired results – therefore the Group plans significant investments into agricultural equipment dedicated to organic agriculture. The Group will seek to increase the milking cows herd, as well as organically produced mushrooms and vegetables quantities. The Group plans to undergo various operational tests on its way to a creation of sustainable organic farming model.

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**Assessment of main types of risks and exposures the Group faces**

*Borrowed capital accounts for a large share of the Group's total capital*

Historically, the main source of AWG's financing (for acquisitions and operational needs) was generated by borrowed funds. At the beginning of 2008, AWG issued a new share capital issue and attracted around EUR 8.1 million of cash. In the same year, AWG issued several bond issues and attracted additional EUR 8.1 million of cash. All the proceeds were used for expansion of AWG – two major subsidiaries were acquired: Polva Agro OU in Estonia and Grūduva UAB in Lithuania; number of investment projects were started (manure storage pits, cow farm reconstructions, acquisitions of modern agricultural equipment and machinery). After the 2008 financial markets collapse took place, AWG had to abandon several investment projects and finished one of the acquisitions from own cash flows, which, in turn, in several months resulted in significant liquidity problems.

The major part of AWG assets are the investment property, owned land, buildings, equipment and cattle herds – non-current assets, payback of which is longer than 1-2 year term, while AWG's current financial liabilities are larger than current receivables. Due to severely limited additional financing opportunities, the shareholders and management of AWG in June 2009 undertook a decision to initiate restructuring process for the Company and 14 agricultural entities. The restructuring process is a mean for companies facing liquidity problems to operate under normal circumstances and to try and earn the funds needed to repay the accumulated amounts due. The decisions to initiate the restructuring processes were approved by more than 50% of creditors in each of these companies in June 2009.

In 2014 the Group finished restructuring of 4 agricultural subsidies, while in 2015 the remaining restructuring cases of 10 agricultural entities and Company were finished – the Group repaid all the external debts according to all restructuring plans.

As the borrowed capital still accounts for a large part of Group's capital any significant financial market disturbances could cause Group difficulties servicing financial debt.

*Weather conditions*

Weather conditions are one of the most important risks involved in agricultural activities. Poor or unfavourable meteorological conditions can have substantial impact upon yields by negatively affecting harvests and fodder preparation, destroying crop areas etc. In extreme cases, poor weather limits the ability to harvest the fields at all.

*Prices for agricultural products*

The Group's income and operating results depend on such factors beyond the Group's control as prices for agricultural commodities. These prices are largely influenced by different and hardly predictable factors beyond the Group's control (weather conditions, state agricultural policy, changes in global demand caused by demographic changes, changes in living conditions, competing products in other countries).

*Animal and vegetable diseases*

Animals can be infected with different viral infections including foot and mouth disease, bovine spongiform encephalopathy etc. Even though the Group complies with the highest sanitary standards in order to prevent diseases, there is no guarantee that the Group's cattle will not be infected for reasons beyond the control of the Group. Although all of the Group's cattle are insured, an outbreak of a cattle infection can result in high additional expenses and losses.

*State policy and regulation in the agricultural sector and related areas can have a negative effect upon the Group's operations and profitability*

Agriculture, agricultural produce and products placement on the market are strongly affected by state policies and EU regulation. Regulation of agricultural activities manifests itself through the regulation of taxes, tariffs, quotas, subsidies, import and export legislation etc. Any change in this area can exert significant influence over the profitability of agricultural activities, determination of the choice of crops, increase or reduce the volumes of production, import and export of agricultural products. In addition, any international trade disputes can affect the trade flows, restricting trade among countries or regions. Future policies in this area can have a negative impact upon prices for the agricultural products offered by the Group and upon the Group's opportunities for operating in the market.

*Unstable political situation in the Autonomous Republic of Crimea*

AUGA Group AB consolidates eTime invest UAB, which, through a subsidiary company Karakash Agro OOO operates around 10 thousand hectares of agricultural land in Autonomous Republic of Crimea. Currently Autonomous Republic of Crimea is annexed by Russian Federation. This creates negative changes in legal, political and business environment of the region. Such negative change could adversely affect agricultural business of Karakash Agro OOO and subsequently result in losses for the Group.

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**8. Significant post balance sheet events**

Disclosed in the consolidated AUGA Group AB financial statements for the year ended 31 December 2016.

**9. Planned and forecasted activities of the Group**

The Group changed its agricultural activities from regular to organic type in 2015. In June 2015, the Group declared almost 24 thousand hectares and all of its cow herd as organic ones and started the transitional period. The transitional period lasts for two years and the first purely organic harvest will be gathered at the end of 2017, first organic milk produced in the third quarter of 2017. In December 2015, Ekoagros, an organic agriculture certification body in Lithuania, completed certification process of all owned and leased farmland and livestock of AUGA Group, AB as organic. Certification for 2016 was completed in August 2016.

It is planned to increase the milking cow herd to around 3.6 – 3.7 thousand (currently around 3.5 thousand) located over 8 separate locations around Lithuania. The number of heifers and small bulls grown by the Group will remain unchanged (at around 3.5 thousand). The Group plans to implement the best practice of organic agriculture, enabling the animals to freely access the pastures during the grazing period, as well as to build at least one prototype farm of 300 heads of milking cows to test new feeding and milking technologies, and to further improve the well-being of the animals.

In crop growing sector, the Group is planning significant investments into agricultural equipment exclusively used in organic production. 2016 harvest was the first grown without any chemical fertilizers and pesticides. The operations in 2016 showed where the Group is strong and where there still are some production bottlenecks, so it is very important for the Group to have a good machinery park to be ready to tackle any arising obstacles (weeds, insects, etc.). The Group also plans to increase the area of grown vegetables (including growing some of them – organically), and to increase the quantities of produce sold with own label to the end users in 2017.

The cultural mushrooms growing business will remain in leading positions across the Baltics, with no significant production capacity expansion plans forecasted for the coming years. The Group expects to increase the percentage of sold organic mushrooms as compared to the previous year.

**10. Information on research and development activities**

AUGA Group AB does not have material licenses, and is not engaged in research activities.

**11. Information on own shares**

The Company has not acquired any own shares.

**12. Share capital structure of the Company**

The share capital of AUGA Group AB as at 31 December 2016 and 31 December 2015 is EUR 54,351 thousand. The share capital is divided into 187,416,252 ordinary shares. Each issued share has a EUR 0.29 nominal value and fully paid.

**13. Share transfer restrictions**

There are no restrictions regarding the share transfer.

There could be separate stock transfer restrictions, which can only be imposed by the shareholders and only in agreed-upon cases (see company's' shareholders agreements for more details).

**14. Shareholders of the Company**

The shareholders owning more than 5 per cent of all the Company shares as at 31 December 2016 were:

Name, surname / name of the company	Company / personal code	Address	Votes held by shareholder	Shares held by shareholder
UAB „Baltic Champs Group“	145798333	Poviliškių km., Šiaulių raj. sav.	96,640,015	51.56%
UAB „Velmatas“	304310565	Jogailos g. 9, Vilnius, Lietuva	28,440,895	15.18%
UAB „Valgertas“	304310540	Jogailos g. 9, Vilnius, Lietuva	27,511,660	14.68%
Multi Asset Selection Fund	I015	Antano Tumėno g. 4-B	10,920,736	5.45%

Velmatas UAB and Valgertas UAB are subsidiary entities of Baltic Champs Group UAB. No shareholder has special voting rights. In total, 1,035 physical and legal persons were Companies shareholders as at 31 December 2016.

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**15. Company's shareholders voting rights restrictions**

The Group has no indications about any restrictions to the shareholders voting rights.

**16. Agreements between the shareholders**

The Company in 2014 has entered into the Shareholders' Agreement with Volemer Holdings Limited, Vretola Holdings Limited, Eastern Agro Holdings UAB, Sauledra UAB, Romualdas Antanas Petrošius, Aldona Petrošienė, Jurgis Petrošius, Marius Žutautas, Vladas Bagavičius, Domantas Savičius and Baltic Champs Group, UAB, which, in addition to the issues of the management of the Company (regarding the apportionment of the seats in supervisory board, the management board, and certain voting rules in the annual or extraordinary shareholders meetings), also established that after the closing of the merger transaction under the Agreement, the mandatory tender offer to buy the remaining voting shares of the Company will be submitted and implemented by the above mentioned shareholders of the Company together with the new shareholder Baltic Champs Group UAB, pro-rata to the number of the Company's shares held. After the buyout of shares by Baltic Champs Group UAB in December 2016, the agreement terminated automatically.

**17. Procedure for amendments of the Articles of Association**

The Articles of Association can be changed following Lithuanian Republic law on Stock companies with an appropriate approval of the Company's shareholders.

**18. Members of collegial bodies, Head of Company, their participation in Companies' shares**

The managing bodies of the Company are general meeting of the shareholders, the Supervisory Board, the Board of Directors and Managing Director. The Supervisory Board (consisting of 5 members) is elected by the shareholder meeting. The Board of directors is formed from 7 members. The chairman is elected by the Board. The Board members are elected by the Supervisory Board. The Board of Directors elects and recalls the Director, decide upon remuneration and other working conditions, approves official rulebook, awards and handles penalties. The General Director is the manager of the Company.

Information on managing bodies of the Company as at 31 December 2016:

Name, Surname	Position	End of current term of office	Period of service as a member
Vladas Lašas	Chairman of Supervisory Board	Until general meeting of shareholders to be held in 2018	Member of Supervisory Board since 14-05-2015
Liudas Navickas	Member of Supervisory Board	Until general meeting of shareholders to be held in 2018	Member of Supervisory Board since 13-03-2014
Aurimas Sanikovas	Member of Supervisory Board	Until general meeting of shareholders to be held in 2018	Member of Supervisory Board since 13-03-2014
Gediminas Žiemelis	Member of Supervisory Board	Until general meeting of shareholders to be held in 2018	Member of Supervisory Board since 13-03-2014
Rimantas Rudzakis	Member of Supervisory Board	Until general meeting of shareholders to be held in 2018	Member of Supervisory Board since 13-03-2014

Name, Surname	Position	End of current term of office	Period of service as a member
Kęstutis Juščius	Chairman of Board	Until general meeting of shareholders to be held in 2018	Member of Board since 14-05-2015
Marius Žutautas	Member of Board	Until general meeting of shareholders to be held in 2018	Member of Board since 20-09-2011
Marijus Bakas	Member of Board	Until general meeting of shareholders to be held in 2018	Member of Board since 08-05-2014
Domantas Savičius	Member of Board	Until general meeting of shareholders to be held in 2018	Member of Board since 14-12-2007
Linas Strėlis	Member of Board	Until general meeting of shareholders to be held in 2018	Member of Board since 14-12-2007
Vladas Bagavičius	Member of Board	Until general meeting of shareholders to be held in 2018	Member of Board since 01-12-2008
Linas Bulzgyis	Member of Board	Until general meeting of shareholders to be held in 2018	Member of Board since 08-05-2014
	General Director		General Director since 05-05-2015



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**Members of the Supervisory Board**

*Vladas Lašas (Chairman)*

Education, qualification: Kaunas Polytechnic Institute, IT Technologies, PhD, 1979.  
Activity: founder and CEO of JSC Skubios siuntos (1996 – present).  
Miscellaneous: member of Board of "Global Lithuanian Leaders", PE; member of Board of "Lietuvos Junior Achievement", PE.

*Liudas Navickas*

Education, qualification: 1976 - Kaunas University of Technology, Engineer Electric Specialty. 1982 – Vilnius University, Economics Specialty.  
Activity: Director of PME Capital UAB (2011 – present).

*Aurimas Sanikovas*

Education, qualification: 2000 – 2002 Faculty of Economics, Vilnius University, Bachelor's and Master's Degree in Economics.  
Activity: CFO of Avia Solutions Group AB (2007 – present).  
Miscellaneous: Member of Association of Chartered Certified Accountants (ACCA); member of the Board of AB Avia Solutions Group; member of the Board of AB AviaAM Leasing.

*Gediminas Žiemelis*

Education, qualification: 2006 – Mykolas Romeris University, Faculty of Law, Master of Law; 1999 – Vilnius Gediminas Technical University, Faculty of Business Management, Bachelor's Degree.  
Activity: Development Manager at AB Avia Solutions Group (2010 – present).  
Miscellaneous: Chairman of the Board of Avia Solutions Group AB; Chairman of the Board of ŽIA valda AB; Member of the Board of ŽIA valda Cyprus Ltd.

*Rimantas Rudzkis*

Education, qualification: 1973 - Kaunas Polytechnic Institute, Accounting Equipment Specialty, Engineer Mathematician Diploma; 1978 – PhD Dissertation of Mathematics; 1993 – Habilitated PhD of Mathematics; 1996 – Professor Degree.  
Activity: Senior Scientific Specialist of the Mathematics and Informatics faculty at Vilnius University (1974 – present).

**Members of the Board**

*Kęstutis Juščius (Chairman)*

Education, qualification: 1995 – Vilnius University, Business Administration Bachelor Degree.  
Activity: Chairman of the Board of AUGA Group AB (2015 – present).  
Miscellaneous: Chairman of the Supervisory Board of Mycela SA; Chairman the Board of Baltic Champs Group UAB.

*Marijus Bakas*

Education, qualifications: Vilnius University, Faculty of Economics, Municipal Economics Master Degree.  
Activity: Head of Širvintai branch at Baltic Champs UAB (2001 – present).

*Linas Bulzgys*

Education, qualifications: Vilnius University, Finance Bachelor Degree.  
Activity: General Director of AUGA Group AB (2015 – present).

*Vladas Bagavičius*

Education, qualifications: 1997 - Vilnius University, Faculty of Law, Master of Law.  
Activity: Lawyer at Vladas Bagavičius Law Firm (2004 – present).

*Domantas Savičius*

Education, qualifications: 2001 – Stockholm School of Economics in Riga, Bachelor's Degree.  
Activity: CFO of AUGA group AB (2005 – Present).

*Linas Strėlis*

Education, qualifications: 1991 – Kaunas Polytechnic Institute, machine production faculty.  
Activity: Director of Biglis UAB (1993 – present).  
Miscellaneous: Member of the Board of Vilkyškių pieninė AB.

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*Marius Žutautas*

Education, qualification: 2007 – Vilnius Pedagogical University, Bachelor of Economics; 2005 - Moscow School of Economics.  
Activity: General Director of ŽIA valda AB (2006 – present).  
Miscellaneous: Member of the Board and Director of AB ŽIA valda; Member of the Board of Puntukas AB.

Information on the shares of the Company held by the members of the Supervisory Board, the Board and the top management as of 31 December 2016:

Name, Surname	Position	Owned shares in the Company, units	Owned shares in the Company, %
Vladas Bagavičius	Member of the Board	283,357	0.15%
Marijus Bakas	Member of the Board	39,062	0.02%
Domantas Savičius	Member of the Board	18,102	0.01%
Gediminas Žiemelis	Member of the Supervisory Board	8,993	0.00%
Marius Žutautas	Member of the Board	7,568	0.00%
Kęstutis Juščius	Chairman of the Board	1,392	0.00%

Kęstutis Juščius, Chairman of the Board, is the ultimate owner of Baltic Champs Group UAB, controlling 88.13% of the Group shares.

The Company's top management includes Members of the Board, General Director (total of 7 persons). All members of the Board of Directors and top management received salaries as the only form of compensation (except for board member Vladas Bagavičius, which receives payments for legal services). Table below summarises salaries and other payments calculated for top management. Other payments include abovementioned legal services and interest on loans from management.

	Salaries in 2016	Other payments in 2016	Total payouts in 2016
Average for 1 member of Top Management	22,483	56,627	79,109
Total amount for all members of Top Management (7 persons)	157,379	396,386	553,765
Average amount for 1 member of Management	63,110	5,904	69,014
Total amount for all members of Management (General director and Chief Financial Officer)	126,220	11,807	138,027

There were no salaries or bonuses paid to Members of Supervisory board in 2016 or 2015.

**19. Information on significant agreements, which could be affected by the change in shareholder structure**

The Company or the Group has not entered into any significant agreements the validity, amendment and termination of which could be affected by the change in shareholder structure.

**20. Information on Companies and Groups collegial bodies' agreements regarding compensations in case of resignation, unjustifiable redundancy, or change in ownership structure**

The Company and its collegial bodies' members have not concluded any agreements regarding compensations in case of resignation, unjustifiable redundancy, or change in ownership structure.

**21. Information on transactions with related parties**

Information on transactions with related parties is disclosed in the explanatory notes of the consolidated financial statements.

**22. Information on compliance with the Code of Corporate Governance**

AUGA Group AB compliance with the Code of Corporate Governance, which is added to the consolidated financial statements in the Annex.

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**23. Data on publicly announced information**

During the period between 1 January 2016 and 31 December 2016 all information was publicly announced by the Group through NASDAQ OMX VILNIUS stock exchange as well as the ESPI information system which is operated by Polish FSA, as well as on Electronic Information Base which is operated by Warsaw Stock Exchange. The content of this information may be accessed in the website of NASDAQ OMX VILNIUS stock exchange.

A summary of the Company's announcements is shown below:

<b>Announcement date</b>	<b>Announcement header</b>
23.12.2016	Baltic Champs Group owned by K.Juščius acquired the shares of AUGA group according to the previously signed options agreement.
23.12.2016	Baltic Champs Group owned by K.Juščius acquired the shares of AUGA group according to the previously signed options agreement.
23.12.2016	AUGA Group, AB Notifications on transactions concluded by managers and persons closely associated with the managers of the company
23.12.2016	Notifications on the acquisition and disposal of voting rights, AUGA group, AB
23.12.2016	Baltic Champs Group, UAB has acquired shares of AUGA group, AB under the option agreements
16.12.2016	Notifications on the acquisition and disposal of voting rights, AUGA group, AB
16.12.2016	AUGA Group, AB Notifications on transactions concluded by managers and persons closely associated with the managers of the company
16.12.2016	Agreements on the implementation of the option agreements regarding shares of AUGA group, AB have been signed
08.12.2016	AUGA Group, AB sold investment units of investment fund Fixed Yield Invest Fund
02.12.2016	AUGA group, AB acquires agricultural business units of KTG AGRAR SE in Lithuania
02.12.2016	AUGA group, AB acquires agricultural subsidiaries of German company KTG AGRAR SE in Lithuania
30.11.2016	Interim information of AUGA Group AB for the 9 months period ended 30 September 2016
30.11.2016	Interim information of AUGA Group AB for the 9 months period ended 30 September 2016
30.11.2016	Presentation of AUGA Group, AB for the meeting with investors CEO Meets Investors, organised by NASDAQ OMX Vilnius
24.11.2016	Regarding the decision of the Supervision Service of the Bank of Lithuania
26.10.2016	New Articles of Association of AUGA group, AB registered on 26 October 2016
26.10.2016	Regarding the decision of the Supervision Service of the Bank of Lithuania
24.10.2016	Resolutions of extraordinary shareholders meeting of AUGA Group, AB which took place on October 24, 2016
14.10.2016	Amended draft resolution of extraordinary shareholders meeting of AUGA Group, AB which will take place on October 24, 2016
30.09.2016	AUGA: new organic food brand
30.09.2016	Draft resolutions of extraordinary shareholders meeting of AUGA Group, AB which will take place on October 24, 2016
30.09.2016	AUGA: new organic food brand
30.09.2016	Notice on Convocation of the extraordinary General Meeting of Shareholders of AUGA Group, AB on 24 October, 2016
23.09.2016	AUGA Group, AB Notification on transaction concluded by manager of the company
22.09.2016	Expression of the will to sell the option shares of AUGA Group, AB
22.09.2016	AUGA Group, AB Notifications on transactions concluded by managers and persons closely associated with the managers of the company
22.09.2016	Notifications on the acquisition and disposal of voting rights
16.09.2016	AUGA Group, AB Notification on transaction concluded by manager of the company
15.09.2016	AUGA Group, AB Notification on transaction concluded by manager of the company
15.09.2016	Notifications on the acquisition and disposal of voting rights
12.09.2016	The main shareholder of AB AUGA Group - K. Juščius is increasing and consolidating his shares
12.09.2016	Agreements on granting options in the future regarding shares in AB AUGA Group have been signed
12.09.2016	Notifications on the acquisition and disposal of voting rights
12.09.2016	AUGA Group, AB Notifications on transactions concluded by managers and persons closely associated with the managers of the company
31.08.2016	Interim information of AUGA Group AB for the 6 months period ended 30 June 2016
10.08.2016	Annual information as of financial year 2015 of AUGA Group, AB
10.08.2016	Decisions of extraordinary shareholders meeting of AUGA Group, AB which took place on 10 August, 2016
19.07.2016	Notice on Convocation of the extraordinary General Meeting of Shareholders of AUGA Group, AB on 10 August, 2016
19.07.2016	Draft decisions of extraordinary shareholders meeting of AUGA Group, AB which will take place on 10 August, 2016
12.07.2016	Regarding suspension of trade of shares of AUGA Group AB
31.05.2016	Interim information of AUGA Group AB for the 3 months period ended 31 March 2016
20.05.2016	Resolutions of AUGA Group, AB with regard election of Chairman of Supervisory Board, election of members of Management Board and Chairman of Management Board
19.05.2016	AUGA Group aims to attract EUR 20 million investment into sustainable farming development within next two years

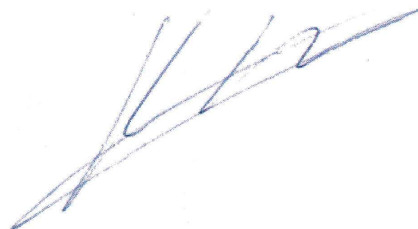
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19.05.2016	AUGA Group aims to attract EUR 20 million investment within next two years
19.05.2016	Decisions of repeat ordinary shareholders meeting of AUGA Group, AB which took place on 19 May, 2016
18.05.2016	Draft decisions of repeat ordinary shareholders meeting of AUGA Group, AB which will take place on 19 May, 2016
03.05.2016	Presentation of AUGA Group, AB for the meeting with investors CEO Meets Investors, organised by NASDAQ OMX Vilnius
29.04.2016	The ordinary shareholders meeting „AUGA Group“ is considered not held due to not presented quorum. The repeat shareholders Meeting is convened.
15.04.2016	Draft decisions of ordinary shareholders meeting of AUGA Group, AB which will take place on 29 April, 2016
07.04.2016	Notice on Convocation of the ordinary General Meeting of Shareholders of AUGA Group, AB on 29 April, 2016
30.03.2016	AUGA Group establishes Innovation and technological development unit
29.03.2016	Regarding the appeal against Decision of 15 February 2016 of the Supervision Service of the Bank of Lithuania
29.02.2016	AUGA Group, AB Interim unaudited financial information for 12 months ended 31 December 2015
18.02.2016	Regarding the decision of the Supervision Service of the Bank of Lithuania and the position of the Company with regard to it

AUGA Group AB General Director  
27 April 2017

Linus Bulzgys



**BALANCE SHEET**  
**AS AT 31 DECEMBER**

(All amounts are in EUR thousand, unless otherwise stated)

	Notes	As at 31 December			
		GROUP		COMPANY	
		2016	2015	2016	2015
<b>ASSETS</b>					
<b>Non-current assets</b>					
Property, plant and equipment	5	76,262	89,634	217	74
Investment property	6	-	9,636	-	-
Investments in subsidiaries	7	-	-	69,774	58,374
Intangible assets	9	19	55	16	7
Long term receivables	14	2,599	377	-	-
Available for sale investments	8	286	267	-	-
Deferred tax asset	20	669	255	-	-
Biological assets	10	6,858	6,637	-	-
<b>Total non-current assets</b>		<b>86,693</b>	<b>106,861</b>	<b>70,007</b>	<b>58,455</b>
<b>Current assets</b>					
Biological assets	10	5,223	4,067	-	-
Inventory	11	15,157	8,856	1	11
Trade receivables, advance payments and other receivables	13	13,367	11,414	274	280
Cash and cash equivalents	12, 15	1,650	4,068	97	-
<b>Total current assets</b>		<b>35,397</b>	<b>28,405</b>	<b>372</b>	<b>291</b>
<b>TOTAL ASSETS</b>		<b>122,090</b>	<b>135,266</b>	<b>70,379</b>	<b>58,746</b>
<b>EQUITY AND LIABILITIES</b>					
<b>Capital and reserves</b>					
Share capital	16	54,351	54,351	54,351	54,351
Share premium		7,890	7,890	7,890	7,890
Revaluation reserve		4,179	7,689	-	-
Legal reserve		579	579	579	579
Currency exchange differences		(217)	(266)	-	-
Retained earnings / (accumulated deficit)		5,163	(1,434)	(20,420)	(17,375)
<b>Equity attributable to equity holders of the parent</b>		<b>71,945</b>	<b>68,809</b>	<b>42,400</b>	<b>45,445</b>
Non-controlling interest		293	321	-	-
<b>Total equity</b>		<b>72,238</b>	<b>69,130</b>	<b>42,400</b>	<b>45,445</b>
<b>Non-current liabilities</b>					
Borrowings	18	16,938	18,804	25,568	8,177
Obligations under finance lease	19	3,427	2,515	79	-
Deferred grant income	17	3,286	3,852	-	-
Deferred tax liability	20	433	2,820	-	-
<b>Total non-current liabilities</b>		<b>24,084</b>	<b>27,991</b>	<b>25,647</b>	<b>8,177</b>
<b>Current liabilities</b>					
Current portion of non-current borrowings	18	3,585	17,291	1,170	1,722
Current portion of non-current obligations under finance lease	19	2,690	1,991	17	-
Current portion deferred grant income	17	566	663	-	-
Current borrowings	18	5,350	6,077	-	2,990
Trade payables		8,796	8,473	928	223
Other payables and current liabilities	21	4,781	3,650	217	189
<b>Total current liabilities</b>		<b>25,768</b>	<b>38,145</b>	<b>2,332</b>	<b>5,124</b>
<b>Total liabilities</b>		<b>49,852</b>	<b>66,136</b>	<b>27,979</b>	<b>13,301</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>122,090</b>	<b>135,266</b>	<b>70,379</b>	<b>58,746</b>

The accompanying explanatory notes presented on pages 34 to 83 are an integral part of these financial statements.

These financial statements were approved and signed on 27 April 2017.

Linās Bulzgys  
General Director

Domantas Savičius  
Chief Financial Officer

**INCOME STATEMENT AND STATEMENT OF OTHER COMPREHENSIVE INCOME  
FOR THE YEAR ENDED 31 DECEMBER 2016**

(All amounts are in EUR thousand, unless otherwise stated)

**INCOME STATEMENT**

	Notes	Year ended 31 December			
		GROUP		COMPANY	
		2016	2015	2016	2015
Revenues	22	39,630	47,425	620	596
Cost of sales	22, 23	(27,985)	(36,735)	(16)	(13)
Gain (loss) on changes in fair values of biological assets and on recognition at fair value of agricultural produce at point of harvest	10	(868)	(289)	-	-
<b>GROSS PROFIT</b>		<b>10,777</b>	<b>10,401</b>	<b>604</b>	<b>583</b>
Operating expenses	24	(7,014)	(6,069)	(2,837)	(2,024)
Revaluation of investment property	6	-	3,339	-	-
Other income	26	127	458	16	52
<b>OPERATING PROFIT</b>		<b>3,890</b>	<b>8,129</b>	<b>(2,217)</b>	<b>(1,389)</b>
Finance cost	27	(2,098)	(2,001)	(828)	(347)
<b>PROFIT (LOSS) BEFORE INCOME TAX</b>		<b>1,792</b>	<b>6,128</b>	<b>(3,045)</b>	<b>(1,736)</b>
Income tax expense	20	353	(569)	-	-
<b>NET PROFIT / (LOSS) FOR THE YEAR</b>		<b>2,145</b>	<b>5,559</b>	<b>(3,045)</b>	<b>(1,736)</b>
<b>ATTRIBUTABLE TO:</b>					
Equity holders of the Company		2,173	5,618	(3,045)	(1,736)
Non-controlling interest		(28)	(59)	-	-
		<b>2,145</b>	<b>5,559</b>	<b>(3,045)</b>	<b>(1,736)</b>
<b>Basic and diluted earnings (loss) per share (EUR)</b>	28	<b>0.01</b>	<b>0.03</b>	<b>(0.02)</b>	<b>(0.01)</b>
<b>STATEMENT OF OTHER COMPREHENSIVE INCOME</b>					
<b>NET PROFIT/ (LOSS) FOR THE PERIOD</b>		<b>2,145</b>	<b>5,559</b>	<b>(3,045)</b>	<b>(1,736)</b>
<b>Other comprehensive income:</b> <i>Items that will not be reclassified to profit or loss:</i>					
Currency exchange differences		49	(174)	-	-
Revaluation of investment property, gross of tax	5, 20	962	8,468	-	-
Deferred tax liability from revaluation		(48)	(779)	-	-
<b>TOTAL COMPREHENSIVE INCOME FOR THE YEAR</b>		<b>3,108</b>	<b>13,074</b>	<b>(3,045)</b>	<b>(1,736)</b>
<b>ATTRIBUTABLE TO:</b>					
Equity holders of the Company		3,136	13,133	-	-
Non-controlling interest		(28)	(59)	-	-
		<b>3,108</b>	<b>13,074</b>	<b>(3,045)</b>	<b>(1,736)</b>

The accompanying explanatory notes presented on pages 34 to 83 are an integral part of these financial statements. These financial statements were approved and signed on 27 April 2017.

Linās Bulzgys  
General Director

Domantas Savičius  
Chief Financial Officer

**AUGA GROUP AB**  
Konstitucijos av. 21C, Quadrum North, LT-08130, Vilnius, Lithuania

**STATEMENT OF CHANGES IN EQUITY  
FOR THE YEAR ENDED 31 DECEMBER 2016**

(All amounts are in EUR thousand, unless otherwise stated)

GROUP	Share capital	Share premium	Share	Revaluation reserve	Currency exchange differences	Legal reserve	Retained earnings	Equity attributable to the shareholders of the company	Non-controlling interest	Total
<b>Balance as at 31 December 2014</b>	<b>54,279</b>	<b>7,890</b>	-	<b>(92)</b>	<b>579</b>	<b>(7,052)</b>	<b>55,604</b>	<b>380</b>	<b>55,984</b>	
<i>Comprehensive income</i>										
Net profit (loss) for the period	-	-	-	-	-	5,618	5,618	(59)	5,559	
<i>Other comprehensive income</i>										
Revaluation of land, net of tax (Note 5, 20)	-	-	7,689	-	-	-	7,689	-	7,689	
Currency exchange differences	-	-	-	(174)	-	-	(174)	-	(174)	
<b>Total comprehensive income</b>	<b>-</b>	<b>-</b>	<b>7,689</b>	<b>(174)</b>	<b>-</b>	<b>5,618</b>	<b>13,133</b>	<b>(59)</b>	<b>13,074</b>	
<i>Transactions with shareholders</i>										
Increase in share capital (note 16)	72	-	-	-	-	-	72	-	72	
<i>Total transactions with shareholders</i>	<b>72</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>72</b>	<b>-</b>	<b>72</b>	
<b>Balance as at 31 December 2015</b>	<b>54,351</b>	<b>7,890</b>	<b>7,689</b>	<b>(266)</b>	<b>579</b>	<b>(1,434)</b>	<b>68,809</b>	<b>321</b>	<b>69,130</b>	

**AUGA GROUP AB**  
Konstitucijos av. 21C, Quadrum North, LT-08130, Vilnius, Lithuania

**STATEMENT OF CHANGES IN EQUITY  
FOR THE YEAR ENDED 31 DECEMBER 2016**

(All amounts are in EUR thousand, unless otherwise stated)

	Share capital	Share premium	Share	Revaluation reserve	Currency exchange differences	Legal reserve	Retained earnings	Equity attributable to the shareholders of the company	Non-controlling interest	Total
<b>Balance as at 31 December 2015</b>	<b>54,351</b>	<b>7,890</b>	<b>7,689</b>	<b>(266)</b>	<b>579</b>	<b>(1,434)</b>	<b>68,809</b>	<b>321</b>	<b>69,130</b>	
<i>Comprehensive income</i>										
Net profit (loss) for the period	-	-	-	-	-	2,173	2,173	(28)	2,145	
<i>Other comprehensive income</i>										
Disposal of subsidiaries (Note 25)	-	-	(4,424)	-	-	4,424	-	-	-	
Revaluation of land, net of tax (Note 5, 20)	-	-	914	-	-	-	914	-	914	
Currency exchange differences	-	-	-	49	-	-	49	-	49	
<b>Total comprehensive income</b>	<b>-</b>	<b>-</b>	<b>(3,510)</b>	<b>49</b>	<b>-</b>	<b>6,597</b>	<b>3,136</b>	<b>(28)</b>	<b>3,108</b>	
<i>Transactions with shareholders</i>										
Increase in share capital (note 16)	-	-	-	-	-	-	-	-	-	
<i>Total transactions with shareholders</i>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	
<b>Balance as at 31 December 2016</b>	<b>54,351</b>	<b>7,890</b>	<b>4,179</b>	<b>(217)</b>	<b>579</b>	<b>5,163</b>	<b>71,945</b>	<b>293</b>	<b>72,238</b>	



**AUGA GROUP AB**  
Konstitucijos av. 21C, Quadrum North, LT-08130, Vilnius, Lithuania

**STATEMENT OF CHANGES IN EQUITY  
FOR THE YEAR ENDED 31 DECEMBER 2016**

(All amounts are in EUR thousand, unless otherwise stated)

COMPANY	Share capital	Share premium	Legal reserve	Retained earnings	Total
<b>Balance as at 31 December 2014</b>	<b>54,279</b>	<b>7,890</b>	<b>579</b>	<b>(15,639)</b>	<b>47,109</b>
Comprehensive income	-	-	-	(1,736)	(1,736)
Net profit (loss) for the period	-	-	-	(1,736)	(1,736)
<i>Total comprehensive income</i>					
<i>Transactions with shareholders</i>					
Increase in share capital (note 16)	72	-	-	-	72
<i>Total transactions with shareholders</i>	72	-	-	-	72
<b>Balance as at 31 December 2015</b>	<b>54,351</b>	<b>7,890</b>	<b>579</b>	<b>(17,375)</b>	<b>45,445</b>
Comprehensive income	-	-	-	(3,045)	(3,045)
Net profit (loss) for the period	-	-	-	(3,045)	(3,045)
<i>Total comprehensive income</i>					
<i>Transactions with shareholders</i>					
Increase in share capital (note 16)	-	-	-	-	-
<i>Total transactions with shareholders</i>	-	-	-	-	-
<b>Balance as at 31 December 2016</b>	<b>54,351</b>	<b>7,890</b>	<b>579</b>	<b>(20,420)</b>	<b>42,400</b>

The accompanying explanatory notes presented on pages 34 to 83 are an integral part of these financial statements.

These financial statements were approved and signed on 27 April 2017.

Linus Bulzgyys  
General Director

Domantas Savičius  
Chief Financial Officer

**CASH FLOW STATEMENT  
FOR THE YEAR ENDED 31 DECEMBER 2016**

(All amounts are in EUR thousand, unless otherwise stated)

	Year ended 31 December			
	GROUP		COMPANY	
	2016	2015	2016	2015
<b>Net profit (loss) before income tax</b>	<b>1,792</b>	<b>6,128</b>	<b>(3,045)</b>	<b>(1,736)</b>
<b>Adjustments for non-cash expenses (income) items and other adjustments</b>				
Depreciation expense (note 5)	6,058	6,177	35	22
Amortization expense (note 9)	50	151	5	16
Write offs and impairment of PPE (note 5)	559	640	30	2
(Profit) loss on sales of non-current assets	227	-	-	-
(Gain) on sale of investment property (note 26)	-	(174)	-	-
Write-offs of inventory (note 23)	1,266	1,509	-	-
Net finance cost (note 27)	2,098	2,001	828	347
Acquired own liabilities at discount (note 26)	(184)	(10)	-	-
(Profit) loss on sale of investments	-	-	-	39
Revaluation of investment property (note 6)	-	(3,339)	-	-
Impairment of investments (note 7, 24)	-	-	-	314
Impairment of accounts receivable (note 13, 24)	10	65	-	-
Loss (gain) on changes in fair value of biological assets (note 10)	868	527	-	-
Grants related to assets, recognized as income (note 17)	(663)	(446)	-	-
<b>Changes in working capital</b>				
(Increase) decrease in biological assets	(2,245)	1,419	-	-
(Increase) decrease in trade receivables and prepayments	(1,289)	(2,690)	6	3,120
(Increase) decrease in inventory	(7,567)	(65)	10	8
(Decrease) increase in trade and other payables	1,723	(1,473)	773	(29)
	<b>2,703</b>	<b>10,420</b>	<b>(1,358)</b>	<b>2,103</b>
Income tax paid	-	(735)	-	-
Interest received, gross	48	50	-	-
Interest paid, gross	(1,945)	(1,676)	(112)	-
<b>Net cash flows from /(to) operating activities</b>	<b>806</b>	<b>8,059</b>	<b>(1,470)</b>	<b>2,103</b>
<b>Cash flows from /(to) investing activities</b>				
Purchase of property, plant and equipment (note 5)	(4,329)	(4,198)	(98)	(18)
Purchase of non-current intangible assets (note 9)	(14)	(2)	(14)	(2)
Purchase of investment property, investments (note 6, 7)	-	-	-	(3)
Proceeds from sales of investment property, PPE (note 5, 6)	488	1,896	-	-
Proceeds from sales of investments (note 7, 25)	6,165	-	-	46
Grants related to assets, received from NPA (note 17)	-	1,137	-	-
Other loans repaid (granted)	(880)	(377)	(600)	831
<b>Net cash flows from/(to) investing activities</b>	<b>1,430</b>	<b>(1,544)</b>	<b>(712)</b>	<b>854</b>
<b>Cash flows from /(to) financing activities</b>				
Disposal (acquisition) of available for sale investments (note 8)	-	(156)	-	-
Loans repaid to banks	(19,101)	(12,768)	(4,000)	-
Borrowings received	17,352	14,795	6,293	-
Other borrowings obtained (paid)	(851)	(4,521)	-	(2,961)
Finance lease repayments	(2,054)	(851)	(14)	-
<b>Net cash flows from/(to) financing activities</b>	<b>(4,654)</b>	<b>(3,501)</b>	<b>2,279</b>	<b>(2,961)</b>
<b>Net (decrease) / increase in cash and cash equivalents</b>	<b>(2,418)</b>	<b>3,014</b>	<b>97</b>	<b>(4)</b>
<b>Cash and cash equivalents at the beginning of the period</b>	<b>4,068</b>	<b>1,054</b>	<b>-</b>	<b>4</b>
<b>Cash and cash equivalents at the end of the period</b>	<b>1,650</b>	<b>4,068</b>	<b>97</b>	<b>-</b>

The accompanying explanatory notes presented on pages 34 to 83 are an integral part of these financial statements.

These financial statements were approved and signed on 27 April 2017.

\_\_\_\_\_  
Linas Bulzgys  
General Director

\_\_\_\_\_  
Domantas Savičius  
Chief Financial Officer

**EXPLANATORY NOTES**  
**FOR THE YEAR ENDED 31 DECEMBER 2016**

(All amounts are in EUR thousand, unless otherwise stated)

**1. General information**

AUGA Group AB (hereinafter – “the Company”) was founded and started its operations on 25 June 2003. The Company’s head office is located in Konstitucijos av. 21C, Quadrum North, Vilnius, Lithuania. The Company’s main activity is management of agricultural companies.

In 2003 the Company’s legal name Galuvė UAB was changed to Agrovaldymo grupė UAB. In February 2006, limited liability company Agrovaldymo grupė was reorganized to a public company Agrovaldymo grupė AB. In December 2007 the Company’s name was changed to Agrowill Group AB. In September 2016, the Company’s name was changed to current name – AUGA Group AB.

In April 2014, AUGA Group AB issued 102,596,266 new shares. 14,151,252 shares were acquired by Vretola Holdings Limited by contributing shares of eTime invest UAB and then, by acquiring the remaining 88,444,014 shares, AUGA Group AB group of companies (hereinafter pre-acquisition consolidated entity – AWG) were acquired by Baltic Champs Group UAB by contributing shares of Baltic Champs UAB (hereinafter – BC). Based on the requirements outlined in International Financial Reporting Standard 3 “Business Combinations” (IFRS 3) such transaction is treated and accounted for as a reverse acquisition, as former shareholders of BC obtained control of more than 50% of AUGA Group AB shares and received the majority of seats in the Board of Directors. For accounting purposes, the legal buyer AUGA Group AB is treated as an accounting acquiree, while legal acquiree Baltic Champs UAB is treated as an accounting acquirer. The new AUGA Group AB group of companies hereinafter in the financial statements is referred to as the Group. The ultimate shareholder is Baltic Champs Group, UAB which is 100 % owned by Kęstutis Juščius.

Due to this reverse acquisition transaction, the consolidated figures for the reporting period represent the Group’s financial information, being those of Baltic Champs UAB (accounting acquirer) and its subsidiaries financial statements, although the legal name continues to be that of AUGA Group AB. The figures provided in the separate financial statements for the reporting and comparative periods represent the financial information of the legal parent – AUGA Group AB. Detailed information about the judgements related to this reverse acquisition is provided in note 4.

On 30 December 2015 the Group transferred shares of the companies which control land operating subsidiaries to Fixed Yield Invest Fund, investment fund (hereinafter – the Fund) intended for informed investors managed by the fund management company Synergy Finance. In total, the transferred companies indirectly manage around 6.4 thousand hectares of land which has a market value of EUR 24 million. For 100% of the shares the Fund paid by its own-issued investment certificates which on the day of the deal had a market value of EUR 6.6 million. After transfer of land, the Group continues to rent and utilize land plots which are suitable for its operations.

Additionally, the Group (subsidiary Agroschool OU) has signed a pre-emption rights agreement to assets of the Fund, according to which, the Group pays a fee of EUR 363 thousand annually for a right to repurchase the sold shares at the same price. As such agreement factually eliminates the risks and rewards of the Fund manager and other potential investors of the Fund, the Group continued to consolidate land management part of business (together with the Fund’s operations) as at 31 December 2015. In December 2016, the Group sold the units of the Fund to the financial investor, terminated the right to repurchase shares agreement and deconsolidated land management entities as of 31 December 2016.

The main shareholders (over 5 per cent) of the Company were:

Entity / person	31 December 2016		31 December 2015	
	Number of shares	% owned	Number of shares	% owned
Baltic Champs Group UAB	105,368,527	56.22	96,640,015	51.56
Velmatas UAB	28,440,895	15.18	-	-
Valgertas UAB	27,511,660	14.68	-	-
Multi Asset Selection Fund	10,920,736	5.83	1,233,164	0.66
Volemer Holdings Limited	1,335,615	0.71	29,776,510	15.89
Vretola Holdings Limited	-	-	27,511,660	14.68
Linas Strėlis	-	-	9,687,572	5.17
Other minor shareholders	13,838,819	7.38	22,567,331	12.04
<b>Total</b>	<b>187,416,252</b>	<b>100.00</b>	<b>187,416,252</b>	<b>100.00</b>

The Company’s shareholders’ meeting has the power to reject and request the management to reissue financial statements after issue. Starting since 1 April 2008 the Company was listed on Vilnius Stock Exchange Main list, since 30 April 2009, the Company was moved to the Secondary list of NASDAQ OMX Vilnius Stock Exchange. As of 8 July 2011, the Company’s shares are also traded on the Warsaw Stock Exchange. The fiscal year of the Company and its subsidiaries corresponds with calendar year.

**EXPLANATORY NOTES**  
**FOR THE YEAR ENDED 31 DECEMBER 2016**

(All amounts are in EUR thousand, unless otherwise stated)

The consolidated Group (hereinafter the Group) consists of the Company and one hundred twenty four subsidiaries (31 December 2015: one hundred seventy five subsidiaries). The subsidiaries included in the Group's consolidated financial statements as at 31 December 2016 are indicated below.

Subsidiary	Country	Group ownership interest, %		Profile
		31 Dec 2016	31 Dec 2015	
UAB Baltic Champs (legal subsidiary – accounting acquirer)	Lithuania	100.00%	100.00%	Agricultural operations
AVG Investment UAB	Lithuania	100.00%	100.00%	Management company
AWG Investment 1 UAB	Lithuania	100.00%	100.00%	Management company
AWG Investment 2 UAB	Lithuania	100.00%	100.00%	Management company
UAB Agross	Lithuania	100.00%	100.00%	Trade and logistics
Grain Lt UAB	Lithuania	100.00%	100.00%	Trade and logistics
AMT Žemė UAB	Lithuania	100.00%	100.00%	Trade and logistics
Agro GIS UAB	Lithuania	95.00%	95.00%	IT system development
Agro Management Team UAB	Lithuania	100.00%	100.00%	Land management company
Agrotechnikos centras UAB	Lithuania	100.00%	100.00%	Lease of machinery
AUGA trade, UAB	Lithuania	100.00%	100.00%	Trade activities
Žemės fondas ŽŪB	Lithuania	100.00%	100.00%	Rent of land
UAB Žemės vystymo fondas	Lithuania	0.00%	100.00%	Land purchase and rent
UAB Žemės vystymo fondas 3	Lithuania	0.00%	100.00%	Land purchase and rent
UAB Žemės vystymo fondas 4	Lithuania	0.00%	100.00%	Land purchase and rent
UAB Žemės vystymo fondas 5	Lithuania	0.00%	100.00%	Land purchase and rent
UAB Žemės vystymo fondas 6	Lithuania	100.00%	100.00%	Land purchase and rent
UAB Žemės vystymo fondas 7	Lithuania	0.00%	100.00%	Land purchase and rent
UAB Žemės vystymo fondas 9	Lithuania	100.00%	100.00%	Land purchase and rent
UAB Žemės vystymo fondas 10	Lithuania	100.00%	100.00%	Land purchase and rent
UAB Žemės vystymo fondas 11	Lithuania	0.00%	100.00%	Land purchase and rent
UAB Žemės vystymo fondas 12	Lithuania	0.00%	100.00%	Land purchase and rent
UAB Žemės vystymo fondas 14	Lithuania	0.00%	100.00%	Land purchase and rent
UAB Žemės vystymo fondas 15	Lithuania	0.00%	100.00%	Land purchase and rent
UAB Žemės vystymo fondas 16	Lithuania	0.00%	100.00%	Land purchase and rent
UAB Žemės vystymo fondas 19	Lithuania	0.00%	100.00%	Land purchase and rent
UAB Žemės vystymo fondas 20	Lithuania	100.00%	100.00%	Land purchase and rent
UAB Žemės vystymo fondas 22	Lithuania	0.00%	100.00%	Land purchase and rent
Grūduva UAB	Lithuania	97.41%	97.28%	Agricultural operations
Agricultural company AUGA Spindulys	Lithuania	99.96%	99.96%	Agricultural operations
Agricultural company AUGA Smilgiai	Lithuania	99.95%	99.95%	Agricultural operations
Agricultural company AUGA Skėmiai	Lithuania	99.87%	99.87%	Agricultural operations
Agricultural company AUGA Nausodė	Lithuania	99.94%	99.81%	Agricultural operations
Agricultural company AUGA Dumšiškės	Lithuania	99.38%	99.38%	Agricultural operations
Agricultural company AUGA Žadžiūnai	Lithuania	99.81%	99.02%	Agricultural operations
Agricultural company AUGA Mantviliškis	Lithuania	98.79%	98.79%	Agricultural operations
Agricultural company AUGA Alanta	Lithuania	99.99%	98.55%	Agricultural operations
Agricultural company AUGA Eimučiai	Lithuania	99.25%	98.41%	Agricultural operations
Agricultural company AUGA Vėriškės	Lithuania	99.93%	99.86%	Agricultural operations
Agricultural company AUGA Želsvelė	Lithuania	97.17%	97.17%	Agricultural operations
Agricultural company AUGA Lankesa	Lithuania	96.24%	96.24%	Agricultural operations
Agricultural company AUGA Kairėnai	Lithuania	98.47%	94.82%	Agricultural operations
Agricultural company AUGA Jurbarkai	Lithuania	98.52%	87.78%	Agricultural operations
Panevėžys region Agricultural company Gustoniai	Lithuania	99.00%	99.00%	Agricultural operations
ZAO Agroprom	Russia	75.00%	75.00%	Management of subsidiaries
Agrowill group S.R.L.	Moldova	100.00%	100.00%	Acquisitions and rent of land
Natur Agro Grup S.R.L.	Moldova	100.00%	100.00%	Acquisitions and rent of land
Cooperative entity Siesartis	Lithuania	100.00%	100.00%	Agricultural services
Cooperative entity Kašėta	Lithuania	100.00%	100.00%	Agricultural services
Agricultural company Gustonys	Lithuania	100.00%	100.00%	Rent of land
Agricultural company Skėmių pienininkystės centras	Lithuania	50.00%	50.00%	Agricultural services
Cooperative entity Agrobokštai	Lithuania	100.00%	100.00%	Agricultural services
Cooperative entity Dotnuvėlės valdos	Lithuania	100.00%	100.00%	Agricultural services
Cooperative entity Nevėžio lankos	Lithuania	100.00%	100.00%	Agricultural services
Cooperative entity Radviliškio kraštas	Lithuania	100.00%	100.00%	Agricultural services
Cooperative entity Šventosios pievos	Lithuania	100.00%	100.00%	Agricultural services
Cooperative entity Kairių ūkis	Lithuania	100.00%	100.00%	Agricultural services
Cooperative entity Šiaurinė valda	Lithuania	100.00%	100.00%	Agricultural services
Cooperative entity Šušvės žemė	Lithuania	100.00%	100.00%	Agricultural services
Cooperative company Žalmargėlis	Lithuania	100.00%	100.00%	Agricultural services
Cooperative company Juodmargėlis	Lithuania	100.00%	100.00%	Agricultural services
Cooperative company AgroMilk	Lithuania	100.00%	100.00%	Agricultural services

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(All amounts are in EUR thousand, unless otherwise stated)

Subsidiary	Country	Group ownership interest, %		Profile
		31 Dec 2016	31 Dec 2015	
Cooperative company Purpurėja	Lithuania	100.00%	100.00%	Agricultural services
UAB Bukonių ekologinis ūkis	Lithuania	100.00%	100.00%	Management of subsidiaries
UAB Agrosaulė 1	Lithuania	0.00%	100.00%	Management company
UAB Agrosaulė 3	Lithuania	0.00%	100.00%	Management company
UAB Agrosaulė 4	Lithuania	0.00%	100.00%	Land purchase and rent
UAB Agrosaulė 5	Lithuania	0.00%	100.00%	Management company
UAB Agrosaulė 6	Lithuania	0.00%	100.00%	Land purchase and rent
UAB Agrosaulė 7	Lithuania	0.00%	100.00%	Management company
UAB Agrosaulė 8	Lithuania	100.00%	100.00%	Management company
UAB Agrosaulė 9	Lithuania	0.00%	100.00%	Land purchase and rent
UAB Agrosaulė 10	Lithuania	0.00%	100.00%	Management company
UAB Agrosaulė 11	Lithuania	0.00%	100.00%	Land purchase and rent
UAB Agrosaulė 12	Lithuania	0.00%	100.00%	Land purchase and rent
UAB Agrosaulė 13	Lithuania	0.00%	100.00%	Management company
UAB Agrosaulė 14	Lithuania	0.00%	100.00%	Land purchase and rent
UAB Agrosaulė 15	Lithuania	0.00%	100.00%	Management company
UAB Agrosaulė 16	Lithuania	0.00%	100.00%	Management company
UAB Agrosaulė 17	Lithuania	0.00%	100.00%	Management company
UAB Agrosaulė 18	Lithuania	0.00%	100.00%	Management company
UAB Agrosaulė 19	Lithuania	0.00%	100.00%	Management company
UAB Agrosaulė 20	Lithuania	0.00%	100.00%	Management company
UAB Agrosaulė 21	Lithuania	0.00%	100.00%	Management company
Biržai distr., Rinkuškiai reclamation infrastructure users association	Lithuania	100.00%	100.00%	Agricultural services
Pasvalys distr., Pušalotas reclamation infrastructure users association	Lithuania	100.00%	100.00%	Agricultural services
Skėmiai reclamation infrastructure users association	Lithuania	100.00%	100.00%	Agricultural services
Vaitiekūnai reclamation infrastructure users association	Lithuania	100.00%	100.00%	Agricultural services
Association Grūdųvos melioracija	Lithuania	100.00%	100.00%	Agricultural services
UAB Traktorių nuomos centras	Lithuania	100.00%	100.00%	Agricultural services
UAB Traktorių nuomos paslaugos	Lithuania	100.00%	100.00%	Agricultural services
Arnega UAB	Lithuania	100.00%	100.00%	Agricultural services
AgroSchool OU	Estonia	100.00%	100.00%	Management of subsidiaries
Public institution AgroSchool	Lithuania	50.00%	50.00%	Human resource management
UAB Agro Ramučiai	Lithuania	100.00%	100.00%	Agricultural operations
UAB Luganta	Lithuania	100.00%	100.00%	Agricultural operations
UAB eTime invest	Lithuania	100.00%	100.00%	Management of subsidiaries
Karakash Agro, OOO	Ukraine	100.00%	100.00%	Agricultural operations
Karakash, OOO	Ukraine	100.00%	100.00%	Agricultural operations
UAB ŽVF projektai	Lithuania	100.00%	100.00%	Acquisitions and rent of land
UAB Alantos ekologinis ūkis	Lithuania	100.00%	100.00%	Agricultural operations
UAB Dumšiškių ekologinis ūkis	Lithuania	100.00%	100.00%	Agricultural operations
UAB Eimučių ekologinis ūkis	Lithuania	100.00%	100.00%	Agricultural operations
UAB Grūdųvos ekologinis ūkis	Lithuania	100.00%	100.00%	Agricultural operations
UAB Jurbarkai ekologinis ūkis	Lithuania	100.00%	100.00%	Agricultural operations
UAB Kairėnų ekologinis ūkis	Lithuania	100.00%	100.00%	Agricultural operations
UAB Lankesos ekologinis ūkis	Lithuania	100.00%	100.00%	Agricultural operations
UAB Mantviliškio ekologinis ūkis	Lithuania	100.00%	100.00%	Agricultural operations
UAB Nausodės ekologinis ūkis	Lithuania	100.00%	100.00%	Agricultural operations
UAB Skėmių ekologinis ūkis	Lithuania	100.00%	100.00%	Agricultural operations
UAB Smilgių ekologinis ūkis	Lithuania	100.00%	100.00%	Agricultural operations
UAB Spindulio ekologinis ūkis	Lithuania	100.00%	100.00%	Agricultural operations
UAB Vėriškės ekologinis ūkis	Lithuania	100.00%	100.00%	Agricultural operations
UAB Žadžiūnų ekologinis ūkis	Lithuania	100.00%	100.00%	Agricultural operations
UAB Želsvelės ekologinis ūkis	Lithuania	100.00%	100.00%	Agricultural operations
Havestro OU	Estonia	0.00%	100.00%	Management of subsidiaries
Tabra Agro OU	Estonia	0.00%	100.00%	Management of subsidiaries
Springbox OU	Estonia	0.00%	100.00%	Management of subsidiaries
Newbygg OU	Estonia	0.00%	100.00%	Management of subsidiaries
Kangruaadu Agro OU	Estonia	0.00%	100.00%	Management of subsidiaries
Prestviigi OU	Estonia	100.00%	100.00%	Management of subsidiaries
Astermont OU	Estonia	0.00%	100.00%	Management of subsidiaries
Kropi Silm OU	Estonia	0.00%	100.00%	Management of subsidiaries
Lepaoja Agro OU	Estonia	0.00%	100.00%	Management of subsidiaries
Revalmarine OU	Estonia	0.00%	100.00%	Management of subsidiaries
Transrail OU	Estonia	0.00%	100.00%	Management of subsidiaries
SwedGreen OU	Estonia	0.00%	100.00%	Management of subsidiaries
First deal OU	Estonia	0.00%	100.00%	Management of subsidiaries

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(All amounts are in EUR thousand, unless otherwise stated)

Subsidiary	Country	Group ownership interest, %		Profile
		31 Dec 2016	31 Dec 2015	
Viarock OU	Estonia	0.00%	100.00%	Management of subsidiaries
Rame Agro OU	Estonia	0.00%	100.00%	Management of subsidiaries
Saastna Agro OU	Estonia	0.00%	100.00%	Management of subsidiaries
Pasilaid OU	Estonia	0.00%	100.00%	Management of subsidiaries
Lillhamne OU	Estonia	0.00%	100.00%	Management of subsidiaries
Ogerna OU	Estonia	0.00%	100.00%	Management of subsidiaries
Teorehe Agro OU	Estonia	0.00%	100.00%	Management of subsidiaries
Sendri Capital OU***	Estonia	100.00%	100.00%	Management of subsidiaries
Turvaste partners OU***	Estonia	100.00%	100.00%	Management of subsidiaries
Nakamaa Agro OU***	Estonia	100.00%	100.00%	Management of subsidiaries
Hindaste Invest OU***	Estonia	100.00%	100.00%	Management of subsidiaries
Tuudi River OU***	Estonia	100.00%	100.00%	Management of subsidiaries
Palderma Partners OU***	Estonia	100.00%	100.00%	Management of subsidiaries
Liialaid Capital OU***	Estonia	100.00%	100.00%	Management of subsidiaries
Ave-Martna Capital OU***	Estonia	100.00%	100.00%	Management of subsidiaries
Hobring Invest OU***	Estonia	100.00%	100.00%	Management of subsidiaries
Rukkirahhu Capital OU***	Estonia	100.00%	100.00%	Management of subsidiaries
Pahasoo OU***	Estonia	100.00%	100.00%	Management of subsidiaries
Kaazys Agro OU***	Estonia	0.00%	100.00%	Management of subsidiaries
123 Union OU***	Estonia	100.00%	100.00%	Management of subsidiaries
NovaCorpus OU***	Estonia	100.00%	100.00%	Management of subsidiaries
Bestmax OU***	Estonia	100.00%	100.00%	Management of subsidiaries
Remidox OU***	Estonia	100.00%	100.00%	Management of subsidiaries
KB Ganiklis	Lithuania	100.00%	100.00%	Agricultural operations
KB Ganiavos gėrybės	Lithuania	100.00%	100.00%	Agricultural operations
KB Žemėpačio pieno ūkis	Lithuania	100.00%	100.00%	Agricultural operations
KB Žemynos pieneiis	Lithuania	100.00%	100.00%	Agricultural operations
KB Lygiadienio ūkis	Lithuania	100.00%	100.00%	Agricultural operations
KB Laumės pieno ūkis	Lithuania	100.00%	100.00%	Agricultural operations
KB Medeinos pienas	Lithuania	100.00%	100.00%	Agricultural operations
KB Gardaitis	Lithuania	100.00%	100.00%	Agricultural operations
KB Dimstipatis	Lithuania	100.00%	100.00%	Agricultural operations
KB Aušlavis	Lithuania	100.00%	100.00%	Agricultural operations
KB Austėjos pieno ūkis	Lithuania	100.00%	100.00%	Agricultural operations
KB Aitvaro ūkis	Lithuania	100.00%	100.00%	Agricultural operations
KB Giraičio pieno ūkis	Lithuania	100.00%	100.00%	Agricultural operations

As at 31 December 2016 the Group had 1,099 employees, 31 December 2015 – 1,084 employees. Main operations of the Group – cultural mushrooms growing and selling, production and sales of milk and different grain and rapeseed crops, as well as land management activities.

Restructuring

The major part of the Group's assets are the investment property, owned land, buildings, equipment and cattle herds – non-current assets, payback of which is longer than 1–2 year term. Due to severely limited additional financing opportunities, and the Group's current financial liabilities exceeding its current assets, the shareholders and management of the former AUGA Group (acquiree group) in June 2009 undertook a decision to initiate restructuring process for the Company and 14 agricultural entities: AUGA Alanta ŽŪB, AUGA Nausodė ŽŪB, AUGA Smilgiai ŽŪB, AUGA Žadžiūnai ŽŪB, AUGA Eimučiai ŽŪB, AUGA Dumšiškės ŽŪB, AUGA Jurbarkai ŽŪB, AUGA Želsvelė ŽŪB, AUGA Spindulys ŽŪB, AUGA Skėmiai ŽŪB, AUGA Kairėnai ŽŪB, AUGA Vėriškės ŽŪB, AUGA Mantviliškis ŽŪB, and AUGA Lankesa ŽŪB. It was agreed with the creditors that in the 3<sup>rd</sup> year of restructuring 15% of debts will be paid, while the remaining 85% will be paid in the 4<sup>th</sup> year of restructuring.

As at 31 December 2015 all of the above mentioned 15 entities have fully repaid debts owed to the external creditors in full, but due to lengthy terms of courts operations AUGA Alanta ŽŪB, AUGA Nausodė ŽŪB, AUGA Smilgiai ŽŪB, AUGA Eimučiai ŽŪB, AUGA Dumšiškės ŽŪB, AUGA Jurbarkai ŽŪB, AUGA Želsvelė ŽŪB, AUGA Mantviliškis ŽŪB, AUGA Žadžiūnai ŽŪB, and AUGA Lankesa ŽŪB had their restructuring cases closed in March - June of 2016.

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(All amounts are in EUR thousand, unless otherwise stated)

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**2. Summary of significant accounting policies**

**2.1 Changes in accounting policies**

Except for the changes explained below, the Group has consistently applied the following accounting policies to all the periods presented in these financial statements.

In 2015 the Group's management has decided to voluntarily change its accounting policy for property, plant and equipment (except land) from the revaluated model to the cost model as it will provide more reliable and relevant information on the Group's financial position. The change in accounting policy was applied retrospectively in financial statements of 31 December 2015. The change is applicable only to the Group's consolidated financial statements. The change in accounting policy has no effect on any prior periods presented in these financial statements because as at 31 March 2014 all property, plant and equipment in the business combination was accounted at fair value which stands for costs since then and only subsequent accumulated depreciation and subsequent impairment losses were recognised in the financial statements. Change in accounting policy has no impact on separate financial statements of the Company.

Certain comparative amounts in the balance sheet and income statement have been reclassified or re-represented, as a result of a correction of errors regarding the presentation of items or a change in the classification of certain items during the current year (see Note 2.27).

**2.2 Basis of preparation**

The accompanying financial statements are prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union (EU). The consolidated financial statements have been prepared on the historical cost basis, except for land in property, plant and equipment, which is measured at revalued amount, investment property and biological assets (livestock and crops), which are measured at fair value. The Company applies the same accounting policies as the Group.

The preparation of financial statements in conformity with IFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements, are disclosed in note 4.

According to IFRS 3 (Business Combinations), BC acquired AWG; therefore, the consolidated figures represent the Group's financial information, being the consolidation of Baltic Champs UAB and its subsidiaries including AUGA Group AB.

The consolidated financial statements are presented in the national currency, the euro (EUR), which is the Company's functional and presentation currency. Until 31 December 2014, the currency of the Republic of Lithuania was the litas. The litas was pegged to the euro at the exchange rate of LTL 3.4528 to EUR 1. With effect from 1 January 2015, Lithuania joined the euro area and the euro became its national currency. The euro replaced the litas at the exchange rate of LTL 3.4528 to EUR 1. The Company converted comparative figures from the litas to the euro using the official exchange rate, i.e. LTL 3.4528 to EUR 1. The conversion of the authorised share capital is disclosed in Note 16.

Going concern basis

The accompanying financial statements are prepared on going concern basis. In November 2015, restructuring debts of 10 remaining agricultural entities were fully paid and their restructuring cases ended in courts in 2016.

Although some of the Group's loans had their covenants breached as at 31 December 2015 (see note 18), but no major loan terminations were initiated by the banks at the date of issuing these financial statements. Formal waiver was received on 26 April 2016 where the banks confirmed that financial covenants for the new loan will be required to be met starting from the beginning of 2016. Due to the fact that waivers were not received before the year end, the Group classified EUR 7,397 thousand of long-term borrowings as short-term borrowings as at 31 December 2015. As at 31 December 2016, the Group adhered to all the covenants of its financial agreements with financial institutions.

Two major banks of the Group – DNB AB and Swedbank, AB – agreed to refinance most of the Group's loans (up to EUR 39 million). The factual signings of the new loan agreements started in December 2015, but some Group entities signed agreements and refinanced loans only in late 2016. The loan principal payments according to new contracts allow the Group to balance its working capital and ensure that current ratio will be above 1 in the foreseeable future.

The short term goal for the Group is to generate sufficient funds to carry out transition operations to organic agriculture efficiently and profitably and to generate appropriate amounts of revenues and profits in order to cover current liabilities. The Group's management expects to maintain current liquidity levels and to accumulate funds for future investments.

Carefully considering the aforementioned facts, management continues to adopt the going concern basis in preparing these financial statements.

New standards, amendments and interpretations

In 2015 the Group and the Company have adopted all of the new and revised Standards and Interpretations issued by the International Accounting Standards Board (the IASB) and the International Financial Reporting Interpretations Committee (IFRIC) of the IASB that are relevant to their operations and effective for the accounting periods beginning on 1 January 2016.

**EXPLANATORY NOTES**  
**FOR THE YEAR ENDED 31 DECEMBER 2016**

(All amounts are in EUR thousand, unless otherwise stated)

**2.2 Basis of preparation (continued)**

- a) Adoption of new and (or) amended IFRSs and interpretations of the International Financial Reporting Interpretations Committee (IFRIC)

IFRSs and their amendments that became effective from 1 January 2016 did not have impact for Company's and Group's financial statement.

- b) New standards, amendments and interpretations that are not yet effective

Other new standards, amendments to standards and interpretations effective for the annual periods beginning on or after 1 January 2017, yet not applied in preparing these financial statements are as follows:

IFRS 9, 'Financial instruments: Classification and measurement' (effective for annual periods beginning on or after 1 January 2018, adopted by the EU).

Key features of the new standard are:

- Financial assets are required to be classified into three measurement categories: those to be measured subsequently at amortised cost, those to be measured subsequently at fair value through other comprehensive income (FVOCI) and those to be measured subsequently at fair value through profit or loss (FVPL).
- Classification for debt instruments is driven by the entity's business model for managing the financial assets and whether the contractual cash flows represent solely payments of principal and interest (SPPI). If a debt instrument is held to collect, it may be carried at amortised cost if it also meets the SPPI requirement. Debt instruments that meet the SPPI requirement that are held in a portfolio where an entity both holds to collect assets' cash flows and sells assets may be classified as FVOCI. Financial assets that do not contain cash flows that are SPPI must be measured at FVPL (for example, derivatives). Embedded derivatives are no longer separated from financial assets but will be included in assessing the SPPI condition.
- Investments in equity instruments are always measured at fair value. However, management can make an irrevocable election to present changes in fair value in other comprehensive income, provided the instrument is not held for trading. If the equity instrument is held for trading, changes in fair value are presented in profit or loss.
- Most of the requirements in IAS 39 for classification and measurement of financial liabilities were carried forward unchanged to IFRS 9. The key change is that an entity will be required to present the effects of changes in own credit risk of financial liabilities designated at fair value through profit or loss in other comprehensive income.
- IFRS 9 introduces a new model for the recognition of impairment losses – the expected credit losses (ECL) model. There is a 'three stage' approach which is based on the change in credit quality of financial assets since initial recognition. In practice, the new rules mean that entities will have to record an immediate loss equal to the 12-month ECL on initial recognition of financial assets that are not credit impaired (or lifetime ECL for trade receivables). Where there has been a significant increase in credit risk, impairment is measured using lifetime ECL rather than 12-month ECL. The model includes operational simplifications for lease and trade receivables.
- Hedge accounting requirements were amended to align accounting more closely with risk management. The standard provides entities with an accounting policy choice between applying the hedge accounting requirements of IFRS 9 and continuing to apply IAS 39 to all hedges because the standard currently does not address accounting for macro hedging.

IFRS 15, Revenue from Contracts with Customers (effective for annual periods beginning on or after 1 January 2018, adopted by the EU). The new standard introduces the core principle that revenue must be recognised when the goods or services are transferred to the customer, at the transaction price. Any bundled goods or services that are distinct must be separately recognised, and any discounts or rebates on the contract price must generally be allocated to the separate elements. When the consideration varies for any reason, minimum amounts must be recognised if they are not at significant risk of reversal. Costs incurred to secure contracts with customers have to be capitalised and amortised over the period when the benefits of the contract are consumed.

IFRS 16, Leases (effective for annual periods beginning on or after 1 January 2019; not yet adopted by the EU). The new standard sets out the principles for the recognition, measurement, presentation and disclosure of leases. All leases result in the lessee obtaining the right to use an asset at the start of the lease and, if lease payments are made over time, also obtaining financing. Accordingly, IFRS 16 eliminates the classification of leases as either operating leases or finance leases as is required by IAS 17 and, instead, introduces a single lessee accounting model. Lessees will be required to recognise: (a) assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value; and (b) depreciation of lease assets separately from interest on lease liabilities in the income statement. IFRS 16 substantially carries forward the lessor accounting requirements in IAS 17. Accordingly, a lessor continues to classify its leases as operating leases or finance leases, and to account for those two types of leases differently.

Disclosure Initiative - Amendments to IAS 7 (effective for annual periods beginning on or after 1 January 2017; not yet adopted by the EU). The amended IAS 7 will require disclosure of a reconciliation of movements in liabilities arising from financing activities.

Transfers of Investment Property - Amendments to IAS 40 (effective for annual periods beginning on or after 1 January 2018; not yet adopted by the EU). The amendment clarified that to transfer to, or from, investment properties there must be a change in use. This change must be supported by evidence; a change in intention, in isolation, is not enough to support a transfer.

The Company and the Group are currently assessing the impact of the new relevant standards and their improvements on their financial statements.

The Company and the Group consider that other IFRS standards, their amendments and improvements, and IFRIC interpretations that are not yet effective, will have no significant impact on their financial statements or are not relevant.



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(All amounts are in EUR thousand, unless otherwise stated)

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### **2.3 Group accounting**

Subsidiaries are all entities over which the Group has the power to govern the financial and operating policies generally accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

All subsidiaries and Group shareholdings are disclosed in note 1 of these financial statements. Currently the Group has some restrictions controlling two subsidiary companies Karakash Agro OOO and Karakash OOO (subsidiaries of eTime invest UAB), which are located in Crimea. Crimea is a part of Ukrainian Republic, which after 2014 internationally un-accepted referendum was annexed to the Russian Federation. Later in 2014, the EU and US imposed certain sanctions and restrictions regarding doing business in Crimea and the Russian Federation. The imposed sanctions limit the Group from actions like monetary transfers, transferring non-monetary help, export restrictions and others. All the restrictions severely limit the Group's ability to perform feasible and profit generating activities in that region. Additionally, international tensions give certain amount of risks with regard of overall losing of business there. See note 3.4 for more details.

The Group uses the acquisition method of accounting to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair value of the assets transferred, the liabilities incurred and the equity interest issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Acquisition-related costs are expensed as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair value at the acquisition date. On an acquisition-by-acquisition basis, the Group recognises any non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's net assets.

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree, and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill. If this is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognised directly in the income statement as negative goodwill.

Inter-company transactions, balances and unrealised gains on transactions between Group companies are eliminated. Unrealised losses are also eliminated but considered an impairment indicator of the asset transferred.

### **2.4 Transactions with non-controlling interest**

The Group treats transactions with non-controlling interests as transactions with equity owners of the Group. For purchases from non-controlling interests, the difference between any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

### **2.5 Foreign currency translation**

#### *Functional and presentation currency*

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ('the functional currency').

#### *Transactions and balances*

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are remeasured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement.

#### *Group companies*

The results and financial position of all the Group entities (none of which has the currency of a hyper-inflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- a) Assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;
- b) Income and expenses for each income statement transactions are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing at the rate on the dates of the transactions);
- c) All exchange differences are recognised in other comprehensive income as a separate component of equity.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate.

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(All amounts are in EUR thousand, unless otherwise stated)

**2.6 Property, plant and equipment**

Property, plant and equipment are assets that are owned and controlled by the Group, which are expected to generate economic benefits in the future periods and with the useful life exceeding one year. Property, plant and equipment, except land, are shown at cost less subsequent accumulated depreciation and subsequent impairment losses. Land is accounted at revalued amounts less subsequent impairment losses.

Buildings comprise mainly cow farms, machinery yards and grain storage buildings. Constructions and machinery comprise agricultural equipment and milking farm equipment. All the property, plant and equipment, except for land, construction in progress and those buildings and structures where no legal title was obtained by the Group, are shown at cost less subsequent depreciation and any accumulated impairment losses.

Land comprises mainly agricultural land and is shown at revalued amounts based on periodic, but at least triennial, valuations by external independent valuers.

Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognized. All other repairs and maintenance are charged to the income statement in the period in which they are incurred.

Increases in the carrying amount arising on revaluation of land are credited to revaluation reserve in shareholders' equity. Decreases that offset previous increases of the same asset are charged against revaluation reserve directly in equity; all other decreases are charged to the income statement.

Land is not depreciated. Depreciation of other assets, except construction in progress, is calculated using the straight-line method to allocate their cost or revalued amounts to their residual values over their estimated useful lives as follows:

Buildings	20–50	years
Constructions and machinery	4–20	years
Vehicles, equipment and other assets	1–10	years

Assets held under finance leases are depreciated over the shorter of their expected useful lives on the same basis as owned assets or lease term. The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Construction-in-progress represents property, plant and equipment under construction. Such assets are carried at acquisition cost, less any recognized impairment losses. Cost includes design, construction works, plant and equipment being mounted and other directly attributable costs.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised within 'operating expenses' in the income statement. When revalued assets are sold, the amounts included in revaluation reserve are transferred to retained earnings.

The useful lives of property, plant and equipment are determined by management at the time the asset is acquired and reviewed on an annual basis for appropriateness.

**2.7 Investment property**

Investment property, principally comprising agricultural land plots, is held mostly for long-term rental yields (small amount of land held for capital appreciation) and is not occupied by the Group. Investment property is carried at fair value, representing market value determined annually. Fair value based on active market prices, adjusted, if necessary, for any difference in the nature, location or condition of the specific asset. If the information is not available, the Group uses alternative valuation methods such as recent prices on less active markets. Changes in fair values are recorded in the income statement as part of other operating activities. The classification between property, plant and equipment and investment property is performed based on each plot of land.

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**2.8 Intangible assets**

*Goodwill*

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net identifiable assets of the acquired subsidiary/associate at the date of acquisition. Goodwill on acquisitions of subsidiaries is included in 'intangible assets'. Separately recognised goodwill is tested annually for impairment and carried at cost less accumulated impairment losses. Impairment losses on goodwill are not reversed. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

Goodwill is allocated to cash-generating units for the purpose of impairment testing. The allocation is made to those cash-generating units or groups of cash-generating units that are expected to benefit from the business combination in which the goodwill arose.

*Other intangible assets*

Intangible assets expected to provide economic benefit to the Group in future periods have a finite useful life and are valued at acquisition cost less any accumulated amortisation and any accumulated impairment losses. Amortisation is calculated on the straight-line method to allocate the cost of intangible asset over the estimated benefit period as follows:

Software	2-3 years
Other intangible assets	5 years

Separately acquired licences are shown at historical cost less accumulated amortization. Licences acquired in a business combination are recognised at fair value at the acquisition date. Acquired computer software licences are capitalized on the basis of the costs incurred to acquire and bring to use the specific software.

Directly attributable costs that are capitalized as part of the software product include the software development employee costs and an appropriate portion of relevant overheads. Other development expenditures that do not meet these criteria are recognised as an expense as incurred. Development costs previously recognised as an expense are not recognised as an asset in a subsequent period.

The gain or loss arising on the disposal of intangible assets is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognized in profit or loss.

The useful lives of intangible assets are determined by management at the time the asset is acquired and reviewed on an annual basis for appropriateness.

Assets that have an indefinite useful life, for example goodwill, are not subject to amortisation and intangible assets not yet available for use are tested annually for impairment. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

**2.9 Impairment of non-financial assets**

Impairment of non-financial assets, except inventory and deferred taxes, is evaluated whenever events or circumstances indicate that the value of an asset may not be recoverable. If such indications exist, the recoverable amount of the asset is estimated.

An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets other than goodwill that suffered impairment are reviewed for possible reversal of the impairment at each reporting date. Reversal of impairment losses recognized in prior years is recorded when there is an indication that the recognition of losses due to impairment no longer exist or have decreased significantly. The reversal of impairment loss is recognized in profit or loss in the same item as impairment loss.

**2.10 Biological assets**

Biological assets are measured on initial recognition and at each balance sheet date at their fair value less estimated costs to sell, except for the case where the fair value cannot be measured reliably on initial recognition. Agricultural produce harvested from the Group's biological assets is measured at its fair value less estimated costs to sell at the point of harvest and subsequently recorded as inventories.

If an active market exists for a biological asset or agricultural produce, the quoted price in that market is the appropriate basis for determining the fair value of that asset. If an active market does not exist the most recent market transaction price, provided that there has not been a significant change in economic circumstances between the date of that transaction and the balance sheet date, is used in determining fair value. Cost is used as an approximation of fair value when little biological transformation has taken place since initial cost incurrence, e.g. within short time after seeding the crop.

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**2.10 Biological assets (continued)**

A gain or loss arising on initial recognition of an agricultural produce at fair value less estimated costs to sell and from a change in fair value less estimated costs to sell of a biological asset is included in profit or loss for the period in which it arises as "Gain (loss) arising from changes in fair value of biological assets and on recognition at fair value of agricultural produce at point of harvest".

The Group's biological assets consist of livestock, crops, mycelium cultivation seedbed and perennial plantations.

Livestock is measured at fair value less estimated point-of-sale costs. The fair value of milking cows is determined based on discounted cash flow method by calculating the revenues generated by the cow herd over the remaining useful life and discounting by weighted average cost of capital of the Group. On initial recognition births and weight gains are recognised at costs which are proportionally allocated from total related costs based on new births and weight gains and at each balance sheet date are measured at their fair value less estimated costs to sell. For valuation of other livestock the Group calculates the fair value by taking the average price of meat per kilo. For young bulls and heifers, the value of livestock is determined by using the market values of meat (different for different groups of animals) and multiplying the price of 1 kg by the total weight of specific group of animals.

The Group has changed its accounting estimate for the valuation of milking cows. In prior year milking cows were valued based on expected sales price determined by the Group from market participants data. The updated model for milking cows fair value calculation was applied prospectively.

Crops are measured at their fair value less estimated costs to sell. At initial recognition the crops are measured at cost as the market-determined values are not available for such biological assets. The crops are measured at fair value once the fair value becomes reliably measurable. Usually the fair value of a crop can be reliably measured only at the point of harvest. This does not create a significant limitation in valuation of crop balances at year-end, as the main increase in fair value is attributable to the same accounting period when the crop is harvested.

**2.11 Financial assets**

**2.11.1 Classification**

The Group classifies its financial assets into the following measurement categories: at fair value through profit or loss, available-for-sale, and loans and receivables. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

*Loans and receivables*

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the balance sheet date. These are classified as non-current assets. The Group's loans and receivables comprise 'trade and other receivables', and 'cash and cash equivalents' in the balance sheet.

*Available-for-sale financial assets*

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless the investment matures or management intends to dispose of it within 12 months of the end of the reporting period.

*Financial assets at fair value through profit (loss)*

The Group holds derivative financial instruments to hedge against its interest rate risk exposures; however, there is no formal hedging policy prepared by the Group, and therefore no hedge accounting is applied.

Derivatives are recognised initially at fair value; any directly attributable transaction costs are recognised in profit or loss as they are incurred. Subsequent to initial recognition, derivatives are measured at fair value, and changes therein are recognised in profit or loss.

**2.11.2 Recognition and measurement**

Regular purchases and sales of financial assets are recognised on the trade-date – the date on which the Group commits to purchase or sell the asset. Investments are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets carried at fair value through profit or loss are initially recognised at fair value, and transaction costs are expensed in the income statement. Financial assets are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership. Loans and receivables are carried at amortised cost using the effective interest rate method.

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**2.11 Financial assets (continued)**

The effective interest rate method is a method of calculating the amortised cost of a financial asset or a financial liability and of allocating the interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial asset or financial liability.

After initial recognition available-for-sale financial assets are measured at fair value based on available market prices or quotes of brokers. For investments where there is no active market, fair value is determined using valuation techniques. Such techniques include using recent arm's length market transactions, reference to the current market value of another instrument, which is substantially the same, and discounted cash flow analysis. The result of revaluation of available-for-sale securities is recognised in revaluation reserve of financial assets, reported under equity.

The Group assesses at each balance sheet date whether there is objective evidence that a financial asset or a group of financial assets is impaired. Impairment testing of trade receivables is described in note 2.13.

**2.12 Inventories**

Inventories are stated at the lower of cost and net realisable value, except for agricultural produce which is stated at net realisable value. Cost is determined by FIFO method. The cost of inventories comprises purchase price, taxes (other than those subsequently recoverable by the Group from the tax authorities), transport, handling and other costs directly attributable to the acquisition of inventories. Net realisable value is the estimate of the selling price in the ordinary course of business, less the applicable selling expenses. All inventories held by the Group are attributed to the materials category.

**2.13 Trade receivables**

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest rate method, less impairment. An impairment of trade receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments (more than 90 days overdue) are considered indicators that the trade receivable is impaired. The amount of impairment is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account, and the amount of the loss is recognised in the income statement within 'operating expenses'. When a trade receivable is uncollectible, it is written off against the allowance account for trade receivables. Subsequent recoveries of amounts previously written off are credited against 'other operating expenses' in the income statement.

**2.14 Cash and cash equivalents**

For the purposes of the cash flow statement, cash and cash equivalents include cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less.

**2.15 Share capital**

Ordinary shares are stated at their par value. Consideration received for the shares sold in excess over their par value is shown as share premium. Incremental external costs directly attributable to the issue of new shares are accounted for as a deduction from share premium.

**2.16 Deferred grant income**

Grants from the government are recognised at their fair value where there is a reasonable assurance that the grant will be received and the Group will comply with all attached conditions.

*Grants related to assets*

Government grants relating to property, plant and equipment are included in deferred income and are credited to the income statement on a straight-line basis over the expected lives of the related assets.

*Grants related to income*

Grants related to income are received as a reimbursement for the expenses already incurred and as a compensation for unearned revenue, and also all other grants than those related to assets. Grants are recognized when they are received or there is a reasonable assurance that they will be received. Grants received as a compensation for unearned revenue are recognized as income over the periods necessary to match them with the related unearned revenue.

*Grants related to biological assets*

Unconditional grants related to biological assets measured at their fair value less estimated point-of-sale costs are recognized as income when government grant became receivable. Conditional grants related to biological assets measured at their fair value less estimated point-of-sale costs are recognized as income when the conditions attached to the government grant are met.

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**2.17 Trade payables**

Trade payable are obligations to pay for goods or services that have been acquired in an ordinary course of business. Accounts payable are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities.

Trade payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest rate method.

**2.18 Borrowings**

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the income statement over the period of the borrowings using the effective interest rate method.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

Issued bonds are classified as financial liabilities, which are repurchased in one amount or in instalments under a certain repayment schedule. Issued bonds are recognized initially at fair value, being their issue proceeds net of transaction costs incurred. They are measured at amortized cost using the effective interest rate method.

**2.19 Accounting for leases where the Group is the lessee**

*Finance lease*

The Group is a lessee in a lease which transferred substantially all the risks and rewards incidental to ownership to the Group. The assets leased are capitalised in property, plant and equipment at the commencement of the lease at the lower of the fair value of the leased asset and the present value of the minimum lease payments. Each lease payment is allocated between the liability and finance charges so as to achieve a constant rate on the finance balance outstanding. The corresponding rental obligations, net of future finance charges, are included in borrowings. The interest cost is charged to the income statement over the lease period using the effective interest method. The assets acquired under finance leases are depreciated over their useful life or the shorter lease term if the Group is not reasonably certain that it will obtain ownership by the end of the lease term. If sale and leaseback transaction results in a finance lease, any excess or shortfall of sales proceeds over the carrying amount is not recognised immediately and is deferred and amortised over the lease term.

*Operating lease*

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the income statement on a straight-line basis over the period of the lease.

**2.20 Accounting for leases where the Group is the lessor**

*Operating lease*

Leases where the Group does not transfer substantially all the risks and benefits of ownership of the asset are classified as operating leases. The Group presents assets subject to operating leases in the balance sheet according to the nature of the asset. Lease income from operating leases is recognized in the income statement on a straight-line basis over the lease term as revenues. The depreciation policy for leased assets is consistent with the Group's depreciation policy for similar assets, and depreciation is calculated in accordance with the accounting policies used for property, plant and equipment.

**2.21 Current and deferred income tax**

The tax expense for the period comprises current and deferred tax. Tax is recognised in the income statement, except to the extent that it relates to items recognised in other comprehensive income and directly in equity. In this case, the tax is also recognised in other comprehensive income, and directly in equity, respectively.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the Group companies operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax is recognised, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the separate and consolidated financial statements. However, deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

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**2.21 Current and deferred income tax (continued)**

Deferred income tax is provided on temporary differences arising on investments in subsidiaries, except where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

Income tax expense is calculated and accrued for in the financial statements on the basis of information available at the moment of the preparation of the financial statements, and estimates of income tax performed by the management in accordance with Lithuanian regulatory legislation on taxation.

Deferred income tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences and unused tax losses can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised; such reductions are reversed when the probability of future taxable profits improves. Unrecognized deferred tax assets are reassessed at each reporting date and recognized to the extent that it has become probable that future taxable profits will be available against which they can be used.

According to Lithuanian legislation, ordinary tax losses can be carried forward indefinitely if a taxpayer continues to perform business activities from which such losses occurred. When calculating the income tax for 2015 and subsequent years, only 70% of the taxable result for the period can be set off against tax loss utilised.

Deferred tax assets and liabilities are offset when they are related to taxes levied by the same tax authority and when there is a legally enforceable right to cover current payable taxes at net value.

The main temporary differences arise due to revaluation of investment property and land.

**2.22 Revenue and expense recognition**

Revenue comprises the fair value of the consideration received or receivable for the sale of goods and services in the ordinary course of the Group's activities. Revenue is shown net of value-added tax, returns, rebates and discounts and after eliminating sales within the Group.

The Group recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the Group and when specific criteria have been met for each of the Group's activities as described below. The Group bases its estimates on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

Expenses are recognized on the basis of accrual and revenue and expense matching principles in the reporting period when the income related to these expenses was earned, irrespective of the time the money was spent. In those cases when the costs incurred cannot be directly attributed to the specific income and they will not bring income during the future periods, they are expensed as incurred.

*Sales of goods*

The Group manufactures and sells a range of agricultural commodities in an open market. Sales of goods are recognized when the Group entity has delivered products to the customer. Delivery does not occur until the products have been shipped to the specified location, the risks of obsolescence and loss have been transferred to the customer and the customer has accepted the products in accordance with the sales contract.

*Sales of services*

Revenue from services is recognised on performance of the services. Payments received under operating leases are credited to the income statement on a straight-line basis over the period of the lease.

*Interest income and expenses*

Interest income and expenses are recognized on a time proportion basis, by reference to the principal outstanding and at the effective interest rate applicable. In the cash flow statement received interest is classified as cash flows from investing activities, interest paid – as cash flows from operating activity.

**2.23 Employee benefits**

*Social security contributions*

The Group pays social security contributions to the state Social Security Fund (the Fund) on behalf of its employees based on the defined contribution plan in accordance with the legal requirements. A defined contribution plan is a plan under which the Group pays fixed contributions into the Fund and will have no legal or constructive obligations to pay further contributions if the Fund does not hold sufficient assets to pay all employees benefits relating to employee service in the current and prior period. Social security contributions are recognised as expenses on an accrual basis and included in payroll expenses.

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**2.23 Employee benefits (continued)**

*Termination benefits*

Termination benefits are payable whenever an employee's employment is terminated before the normal retirement date or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Group recognises termination benefits when it is demonstrably committed to either terminate the employment of current employees according to a detailed formal

plan without possibility of withdrawal or to provide termination benefits as a result of an offer made to encourage voluntary redundancy. Benefits falling due more than 12 months after the balance sheet date are discounted to present value.

*Bonus plans*

The Group recognises a liability and an expense for bonuses where contractually obliged or where there is a past practice that has created a constructive obligation.

**2.24 Segment information**

Management has determined the operating segments based on the reports reviewed by the CFO and COO that are used to make strategic decisions. The main business segments defined by the Group are stock-breeding, crop growing, and cultural mushrooms growing.

The Management of the Group assesses the performance of each individual agricultural company and Baltic Champs UAB. Those individual companies are analysed based on a measure of gross profit of different sub-segments: mushroom growing, milk production and cattle sale in stock-breeding, different crops such as wheat, rapeseed, and barley in the crop-growing segment, as well as trading and land rent activities.

Expenses of the Group's structural units, which may be directly allocated to a specific segment, are allocated to this segment. Expenses of the structural units of the Group, which take part in more than one segment, are allocated pro rata to the established distribution of expenses.

All Group's revenues are generated in Lithuania, except for a small portion of business situated in Crimea, which is officially still a part of Ukraine, although the Russian Federation claims Crimea is part of it after annexation in 2014. Group's operations in the Republic of Moldova do not generate any revenues, while entities established in Estonia are only for land management purposes and do not generate any revenues.

**2.25 Investments in subsidiaries in the separate financial statements of the Company**

Investments in subsidiaries are accounted for at cost less impairment. Cost is calculated based on the price paid and adjusted to reflect changes in price paid arising from contingent consideration amendments. Cost also includes direct attributable costs of investment.

**2.26 Subsequent events**

Post balance sheet events that provide additional information about the Group's position at the balance sheet date (adjusting events) are reflected in the financial statements. Post balance sheet events that are not adjusting events are disclosed in the notes when material.

**2.27 Correction of errors and reclassifications**

Since the issue of the last financial statements on 18 July 2016, for the year ended 31 December 2015, the Group management corrected some of the previously incorrectly accounted entries. In the Consolidated financial statements the management correctly accounted for Gain (loss) on changes in fair values of biological assets and on recognition at fair value of agricultural produce at point of harvest. The changes are only of classification type in the income statement.

The effects of restatements on the financial statements for the year 2015 are summarized below:

	<b>Nota</b>	<b>2015 previously</b>	<b>Corrections and</b>	
<b>The Group</b>	<b>-tion</b>	<b>reported</b>	<b>reclassifications</b>	<b>2015</b>
			<b>1</b>	<b>restated</b>
<b>ASSETS</b>	DR	135,266	-	135,266
<b>EQUITY</b>	CR	69,130	-	69,130
<b>LIABILITIES</b>	CR	66,136	-	66,136
<b>INCOME STATEMENT</b>				
Cost of sales	DR	(36,497)	(238)	(36,735)
Gain (loss) on changes in fair values of biological assets and on recognition at fair value of agricultural produce at point of harvest	CR	(527)	238	(289)



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**2.27 Correction of errors and reclassifications (continued)**

Notation: DR and CR abbreviations stand for Debit and Credit, respectively, for financial statements line items (as they are presented in the balance sheet and income statement).

Explanations of correction and reclassification entries:

- 1) As at 31 December 2015, the Group incorrectly accounted for value of agricultural produce at point of harvest, as at the point of harvest a smaller than market price value of produce was taken and revaluated to actual market prices only at the year end. Due to this, the Group experienced gains from sale of crops produced rather than gains from recognition at fair value of agricultural produce at point of harvest.

The Group made appropriate classification entries.

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**3. Risk management**

**3.1 Financial risk management**

**Financial risk factors**

The Group's and the Company's activities expose them to financial risks: market risk (including foreign exchange risk, and cash flow and fair value interest rate risk), credit risk, liquidity risk. The Group's overall risk management focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects of the financial performance of the Group.

The Board of Directors is responsible for the risk management policies and procedures.

**Market risk**

(i) Foreign exchange risk

The absolute majority of Group's operations is in Lithuania, which as of 1 January 2015 adopted the euro area unified currency – the euro. Major purchases and expenses, as well as revenues are denominated in functional currency, with only minor operations happening in other currencies (Crimea operations), and some sales being made to countries with other currency than the euro (e.g. Poland, Sweden, Norway).

The Group companies do not have significant foreign currency concentration, thus no financial instruments were used in order to hedge against foreign currency risks.

The Group has some operations in Crimea (Ukraine). Currently those entities have Russian rouble as a functional currency. Due to international sanctions, oil price volatilities and weak economy, the Russian rouble is subject to large currency exchange rate volatility. The Group does not hedge against such risk. A 10% change in RUB/EUR currency rate would have a EUR 93 thousand effect in the consolidated financial statements, as impairments are recognised for majority of assets owned there.

(ii) Securities price risk

The Group is not exposed to significant equity securities price risk because it has no material investments in securities or other similar financial instruments outside of the Group. The subsidiaries are owned and controlled directly. The Group influences the results of subsidiaries by directly participating in management of the subsidiaries.

(iii) Cash flow and fair value interest rate risk

The Group's interest rate risk arises from variable rate borrowings. Borrowings issued at variable rates expose the Group to cash flow interest rate risk. Borrowings issued at fixed rates do not expose the Group to cash flow or fair value interest rate risk because all borrowings are carried at amortised cost.

The Group's borrowings include loans with floating interest rate, which is related to EURIBOR and VILIBOR. Most of bank borrowings and finance lease liabilities are repriced each 6 months. Other borrowings are repriced each month or every 3 months. The Group has payables to the State for acquired land, certain loans from shareholder Baltic Champs Group UAB and loan from BAB Snoras bank (only as at 31 December 2015) which are with fixed interest rate.

The Group's cash flow and interest rate risk is periodically monitored by the Group's management. It analyses its interest rate exposure on a dynamic basis taking into consideration refinancing, renewal of existing positions, alternative financing. Based on these scenarios, the Group calculates the impact on profit and loss of a defined interest rate shift. In 2014, the Group purchased interest rate swap contracts to hedge against floating interest rate. The Group has a contract to pay a fixed 1 per cent of interest on outstanding loan balance (EUR 6,557 thousand as at 31 December 2016) and receive a 3-month EURIBOR interest. The contract duration is pegged to the outstanding agricultural entities loan agreement, which terminates in 2019.

The negative change in market value of this derivative is recognised in the income statement in actual period (see note 27), and accordingly adjusted the derivative value in the balance sheet. In 2016, the change was positive and amounted to EUR 42 thousand (2015: EUR 27 thousand), while the negative underlying value of contract decreased from EUR 192 thousand as at 31 December 2015 to EUR 150 thousand as at 31 December 2016.

In 2016, total Group borrowings at variable rates amount to EUR 28.0 million (2015: EUR 37.7 million), all of which is denominated in EUR. If floating rate interest (influenced by EURIBOR) changed by 1 percentage point upwards, the annual effect on the Group would amount to EUR 280 thousand before taxes (2015: EUR 377 thousand). If the change would be further down, the change would be close to zero as most of the Group's loans have clauses that for interest calculation purposes EURIBOR can not be smaller than 0.

In 2015, total Company's borrowings at variable rates amount to EUR 1,266 thousand (2015: EUR 4,663 thousand).

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**3.1 Financial risk management (continued)**

**Credit risk**

Credit risk is managed on a Group basis. Senior management is responsible for credit risk management. Credit risk arises from cash, cash equivalents, and short-term deposits with banks, as well as credit exposures to customers, mainly related to outstanding receivables. Credit risk associated with the cash funds at banks is minimal, as the Group deals with the banks which have high credit ratings established by foreign rating agencies. For customers, the Company sells the majority of its production to wholesalers and has policies in place to ensure that sales of products are made only to customers with an appropriate credit history. The Group always makes an assessment of the credit quality of the customer, taking into account its financial position, past experience and other factors. Credit period is awarded only to a few customers who are well known to the Group and have good credit history. The Group has credit concentration risk as the sales are distributed among several clients which are the strongest players in the country's agricultural market (see note 23). The Group does not use credit insurance and has not established any specific limits for any of the clients.

There were no significant difficulties in collecting accounts receivable from customers or withdrawing cash from banks during the reporting period and the management does not expect any material losses from non-performance by these counterparties.

The carrying amount of financial assets represents the maximum credit exposure for on-balance sheet exposures. The Group has additionally guaranteed for a loan of Cooperative "Grybai Lt" which outstanding amount as at 31 December 2016 totalled EUR 3,426 thousand (2015: EUR 2,847 thousand) and number of guarantees for KTG Agrar UAB (the Group acquired this entity in January 2017) for total of EUR 1,331 thousand. As at 31 December 2016, the Company had issued guarantees to banks Swedband AB and Dnb Bankas AB for loans taken by subsidiary entities (agricultural entities, Baltic Champs UAB, Grain Lt UAB) for total of EUR 19,819 thousand. Additionally the Company guaranteed for finance liabilities of KTG Agrar UAB for EUR 1,000 thousand as at 31 December 2016. As at 31 December 2015, the Company has issued guarantees to Snoras BAB bank for the loans taken by the subsidiary entities (land management entities). The amount of outstanding loans for which guarantees to BAB Snoras were issued as at 31 December 2015 was EUR 3,802. This loan was repaid in full in 2016.

See notes 12 and 13 for further disclosure on credit risk.

**Liquidity risk**

Cash flow forecasting is performed in the operating entities of the Group and aggregated by Group finance. Group finance monitors rolling forecast of the Group's liquidity requirements to ensure it has sufficient cash to meet operational needs. Such forecasting takes into consideration the Group's debt financing plans, covenant compliance, compliance with internal balance ratio targets and other material information.

Borrowed capital accounts for a large share of the Group's total capital.

The table below analyses the Group's financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

GROUP	Carrying amount	Contractual cash flows					
		Total	Payable on demand	Within one year	Within second year	Within third and fourth year	Within fifth year and later
<b>31 December 2016</b>							
Borrowings	25,873	28,342	117	9,694	5,762	11,459	1,310
Finance lease liabilities	6,117	6,555	351	2,560	1,610	1,783	251
Guarantees issued	-	4,757	4,757	-	-	-	-
Trade and other payables	9,684	9,684	-	9,684	-	-	-
<b>Total</b>	<b>41,674</b>	<b>49,338</b>	<b>5,225</b>	<b>21,938</b>	<b>7,372</b>	<b>13,242</b>	<b>1,561</b>
<b>31 December 2015</b>							
Borrowings	42,172	46,537	10,473	13,266	8,135	11,657	3,006
Finance lease liabilities	4,506	4,761	-	2,140	1,516	1,058	47
Guarantees issued	-	2,847	2,847	-	-	-	-
Trade and other payables	9,332	9,332	-	9,332	-	-	-
<b>Total</b>	<b>56,010</b>	<b>63,477</b>	<b>13,320</b>	<b>24,738</b>	<b>9,651</b>	<b>12,715</b>	<b>3,053</b>

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**3.1 Financial risk management (continued)**

COMPANY	Contractual cash flows						
	Carrying amount	Total	Payable on demand	Within one year	Within second year	Within third and fourth year	Within fifth year and later
<b>31 December 2016</b>							
Borrowings	26,738	32,134	-	1,818	2,958	27,358	-
Leasing liabilities	96	105	-	21	21	61	2
Guarantees issued	-	20,819	20,819	-	-	-	-
Trade and other payables	928	928	-	928	-	-	-
<b>Total</b>	<b>27,762</b>	<b>53,986</b>	<b>20,819</b>	<b>2,767</b>	<b>2,979</b>	<b>27,419</b>	<b>-</b>
<b>31 December 2015</b>							
Borrowings	12,889	15,255	-	4,812	-	10,443	-
Guarantees issued	-	3,802	3,802	-	-	-	-
Trade and other payables	223	223	-	223	-	-	-
<b>Total</b>	<b>13,112</b>	<b>19,280</b>	<b>3,802</b>	<b>4,885</b>	<b>-</b>	<b>10,443</b>	<b>-</b>

Payable on demand includes guarantees issued by the Group or the Company and those loans which have their covenants breached. Of all the loans with breached covenants, neither one was demanded to be paid back by the creditors. Such loans include the borrowing by land management entities (ŽVF's) from DNB Bank AB and Swedbank AB as at 31 December 2015. On 26 April 2016 the Group received a formal waiver where the banks confirmed that financial covenants for the new loan will be required to be met starting from the year 2016 (see Note 2.2 for details).

As at 31 December 2016 the current assets exceeded current liabilities of the Group by EUR 9,629. As at 31 December 2015 current liabilities exceeded current assets by EUR (9,740) thousand. The liquidity ratio of the Group amounted to 1.37 (2015: 0.76), while quick ratio was 0.58 (2015: 0.51). As at 31 December 2016 and 2015 the current assets to current liabilities ratio of the Company was negative and equalled EUR (1,960) thousand and EUR (4,833) thousand respectively. The liquidity ratio of the Company amounted to 0.16 (2015: 0.06), while quick ratio was 0.16 (2015: 0.05). The short-term goal for the Group is to generate sufficient funds to carry out operations efficiently and profitably and to generate appropriate amounts of revenues and profits in order to pay current liabilities. The Company deals mainly with Group companies, thus Companies liquidity position is adjusted on demand.

**3.2 Capital risk management**

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

As provided in note 1, a number of agricultural entities and the Company in 2015 were undergoing and finishing restructuring processes, thus the main focus of the Group's management was to guide individual entities through successful restructuring processes for all separate entities and restore the liquidity of the Group. Currently gearing ratio is not being calculated by the Group, as the best capital sufficiency estimate due to legal procedures is the operating cash flow of the Group. The short term goal for the Group is to generate sufficient funds to carry out operations efficiently and profitably and to generate appropriate amounts of revenues and profits in order to pay current liabilities.

At the end of 2015 borrowings of land management entities (ŽVF's) from DNB Bank AB and Swedbank AB did not meet its covenant regarding DSCR, but the Group obtained waivers from the banks confirming that financial covenants for the loan will be required to be met starting from the beginning of 2016. As at 31 December 2016, the Group conformed with all the covenants of it's financial debt agreements.

Pursuant to the Lithuanian Law on Companies the authorised share capital of a joint stock company and private limited liability company must be not less than EUR 29,000 and EUR 2,900, respectively, and the shareholders' equity should not be lower than 50 per cent of the company's registered share capital.

As at 31 December 2016, all Group companies, except ŽŪB AUGA Kairėnai, ŽVF projektai UAB, ŽŪB Žemės fondas, ŽŪB Gustonys, UAB Agro Management team, AWG Investment 2 UAB, Auga Trade UAB, Agrotechnikos centras UAB, Agrogis UAB, AGRO Ramučiai UAB, Agrosaulė 8 UAB, and Skėmių PC ŽŪK complied with these requirements.

The Board of a company which does not meet the above requirements must convene a shareholders' meeting to solve the problem of capital level. The Group is not using externally implied requirements, or any other means for capital management.

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**3.3 Fair value estimation**

**The three levels of the fair value hierarchy have been defined as follows:**

Level 1 includes the fair value of assets which is established based on quoted prices (unadjusted) in active markets for identical assets.

Level 2 includes the fair value of assets which is established based on other directly or indirectly observable inputs.

Level 3 includes the fair value of assets which is established based on unobservable inputs.

There were no transfers between any levels during the year.

The fair value of financial instruments traded in active markets (such as trading and available-for-sale securities) is based on quoted market prices at the balance sheet date. The carrying value of trade receivables and payables is assumed to approximate their fair values.

The fair value of long-term and short-term borrowings is measured at amortised cost using the effective interest method.

As at 31 December, the Group and the Company had the following structure of interest bearing financial liabilities (taking into account bank and other borrowings, bonds, and finance lease liabilities) (presented at their carrying values):

<b>GROUP</b>	<b>Liabilities with fixed interest rate</b>	<b>Liabilities with floating interest rate</b>
<b>2016</b>		
Loans from financial institutions	-	20,621
Finance lease liabilities	-	6,119
Other borrowings	3,996	1,254
<b>Total</b>	<b>3,996</b>	<b>27,994</b>
<b>2015</b>		
Loans from financial institutions	4,003	31,604
Finance lease liabilities	162	4,344
Other borrowings	4,842	1,723
<b>Total</b>	<b>9,007</b>	<b>37,671</b>
<b>COMPANY</b>	<b>Liabilities with fixed interest rate</b>	<b>Liabilities with floating interest rate</b>
<b>2016</b>		
Loans from financial institutions	-	-
Finance lease liabilities	-	96
Other borrowings	25,568	1,170
<b>Total</b>	<b>25,568</b>	<b>1,266</b>
	<b>Liabilities with fixed interest rate</b>	<b>Liabilities with floating interest rate</b>
<b>2015</b>		
Loans from financial institutions	-	2,990
Other borrowings	8,226	1,673
<b>Total</b>	<b>8,226</b>	<b>4,663</b>

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(All amounts are in EUR thousand, unless otherwise stated)

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**3.3 Fair value estimation (continued)**

The fair value of non-current borrowings with variable interest rates approximates their carrying amounts. Average effective interest rate of borrowings of the Group with variable rate at 31 December 2016 equals 3.11 per cent (2015: 3.44 per cent).

Considering the fact that the loan agreement conditions were renegotiated in the previous reporting period and since then there were no major changes in the market, the management treats the agreed interest rate as the one which approximates market interest rates. These facts show that as of 31 December 2016 and 31 December 2015 the fair value of the Group's financial liabilities with fixed interest rates is close to their carrying amounts.

**3.4 Operational risk**

**Agricultural market risk**

The Group is exposed to several types of agricultural market risks:

Weather conditions

Weather conditions are one of the most important risks involved in agricultural activities. Poor or unfavourable meteorological conditions can have a substantial impact upon yields by negatively affecting harvests and fodder preparation, destroying crop areas etc. In extreme cases, poor weather limits the ability to harvest the fields at all.

The Group management each year decides whether to insure the crops or not. In 2015 and 2016, due to significant increase in insurance price (more than 10 per cent of total cost), the crops were not insured.

Prices for agricultural products

The Group's income and operating results depend on such factors beyond the Group's control as prices for agricultural commodities. These prices are largely influenced by different and difficult to predict factors beyond the Group's control (weather conditions, state agricultural policy, changes in global demand caused by demographic changes, changes in living conditions, competing products in other countries).

Usually the Group agrees for crop delivery contracts in spring of each year. The management controls this risk by contracting the price of its crop production (in certain bulk amounts) over the period of time starting April of each year. The management sets internal lowest acceptable crop price level, after reaching which it starts making the crop price fixing contracts.

Animal diseases

Animals can be infected with different viral infections including foot and mouth disease, bovine spongiform encephalopathy etc. Even though the Group complies with the highest sanitary standards in order to prevent diseases, there is no guarantee that the Group's cattle will not be infected for reasons beyond the control of the Group. Although all of the Group's cattle are insured, an outbreak of a cattle infection can result in high additional expenses and losses.

State policy and regulation in the agricultural sector

Agriculture, agricultural produce and products placement on the market are strongly affected by state policies and EU regulation. Regulation of agricultural activities manifests itself through the regulation of taxes, tariffs, quotas, subsidies, import and export legislation etc. Any change in this area can exert significant influence over the profitability of agricultural activities, determination of the choice of crops, increase or reduce the volumes of production, import and export of agricultural products.

In addition, any international trade disputes can affect the trade flows, restricting trade among countries or regions. Future policies in this area can have a negative impact upon prices for the agricultural products offered by the Group and upon the Group's opportunities for operating in the market.

The Group's management discusses the possible changes in policies with the Ministry of Agriculture and other official institutions, giving suggestions and comments on State agricultural policies.

The Group controls operations in Crimea through eTime invest UAB group. In March 2014, the Crimean peninsula was annexed by the Russian Federation. In June 2014, and later in December 2014, the European Union imposed sanctions which limit any contacts, financial and consulting cooperation with entities in Crimea, issued bans on export of local production to EU countries. Taking into account all the restrictions, the subsidiary operations in Crimea must work independently, in an unfavourable market conditions which limits the Group's and the Company's ability to earn positive results. As at 31 December 2016, the Group's exposure totalled EUR 0.9 million (EUR 0.1 million of PPE, EUR 0.43 million of crops and EUR 0.37 million receivables). As at 31 December 2015, the Group's exposure totalled EUR 0.44 million (EUR 0.01 million of PPE, EUR 0.21 million of crops and EUR 0.22 million receivables). The Company has written down the investment in the separate financial statements to EUR nil as at 31 December 2016 and 2015.

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(All amounts are in EUR thousand, unless otherwise stated)

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**4. Critical accounting estimates and assumptions**

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities in future periods are addressed below.

Listed below are the most significant areas that involved management judgement.

*Reverse acquisition*

In April 2014, AUGA Group AB issued 102,596,266 new shares. 88,444,014 shares were acquired by Baltic Champs Group UAB by contributing shares of Baltic Champs UAB (hereinafter – BC). The transaction was effected by exchanging shares. During the business combination former shareholders of BC obtained control of more than 50% of AUGA Group AB shares and received the majority of seats in the Board of Directors; therefore, based on the requirements outlined in International Financial Reporting Standard 3 “Business Combinations” (IFRS 3) such transaction is treated and accounted for as a reverse acquisition.

For accounting purposes, the legal buyer AUGA Group AB is treated as an accounting acquiree, while Baltic Champs UAB is treated as an accounting acquirer and in effect Baltic Champs UAB prepares consolidated financial statements for itself and its subsidiaries including AUGA Group AB (its legal parent). This is a key judgement made by management and is pertinent to the financial statements as a whole.

When accounting for this reverse acquisition, the fair value of the net asset of AWG and the fair value of consideration transferred in this reverse acquisition transaction have been used to determine the related goodwill. Details on the determination of the fair value of AWG net asset are provided below.

*Agricultural subsidies*

As discussed in note 3.4 agriculture, agricultural produce and products placement on the market are strongly affected by state policies and EU regulation. EU subsidies are of particular importance to the results and continued viability of the Group. As further detailed in note 22, in 2016 the Group’s direct agricultural subsidies received totalled EUR 8.7 million (2015: EUR 7.6 million). If for any reason, these subsidies were removed or reduced, this could have significant implications in many areas of the Group’s business including: reduced operating cash flows and profitability, decreases in the value of land and investment property and possible impairment of property, plant and equipment. Significant changes in EU subsidy programs could also, conceivably, threaten the long-term viability of the Group’s operations. For these reasons management’s judgement about the continuation of EU subsidies programs is critical to the underlying valuation considerations throughout the Group’s financial statements.

In preparing the financial statements management has assumed that the Common Agricultural Policy of the European Union with its number of different legislative pronouncements would not change and the Group will continue to receive subsidies at the similar levels for all products after the current programming period ends in 2020. This assumption is based on a well-established pattern of past agricultural subsidies by the European Union, supporting management’s expectation that the EU will continue to subsidise its agricultural sector to ensure a decent living conditions of the farmers and stable supply of safe food and food products at acceptable prices to the general public.

*Impairment of property, plant and equipment (except land)*

At each balance sheet date, the Group reviews the carrying amounts of its property, plant and equipment to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. Where a reasonable and consistent basis of allocation cannot be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognized immediately in the income statement.

In 2015 the management performed impairment tests for entities which suffered losses in 2015. The results for property of two agricultural entities showed an impairment, so an impairment allowance of EUR 264 thousand for property, plant and equipment was recognised as at 31 December 2015 (see Note 5). Similar tests were performed for entities which suffered losses in 2016 as at 31 December 2016. The tests performed did not show signs of impairment in any of tested companies and their fixed assets.

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**4. Critical accounting estimates and assumptions (continued)**

*Valuation of investment property and cultivated agricultural land*

For the reverse acquisition purposes, the Group evaluated the market values of AUGA Group AB pre- reverse acquisition land portfolio, as the investment property and agricultural land consisted of the land acquired in 2004–2008, as well as land bought from the State in 2013–2014. For analysis purposes, the Group took data of sales of its investment property. For each region an average score and size was identified, and later these results were extrapolated to the remaining portfolio parcel by parcel, with some minor discount rate added to reflect the fall in prices of agricultural commodities. The management decreased the price per Ha of parcel if its size was lower (up to 15 per cent) than the average of sales data, while increases (up to 30 per cent) were added for those which exceeded the average figures. Similarly, coefficient between 0.85 and 1.30 was used to adjust for differences of certain land plots and average data of sold land plots. The discount rate of 25% was later applied to all calculations as the management took into account the downward trends in the commodities markets (milk and grains) assuming that decrease in harvests and milk prices would negatively impact the land market. Obtained market values of investment property were used in determining the fair values in the reverse acquisition in 2014.

In October 2015, the Group's management evaluated all land plots owned by the Group. To achieve this valuations of around 1,900 ha of agricultural land plots in different regions of Lithuania (representing approximately 21% of the Group's entire land portfolio) were performed by independent valuator Inreal UAB. The received results were grouped by different region, size, fertility and average values per 1 ha of agricultural land were obtained. Received results were extrapolated onto whole land portfolio (around 9,450 ha of agricultural land) at the year-end. Received average market values per ha in different regions were used in determining the market values of the all land plots in different regions by multiplying the average value per ha in different region by total area of agricultural land plot in the same region. The management analysed changes in the market from October (time of valuations performed by independent valuers) until the end of the year and did not notice any signs of significant value changes. The Group calculated an increase of around EUR 11.8 million for the whole portfolio of investment property and cultivated land, as the average price of agricultural land has risen to around EUR 3.9 thousand per hectare. 5% change in the value of 1 ha of land equals to around EUR 1.8 million of change in the total land portfolio held by Group (own cultivated land plus investment property). Around EUR 1.35 million change would be attributable to the revaluation reserve in equity, while EUR 0.5 million change would go through the income statement.

The table below provides summarizing data of changes in values of agricultural land between different regions from 2014 to 2015.

Region	31 December 2014			31 December 2015		
	Area (Ha)	Values (thous. Eur)	Average (EUR / Ha)	Area (Ha)	Values (thous. Eur)	Average (EUR / Ha)
<b>Total</b>	<b>10,108</b>	<b>26,424</b>	<b>2,614</b>	<b>9,456</b>	<b>36,657</b>	<b>3,877</b>
Radviliškis	1,670	4,721	2,827	1,661	7,664	4,614
Panevėžys	1,010	2,899	2,870	986	4,331	4,393
Jonava	697	1,906	2,735	688	3,089	4,491
Šiauliai	600	2,034	3,392	581	2,771	4,773
Kėdainiai	633	2,306	3,641	548	2,719	4,958
Anykščiai	1,003	2,078	2,072	953	2,261	2,373
Rokiškis	758	1,241	1,638	752	2,073	2,756
Other	3,738	9,239	2,472	3,287	11,749	3,574

Region	31 December 2014	31 December 2015	Variance, EUR	Variance (%)
<b>Total</b>	<b>2,614</b>	<b>3,877</b>	<b>1,262</b>	<b>48%</b>
Radviliškis	2,827	4,614	1,787	63%
Panevėžys	2,870	4,393	1,523	53%
Jonava	2,735	4,491	1,755	64%
Šiauliai	3,392	4,773	1,380	41%
Kėdainiai	3,641	4,958	1,317	36%
Anykščiai	2,072	2,373	301	15%
Rokiškis	1,638	2,756	1,118	68%
Other	2,472	3,574	1,103	45%

The increase in land value over the last year is associated with three main factors:

- In 2011 – 2014, the National Land Agency of Republic of Lithuania organized a state land sales to the farmers and agricultural companies. The land was sold at lower prices than existed in the market, so all participants of agricultural industry were keen on applying and buying the state land they had previously worked. During the four year period a massive 248 thousand ha of land was sold (represents around 8.6 per cent of annually declared agricultural land). On average a 62 thousand ha of land was sold each of those years, as compared to only 0.5 thousand Ha being sold in 2015. In 2015, as the State program ended, the farmers and agricultural entities turned to buying land from private individual holders of agricultural land, thus rapidly increasing the price of the land.



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**4. Critical accounting estimates and assumptions (continued)**

- b) In 2013, an old EU agricultural policy support document ended, with it – all the support schemes for farmers acquiring agricultural machinery and other investments into expanding production capacities. The new programming document for 2014 – 2020 was approved only in the beginning of 2015, and by June 30, 2015 National Payment Agency issued a call for applications for a support of EUR 150 million. The farmers and agricultural entities, which were not able to use any support for two years while renewing their operations received a serious monetary inflow for making their investments, thus leaving extra money for land buying.
- c) Year 2015 produced record harvests in Lithuania, with whole country harvesting 5.9 million tonnes of grains as compared to 5.2 million the year before.

In January 2017, the Group hired independent valutors Inreal UAB and Oberhaus UAB to evaluate 114 land plots (around 31 per cent from total land holdings of the Group). The received results were grouped by different region, size and fertility, and average values per 1 ha of agricultural land in different regions were obtained. Received results were extrapolated on whole land portfolio (around 3,000 ha of agricultural land) at the year-end. Received average market values per ha in different regions were used in determining the market values of the all land plots in different regions by multiplying the average value per ha in different region by total area of agricultural land plot in the same region. The Group calculated an increase of around EUR 0.8 million for the whole portfolio of cultivated land, as the average price of agricultural land has risen to around EUR 4.7 thousand per hectare. 5% change in the value of 1 ha of land equals to around EUR 0.7 million of change in the total land portfolio held by Group. Of total net increase of EUR 0.8 million, EUR 0.1 million loss is attributable to the Income statement, and EUR 0.9 million gain is accounted in revaluation reserve.

The value of land is determined based on level II fair value hierarchy.

*Valuation of biological assets*

The Group's biological assets, except crops and mycelium cultivation seedbed, are measured at fair value less sale costs at each balance sheet date (value of all biological assets at 31 December 2016: EUR 12,081 thousand, value at 31 December 2015: EUR 10,704 thousand).

Due to the specifics of the agricultural market, fair value of milking cows cannot be determined by using comparable market prices method, as such biological assets in areas where the Group operates are not traded on active markets which could enable the use of market value. The Group values cows using the discounted cash flow method, taking the projected revenues from milk sales over the remaining useful life of each animal (the average milk price over the forecasting period of EUR 0.422 per kg (taking into account transition to eco farming); current cow herd estimated working life of 1 to 3 years and yields of 19,6 kg per day are used for the purpose of calculations), the meat sale to slaughterhouse revenue, reducing the revenues with feed costs over the same period and discounting with post tax WACC of 7.46 per cent. Obtained results show the cow herd being valued EUR 3,920 thousand as at 31 December. If the milk price over the following 4 year period would be smaller by 5%, the cow herd value would decrease by EUR 556 thousand, and if the price would be higher by 5%, the cow herd value would increase by similar amount.

For valuation of other livestock the Group calculates the fair value by taking the average price of meat per kilo. For young bulls and heifers, the value of livestock is determined by using the market values of meat (different for different groups of animals) and multiplying the price of 1 kg by the total weight of specific group of animals. The value of other livestock as at 31 December 2016 amounted to EUR 2,918 thousand. A 10% change in market price of meat would result in EUR 292 thousand change in other livestock herd market value.

Crops are valued at the year-end at cost as little biological transformation has taken place since initial cost incurrence (time period from seeding to year-end is very short). Crops value as at 31 December 2016: EUR 4,226 thousand, while as at 31 December 2015: EUR 3,465 thousand.

Mycelium growth medium is evaluated based on cost prices, which are used to produce the substance, as little biological transformation has taken place since initial cost incurrence (the growth medium is turned over at least 7-8 times annually in the production process and mushrooms are harvested daily, thus verifying the usage of cost as reasonable source for determining the value). The average prices of main components were compared to the market prices available in Lithuania. As no significant deviations were noted, it was concluded that no adjustment to carrying values was needed. Mycelium growth medium value as at 31 December 2016: EUR 1,017 thousand, while as at 31 December 2015: EUR 985 thousand.

Were the actual prices for the biological assets higher by 10% from management's estimates, the revaluation results for 2016 would be better by EUR 1,208 thousand, if the prices were lower by 10%, the net profit would decrease by the same amount.

*Estimates concerning useful lives of property, plant and equipment*

The useful lives of property, plant and equipment are determined by management at the time the asset is acquired and reviewed on an annual basis for appropriateness. The lives are based on historical experiences with similar assets as well as anticipation of future events, which may impact their life.

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(All amounts are in EUR thousand, unless otherwise stated)

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**4. Critical accounting estimates and assumptions (continued)**

*Income taxes*

Tax authorities have a right to examine the accounting records of the Company and its Lithuanian subsidiaries at any time during the 5-year period after the current tax year and account for additional taxes and fines. In the opinion of the Group's management, currently there are no circumstances which would raise substantial liability in this respect to the Group.

The Group and the Company had accumulated tax losses amounting to EUR 27.4 million and EUR 8.1 million, respectively, as at 31 December 2016 (EUR 20.0 million and EUR 5.2 million respectively as at 31 December 2015) (note 21). Management recognises a deferred tax asset for separate companies' tax losses only when possible future returns can be reliably estimated. As at 31 December 2016, the Group and the Company had accumulated tax losses carried forward for which no deferred tax asset was created in the amount of EUR 9.5 million and EUR 5.3 million, respectively. Despite the fact that taxable losses are carried forward indefinitely, when analysing future taxable profits management uses reasonable number of foreseeable years in the future, and for most deferred tax asset estimates it does not extend further than year 2020.

*Impairment of investment in subsidiaries (Company)*

As at 31 December 2016 and 2015, the management of the Company has analysed impairment indicators for its investments in subsidiaries and receivables from subsidiaries. As a key test, management has compared cost of investment in a particular subsidiary with net assets of that subsidiary as at 31 December 2016 and 2015. If net assets of a subsidiary are lower than the carrying value of investment, management considered that such subsidiary has impairment indications and the recoverable amount of such subsidiaries was estimated using value-in-use calculations. Assumptions used in impairment tests of year 2016: annual growth rate of 5% was applied calculating the forecasted period of 5 years and a growth of 2-3% was applied when calculating the terminal value of the investment based on increase in growth of export prices. The discount rate (WACC) was based on 3.64% cost of debt, 10% cost of capital and the Group's capital structure (40% debt and 60% equity). Cost of capital was estimated using risk free rate of 0.31%, sector levered beta of 0.51, market risk premium of 7.40% and additional premiums for business risk (3.5%) and liquidity risk (2.5%). The estimated pre-tax WACC of 7.46% was applied in the impairment test. The results showed that investment impairment is not required. In 2015 the Company has estimated WACC of 8.09%. A reasonably possible variance of main assumptions would not result in impairment of investments.

These calculations in turn are based on discounted cash flows that the particular subsidiary is able to generate, and result was again compared to the cost of investment into that particular subsidiary. Based on the calculations management did not notice any circumstances due to which impairment loss should be accounted.

It was also assumed that the Common Agricultural Policy of the European Union would not change and the Group companies would continue to be subsidised at the similar level for all products after the current programming period ends in 2020. Common Agricultural Policy allows European farmers to satisfy the needs of the European Union citizens. The main goals of it is to ensure a decent living conditions of the farmers and stable supply of safe food and food products at acceptable prices to the general public. As these needs of the European Union citizens (ability to buy, the price, the variety, the quality, etc.) and goals to preserve the nature will be ever present, the assumption is made that the European Union will continue to subsidise its agricultural sector.

For consideration regarding going concern see note 2.2.

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**5. Property, plant and equipment**

GROUP	Land	Buildings	Constructions and machinery	Vehicles, equipment and other property, plant and equipment	Construction in progress	Total
<b>Carrying amount</b>						
<b>As at 31 December 2014</b>	<b>17,484</b>	<b>46,426</b>	<b>14,812</b>	<b>1,909</b>	<b>153</b>	<b>80,784</b>
- additions	285	1,254	3,742	655	412	6,348
- disposals and write-offs	( 7)	( 54)	( 231)	( 80)	( 4)	( 376)
- depreciation	-	( 2,473)	( 3,225)	( 479)	-	( 6,177)
- revaluation	8,398	-	-	-	-	8,398
- Impairment of PPE	( 60)	( 204)	-	-	-	( 264)
- reclassifications	921	55	-	-	( 55)	921
<b>As at 31 December 2015</b>	<b>27,021</b>	<b>45,004</b>	<b>15,098</b>	<b>2,005</b>	<b>506</b>	<b>89,634</b>
- additions	1,122	149	4,848	1,203	673	7,995
- disposals and write-offs	( 242)	( 66)	( 362)	( 285)	( 1)	( 956)
- revaluation	822	-	-	-	-	822
- depreciation	-	( 2,072)	( 3,506)	( 480)	-	( 6,058)
- reclassifications	9,636	( 635)	635	( 28)	28	9,636
- sale of ŽVF Group	( 24,811)	-	-	-	-	( 24,811)
<b>As at 31 December 2016</b>	<b>13,548</b>	<b>42,380</b>	<b>16,713</b>	<b>2,415</b>	<b>1,206</b>	<b>76,262</b>
<b>Acquisition cost as at</b>						
31 December 2014	17,484	48,513	17,273	2,306	153	85,729
31 December 2015	27,021	49,768	20,784	2,881	506	100,960
31 December 2016	13,548	49,216	25,905	3,771	1,206	93,646
<b>Accumulated depreciation and impairment losses as at</b>						
31 December 2014	-	( 2,087)	( 2,461)	( 397)	-	( 4,945)
31 December 2015	-	( 4,764)	( 5,686)	( 876)	-	( 11,326)
31 December 2016	-	( 6,836)	( 9,192)	( 1,356)	-	( 17,384)
<b>Carrying amount as at 31 December 2014</b>	<b>17,484</b>	<b>46,426</b>	<b>14,812</b>	<b>1,909</b>	<b>153</b>	<b>80,784</b>
<b>Carrying amount as at 31 December 2015</b>	<b>27,021</b>	<b>45,004</b>	<b>15,098</b>	<b>2,005</b>	<b>506</b>	<b>89,634</b>
<b>Carrying amount as at 31 December 2016</b>	<b>13,548</b>	<b>42,380</b>	<b>16,713</b>	<b>2,415</b>	<b>1,206</b>	<b>76,262</b>

As at 31 December 2016 the property, plant and equipment with the carrying amount of EUR 52,980 thousand (2015: EUR 66,510 thousand) have been pledged as security for bank borrowings. The leased assets secure lease liabilities according to the finance lease agreements.

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**5. Property, plant and equipment (continued)**

COMPANY	Equipment and other property, plant and equipment		Total
	Vehicles		
<b>Carrying amount</b>			
<b>As at 31 December 2014</b>	<b>31</b>	<b>22</b>	<b>53</b>
- additions	17	1	18
- disposals and write-offs	-	(50)	(50)
- depreciation	(6)	34	28
<b>As at 31 December 2015</b>	<b>48</b>	<b>26</b>	<b>74</b>
- additions	141	67	208
- disposals and write-offs	(30)	-	(30)
- depreciation	(22)	(14)	(35)
<b>As at 31 December 2016</b>	<b>138</b>	<b>79</b>	<b>217</b>
<b>Acquisition cost as at</b>			
31 December 2014	50	107	157
31 December 2015	67	58	125
31 December 2016	178	125	303
<b>Accumulated depreciation and impairment losses as at</b>			
31 December 2014	(13)	(66)	(79)
31 December 2015	(19)	(32)	(51)
31 December 2016	(39)	(46)	(85)
<b>Carrying amount as at 31 December 2014</b>	<b>37</b>	<b>41</b>	<b>78</b>
<b>Carrying amount as at 31 December 2015</b>	<b>48</b>	<b>26</b>	<b>74</b>
<b>Carrying amount as at 31 December 2016</b>	<b>138</b>	<b>79</b>	<b>217</b>

As at December 31 the carrying amount of the Group's property, plant and equipment acquired under finance lease consisted of the following:

	2016	2015
Constructions and machinery		
Acquisition cost	12,200	7,394
Less: accumulated depreciation	(2,490)	(1,378)
<b>Carrying amount</b>	<b>9,710</b>	<b>6,016</b>

Should no revaluations of land had taken place, carrying amounts would have been the following:

	Land
Carrying amount of land without revaluation effect as at 31 December 2015	18,623
Carrying amount of land without revaluation effect as at 31 December 2016	5,717

The major part of property, plant and equipment has been acquired through the reverse acquisition transaction which took place on 31 March 2014 and was recognized at its fair value which stands for costs since then and only subsequent accumulated depreciation and subsequent impairment losses were recognised in the financial statements. In 2016 the Group has sold its fixed yield investment fund which was holding over 6.2 thousand hectares of agricultural land (see note 25 for details) and therefore the carrying amount of land has decreased.

**6. Investment property**

As at 31 December the Group's investment property consisted of the following:

	Agricultural land
<b>Fair value</b>	
<b>as at 31 December 2014</b>	<b>8,940</b>
- sales of land	(1,722)
- revaluation	3,339
- reclassification to property, plant and equipment	(921)
<b>as at 31 December 2015</b>	<b>9,636</b>
- sales of land	-
- revaluation	-
- reclassification to property, plant and equipment	(9,636)
<b>as at 31 December 2016</b>	<b>-</b>

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**6. Investment property (continued)**

The investment property of the Group consists of agricultural land plots.

As at 31 December 2016, the Group had ownership rights to around 3,098 ha of land. All of which were used by the Group for harvesting and therefore accounted as PPE (in 2015 the Group had ownership rights to 9,450 ha, out of which 6,350 ha were accounted as PPE). accounted under PPE and investment property. In 2016 the Group has sold its land managing entities group (ŽVF Group) with 6,624 (of which 6.2 thousand ha of agricultural land) ha of land.

In 2015, the Group sold around 600 ha of land to different farmers and agricultural entities for total proceeds of EUR 1,896 thousand. The Group recognised a profit of EUR 174 thousand from such transactions.

**7. Investments in subsidiaries**

For the year ended 31 December, the movement of the Company's investments was the following:

	<b>2016</b>	<b>2015</b>
<b>As at 1 January</b>	<b>58,374</b>	<b>58,685</b>
Capitalization of long-term receivables from subsidiaries	11,400	-
Acquisition of subsidiaries / additional acquisitions	-	3
Impairment loss	-	(314)
<b>As at 31 December</b>	<b>69,774</b>	<b>58,374</b>

As at 31 December 2016, the Company made impairment tests on investment into subsidiaries. No subsidiaries with additional impairment loss were identified and therefore no impairment loss was accounted in 2016. In 2016 Long-term receivables of Group company ŽVF 20 were purchased by parent company AUGA Group, AB and later capitalised to share capital. Therefore investments in subsidiaries' value has increased. Total impairment of investment in subsidiaries as at 31 December 2016 and 31 December 2015 amounted to EUR 11,164 thousand. Considering the uncertainties in forecasts of the performed investment impairment tests, the management considered not to reset impairments.

**8. Available for sale investments**

For the year ended 31 December the Group's movement of available for sale investments was the following:

	<b>2016</b>	<b>2015</b>
<b>As at 1 January</b>	<b>267</b>	<b>111</b>
Acquisition of investments	19	161
Sale of investments	-	(5)
<b>As at 31 December</b>	<b>286</b>	<b>267</b>

**9. Intangible assets**

As at 31 December the Group's intangible assets consisted of the following:

<b>GROUP</b>	<b>Software</b>	<b>Other intangible assets</b>	<b>Total</b>
<b>Carrying amount</b>			
<b>As at 31 December 2014</b>	<b>23</b>	<b>183</b>	<b>206</b>
- additions	2	-	2
- disposals	(2)	-	(2)
- amortization	(18)	(133)	(151)
<b>As at 31 December 2015</b>	<b>5</b>	<b>50</b>	<b>55</b>
- additions	-	14	14
- disposals	-	-	-
- amortization	(5)	(45)	(50)
<b>As at 31 December 2016</b>	<b>-</b>	<b>19</b>	<b>19</b>
<b>Carrying amount as at 31 December 2014</b>	<b>23</b>	<b>183</b>	<b>206</b>
<b>Carrying amount as at 31 December 2015</b>	<b>5</b>	<b>50</b>	<b>55</b>
<b>Carrying amount as at 31 December 2016</b>	<b>-</b>	<b>19</b>	<b>19</b>

The amortization of intangible assets is included in Operating expenses.

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**9. Intangible assets (continued)**

As at 31 December the Company's intangible assets consisted of the following:

COMPANY	Other intangible assets
<b>Carrying amount</b>	
<b>As at 31 December 2014</b>	<b>23</b>
- additions/(disposals and write-offs)	-
- amortization	(16)
<b>As at 31 December 2015</b>	<b>7</b>
- additions/(disposals and write-offs)	14
- amortization	(5)
<b>As at 31 December 2016</b>	<b>16</b>
<b>Carrying amount</b>	
<b>As at 31 December 2014</b>	<b>23</b>
<b>As at 31 December 2015</b>	<b>7</b>
<b>As at 31 December 2016</b>	<b>16</b>

**10. Biological assets**

For the year ended 31 December the Group's biological assets consisted of the following:

	2016	2015
Livestock	6,838	6,254
Perennial plantations	20	383
<b>Total non-current</b>	<b>6,583</b>	<b>6,637</b>
Crops	4,206	3,082
Mycelium cultivation seedbed	1,017	985
<b>Total current</b>	<b>5,223</b>	<b>4,067</b>
<b>As at 31 December</b>	<b>12,081</b>	<b>10,704</b>

The Group's livestock quantity (units) consisted of the following:

	Milk cows	Heifers	Bulls	Total
<b>As at 31 December 2014</b>	<b>3,290</b>	<b>3,105</b>	<b>1,536</b>	<b>7,931</b>
Additions	-	141	-	141
Increase (birth)	-	1,712	1,821	3,533
Transfers from other groups	1,271	(1,271)	-	-
Sales	(1,018)	(287)	(3,006)	(4,311)
Natural mortality	(104)	(106)	(57)	(267)
<b>As of 31 December 2015</b>	<b>3,439</b>	<b>3,294</b>	<b>294</b>	<b>7,027</b>
Additions	-	-	-	-
Increase (birth)	-	1,801	1,861	3,662
Transfers from other groups	1,401	(1,401)	-	-
Sales	(1,155)	(285)	(1,895)	(3,335)
Natural mortality	(131)	(132)	(69)	(332)
<b>As of 31 December 2016</b>	<b>3,554</b>	<b>3,277</b>	<b>191</b>	<b>7,022</b>

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**10. Biological assets (continued)**

The Group's livestock value consisted of the following:

	<b>Milk cows</b>	<b>Heifers</b>	<b>Bulls</b>	<b>Total</b>
<b>As at 31 December 2014</b>	<b>3,336</b>	<b>2,267</b>	<b>759</b>	<b>6,362</b>
Increase (birth)	-	107	114	<b>221</b>
Makeweight	-	2,333	585	<b>2,918</b>
Transfers from other groups	1,762	(1,762)	-	-
Sales	(1,051)	(331)	(1,213)	<b>(2,595)</b>
Additions	-	24	-	<b>24</b>
Natural mortality	(107)	(34)	(8)	<b>(149)</b>
Gain (loss) arising from changes in biological assets fair value (note 22)	(415)	(1)	(111)	<b>(527)</b>
<b>As at 31 December 2015</b>	<b>3,525</b>	<b>2,603</b>	<b>126</b>	<b>6,254</b>
Increase (birth)	-	54	56	<b>110</b>
Makeweight	-	2,125	224	<b>2,349</b>
Transfers from other groups	1,831	(1,831)	-	-
Sales	(539)	(198)	(332)	<b>(1,069)</b>
Additions	-	-	-	-
Natural mortality	(138)	(32)	(7)	<b>(177)</b>
Gain (loss) arising from changes in biological assets fair value (note 22)	(759)	155	(25)	<b>(629)</b>
<b>As of 31 December 2016</b>	<b>3,920</b>	<b>2,876</b>	<b>42</b>	<b>6,838</b>

The aggregate gain attributable to the growth of livestock and the changes in fair value less costs to sell of livestock amounted to EUR 1,830 thousand in 2016 (2015: EUR 2,612 thousand), comprising of amounts presented under "increase (birth)", "makeweight" and "Gain (loss) arising from changes in biological assets fair value" above. In the amount of "increase (birth)" and "makeweight", the Group has capitalized subsequent expenditures incurred on development of immature livestock; therefore, in the income statement, only the gain/loss from change in the fair value of livestock is presented as a separate line.

The Group produced 23,123 tons of milk in 2016 (in 2015: 24,822 tons).

The fair value of livestock is attributed to Level 3 in the fair value hierarchy. See note 4 for more details.

The Group's crops\* consisted of the following:

	<b>Winter crops</b>	<b>Winter rapeseed</b>	<b>Summer crops (including feed)</b>	<b>Perennial plantations</b>	<b>Total</b>
<b>2016</b>					
Total ha planted* (land prepared)	5,695	2,880	16,279	165	<b>25,018</b>
Total expenses incurred	1,194	572	2,007	420	<b>4,193</b>
Average expenses per 1 ha (EUR)	210	199	123	2,545	<b>168</b>
<b>2015</b>					
Total ha planted* (land prepared)	6,239	143	18,373	165	<b>24,920</b>
Total expenses incurred	681	43	2,358	383	<b>3,465</b>
Average expenses per 1 ha (EUR)	109	300	128	2,321	<b>137</b>

\* Excluding land plots in Crimea.

In 2016 the Group's harvest amounted to over 54 thousand tons of grains (2015: 75 thousand tons).

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**10. Biological assets (continued)**

The movement of biological assets (other than livestock) of the Group was the following:

Type of biological assets	Perennial plantations	Crops	Mycelium cultivation seedbed
	Long-term	Short-term	Short-term
<b>Balance as at 31 December 2014</b>	<b>368</b>	<b>4,846</b>	<b>1,074</b>
Sowing and other expenses until harvest	15	15,668	20,099
Harvest of crops/mushrooms	-	(20,514)	(20,188)
Autumn sowing and land preparation for spring	-	3,082	-
<b>Balance as at 31 December 2015</b>	<b>383</b>	<b>3,082</b>	<b>985</b>
Sowing and other expenses until harvest	37	12,614	23,097
Harvest of crops/mushrooms	-	(15,659)	(23,065)
Autumn sowing and land preparation for spring	-	4,206	-
Written-off perennial grasses	(400)	-	-
<b>Balance as at 31 December 2016</b>	<b>20</b>	<b>4,206</b>	<b>1,017</b>

The Group produced 12,033 tons of mushrooms in 2016 (2015: 10,783 tons).

The fair value of crops is attributed to Level 3 in the fair value hierarchy. As at 31 December 2016 cost was used as an approximation of the fair value of crops as only little biological transformation has taken place since initial cost incurrence, e.g. within a short time after seeding the crops. The costs comprise seeds, fertilizer expenses, labour costs, machinery depreciation and repairs expenses.

As at 31 December 2016 cost was used as an approximation of the fair value of mycelium cultivation seedbed as only little biological transformation has taken place since initial cost occurrence. The Group "turns over" the seedbed in production process at least 7-8 times a year.

At the point of harvest the Group management determines the prices of crop cultures harvested by examining the market prices of particular crops at the point of harvest, less the costs associated with point of sale. The Group accounts for produced milk and mushrooms at cost, as these items are sold within 1-3 days from production time and the results of production and realization are immediately reflected in the income statement. The gain (loss) of recognition at fair value of milk and mushrooms at point of harvest is therefore reflected in gross profit of these products.

**11. Inventory**

As at December 31 the Group's inventories consisted of the following:

	2016	2015
Finished goods (agricultural produce)	11,007	6,426
Raw materials	3,530	3,273
<b>Total</b>	<b>14,537</b>	<b>9,699</b>
Less: Revaluation to net realizable value of agricultural produce	620	(843)
<b>Carrying amount</b>	<b>15,157</b>	<b>8,856</b>

No inventory balances are pledged as security for loans. Finished goods representing agricultural produce are reported net realisable value. The milk and mushrooms balances are reported at cost. Their values are not significant (around EUR 50 thousand) due to the fact that these produced goods are sold practically immediately after manufacturing.

**12. Financial instruments by category**

The accounting policies for financial instruments have been applied to the line items below:

Financial assets of the Group as per balance sheet as at 31 December:	2016	2015
Non-current trade and other receivables	2,599	377
Available-for-sale non-current financial assets	286	267
Current trade and other receivables	10,296	10,189
Cash and cash equivalents	1,650	4,068
<b>Total</b>	<b>14,831</b>	<b>14,901</b>



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**12. Financial instruments by category (continued)**

<b>Financial liabilities of the Group as per balance sheet as at 31 December:</b>	<b>2016</b>	<b>2015</b>
Borrowings	25,873	42,172
Finance lease liabilities	6,117	4,506
Trade payables	8,796	8,473
Other payables and current liabilities	888	859
<b>Total</b>	<b>41,674</b>	<b>56,010</b>

Financial assets of the Group include all current and non-current receivables and other receivables as per balance sheet of the Group except for advances made and receivable VAT from the State. Non-current financial assets are the shares and interests held in other Lithuanian companies, which shares are not publicly traded. The Group keeps all cash balances with the banks which have Standard&Poors or Fitchratings long-term credit rating of A.

Financial liabilities of the Group include all current and non-current liabilities as per balance sheet of the Group except for advances received, deferred capital grants, payroll related liabilities and deferred tax. All financial liabilities are carried out at amortised cost.

The Group operates in agricultural commodities producing market. There are small number of grain traders and milk refineries operating in Lithuania, so the Group determines concentration risk based on segment of operations. As at 31 December 2016, there was EUR 3,667 thousand receivable for sold mushrooms (2015: EUR 4,495 thousand) out of which around EUR 2,330 thousand was recovered during the next three months of 2017. Also, the Group had a receivable of EUR 2,153 thousand for sold grain and milk, which was fully recovered on due time in January 2017.

<b>Financial assets of the Company as per balance sheet as at 31 December:</b>	<b>2016</b>	<b>2015</b>
Non-current trade and other receivables	-	-
Current trade and other receivables	177	198
Cash and cash equivalents	97	-
<b>Total</b>	<b>274</b>	<b>198</b>

<b>Financial liabilities of the Company as per balance sheet as at 31 December:</b>	<b>2016</b>	<b>2015</b>
Borrowings	26,738	12,889
Finance lease liabilities	96	-
Trade and other payables	928	223
<b>Total</b>	<b>27,762</b>	<b>13,112</b>

Financial assets of the Company include all current and non-current receivables and other receivables as per balance sheet of the Company except for advances made and receivable VAT from the State. The Company keeps all cash balances with the banks which have Standard&Poors or Fitchratings long-term credit rating of A.

Financial liabilities of the Company include all current and non-current liabilities as per balance sheet of the Company except for advances received, accruals, and payroll related liabilities.

**Credit quality of financial assets**

As at 31 December, the Group's financial assets (accounts receivable) had the following structures:

<b>Year 2016</b>	<b>Not overdue</b>		<b>Overdue, but not impaired</b>		<b>Impaired</b>	<b>Total</b>
	A/R with no history of overdue payments in the past	A/R with history of overdue payments in the past	1-30 days overdue	31-90 days overdue		
Total trade accounts receivable, gross	3,929	-	836	1,041	187	5,993
Impairment charge	-	-	-	-	(79)	(79)
<b>Total trade accounts receivable, net</b>	<b>3,929</b>	<b>-</b>	<b>836</b>	<b>1,041</b>	<b>108</b>	<b>5,914</b>
Receivables from NPA	4,382	-	-	-	-	4,382
Non-current receivables, gross	2,599	-	-	-	-	2,599
Other receivables	-	-	-	-	-	-
<b>Total</b>	<b>10,910</b>	<b>-</b>	<b>836</b>	<b>1,041</b>	<b>108</b>	<b>12,895</b>

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**12. Financial instruments by category (continued)**

Year 2015	Not overdue		Overdue, but not impaired		Impaired	Total
	A/R with no history of overdue payments in the past	A/R with history of overdue payments in the past	1-30 days overdue	31-90 days overdue	Overdue 90 days and more	
Total trade accounts receivable, gross	-	3,437	605	1,224	215	5,493
Impairment charge	-	-	-	-	(69)	(69)
<b>Total trade accounts receivable, net</b>	<b>-</b>	<b>3,437</b>	<b>605</b>	<b>1,224</b>	<b>146</b>	<b>5,412</b>
Receivables from NPA	4,638	-	-	-	-	4,638
Receivables from employees	-	8	-	-	-	8
Non-current receivables, gross	-	377	-	-	-	377
Other receivables	-	82	27	22	-	131
<b>Total</b>	<b>4,638</b>	<b>3,904</b>	<b>632</b>	<b>1,246</b>	<b>146</b>	<b>10,566</b>

Receivables from the National Payment Agency are the direct subsidies receivable for crops and milk, which are due by 30 April of the following year.

As at 31 December, the Company's financial assets had the following structures:

Year 2016	Not overdue		Overdue, but not impaired		Impaired		Total
	A/R with no history of overdue payments in the past	A/R with history of overdue payments in the past	1-30 days overdue	31-90 days overdue	Not overdue	Overdue 90 days and more	
Total trade accounts receivable	-	-	-	177	-	-	177
Other current receivables	-	-	-	-	-	-	-
Impairment charge attributable to non-current receivables	-	-	-	-	-	-	-
<b>Total</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>177</b>	<b>-</b>	<b>-</b>	<b>177</b>

Year 2015	Not overdue		Overdue, but not impaired		Impaired		Total
	A/R with no history of overdue payments in the past	A/R with history of overdue payments in the past	1-30 days overdue	31-90 days overdue	Not overdue	Overdue 90 days and more	
Total trade accounts receivable	-	-	-	192	-	-	192
Other current receivables	-	-	-	-	-	-	-
Impairment charge attributable to non-current receivables	-	-	-	6	-	-	6
<b>Total</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>198</b>	<b>-</b>	<b>-</b>	<b>198</b>

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**13. Trade receivables, advance payments and other receivables**

As at December 31 the trade receivables, advance payments and other receivables consisted of the following:

	GROUP		COMPANY	
	2016	2015	2016	2015
Trade receivables	5,914	5,481	177	192
Subsidies and grants receivable from NPA	4,382	4,638	-	-
VAT receivable	419	270	-	-
Advance payments and deferred expenses	2,595	955	97	82
Accounts receivable from private individuals	-	8	-	-
Other receivables	136	131	-	6
<b>Total</b>	<b>13,446</b>	<b>11,483</b>	<b>274</b>	<b>280</b>
Less: allowance for doubtful financial assets	(79)	(69)	-	-
<b>Carrying amount</b>	<b>13,367</b>	<b>11,414</b>	<b>274</b>	<b>280</b>

The maximum exposure to credit risk at the reporting date is the carrying value of each class of receivable mentioned above. The Group does not hold any collateral as security.

Trade receivables that are less than 30 days past due are not considered impaired. Impairment charges on amounts receivable are recognized after 90 days past due. As at 31 December 2016 and 2015, some of the trade receivables are past due, for which impairment allowances are recognised.

In the opinion of the Group's management, the carrying amounts of all other trade receivables, advance payments and other receivables approximate their fair values.

The movement of impairment allowance for doubtful receivables consisted of the following:

	GROUP		COMPANY	
	2016	2015	2016	2015
<b>Carrying amount as at 1 January</b>	<b>(69)</b>	<b>(476)</b>	-	-
Acquisition of subsidiaries	-	-	-	-
Allowance for doubtful receivables (note 25)	(10)	65	-	-
Write-offs of bad receivables	-	342	-	-
<b>Carrying amount as at 31 December</b>	<b>(79)</b>	<b>(69)</b>	-	-

**14. Long-term receivables**

As at 31 December the long-term receivables of the Group consisted of the following:

	2016	2015
<i>Loans issued</i>		
Cooperative entity Grybai Lt	1,150	300
ŽVF Group	1,306	-
Other minor long-term receivables	143	77
<b>Total</b>	<b>2,599</b>	<b>377</b>

**15. Cash and cash equivalents**

As at 31 December the Group's cash and cash equivalents consisted of the following:

	GROUP		COMPANY	
	2016	2015	2016	2015
Cash in banks	1,622	3,991	97	-
Cash on hand	28	77	-	-
<b>Carrying amount</b>	<b>1,650</b>	<b>4,068</b>	<b>97</b>	-

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**16. Share capital**

*Share capital of the Company*

The share capital of separate AUGA Group AB as at 1 January 2013 and 31 December 2013 was EUR 24,566 thousand. In April 2014, the Company issued 102,595,266 new shares, with EUR 0.29 nominal value each, from which 88,444,014 were paid up by contributing 100 percent of Baltic Champs UAB shares, and the remaining 14,151,252 by contributing 100 percent of eTime Invest UAB shares. The issued shares have been reflected in the financial statements as EUR 25,616 thousand and EUR 4,098 thousand increase in share capital, EUR 15 thousand and EUR 739 thousand share premium accordingly.

The share capital of AUGA Group AB as at 31 December 2016 was EUR 54,351 thousand. The share capital is divided into 187,416,252 ordinary shares. Each issued share has a EUR 0.29 nominal value and fully paid. Each share had usual material and intangible rights as per Law on Companies of the Republic of Lithuania and the Company's statutes. As on 1 January 2015 Lithuania abandoned national currency litas and adopted Eurozone currency the euro, the share capital of the Company was recalculated to euro and as at result of translation of share capital an increase of EUR 72 thousand was registered.

A legal reserve is a compulsory reserve under Lithuanian legislation. Annual transfer of 5% of net profit, calculated in accordance with Lithuanian regulatory legislation on accounting, is compulsory until the reserve including share premium reaches 10% of the share capital. The legal reserve can be used to cover the accumulated losses. The legal reserve of the Company equalled EUR 579 thousand as at 31 December 2016 and 2015.

**17. Deferred grant income**

For the year ended as at 31 December the movement of deferred grant income and subsidies of the Group consisted of the following (only related to assets):

	<b>2016</b>	<b>2015</b>
<b>Carrying amount as at 1 January</b>	<b>4,515</b>	<b>3,824</b>
Deferred grants, subsidies received	-	1,137
Grants written-off due to a sale of a property, plant or equipment	-	-
Release of deferred grants related to property, plant and equipment to income	(663)	(446)
<b>Carrying amount as at 31 December</b>	<b>3,852</b>	<b>4,515</b>
Deferred grants are released to income statement as follows:		
	<b>2016</b>	<b>2015</b>
Within one year	566	663
After one year	3,286	3,852
<b>Total</b>	<b>3,852</b>	<b>4,515</b>

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**18. Borrowings**

As at 31 December the Group's long-term borrowings consisted of the following:

	<b>2016</b>	<b>2015</b>
<i>Borrowings from banks</i>		
Mushroom growing companies	7,905	9,917
Land management entities	-	10,126
Agricultural entities	6,558	9,399
Agricultural cooperatives	840	994
<i>Long-term payment to 3<sup>rd</sup> parties</i>		
Long-term payable to the State for land purchased	1,687	1,851
Long-term payable to creditors	2,345	2,506
Long-term payable to investment fund for purchased land	1,188	1,302
<b>Total</b>	<b>20,523</b>	<b>36,095</b>
<b>Less:</b> amounts payable within one year (according to agreements)	(3,585)	(9,894)
<b>Less:</b> amounts of borrowings with breached covenants	-	(7,397)
<b>Total long-term borrowings</b>	<b>16,938</b>	<b>18,804</b>

As at 31 December 2015, in some of the companies of the Group DSCR covenants of certain loan agreements were breached, the total amount of such loans was equal to EUR 7,397 thousand as at 31 December 2015. The Group fulfilled all covenants as at 31 December 2016.

The Group owes payable amount to the State amounting to EUR 1,687 thousand for land acquisition made by the Group in 2008–2015. The payable amount to the State should be paid over 15-year period.

The Group signed two interest rate swap derivatives in 2014 to fix interest rates for the loans amounting to EUR 6,557 thousand. The transactions were accounted for at negative fair value of EUR 150 thousand and this amount was added to the long-term borrowings as at 31 December 2016. Interest rate swaps are valid until March 2019.

Average interest rate for borrowings amounted to 3.11% in 2016 (in 2015 – 3.44%).

All loans taken by the Group are secured by PPE (note 5). Loans taken by agricultural entities have their livestock (note 10) pledged as collateral.

The long-term borrowings and payables are repayable as follows:

	<b>2016</b>	<b>2015</b>
Within second year	5,147	3,412
Within third and fourth year	10,708	11,183
After fifth year and later	1,083	4,209
<b>Total</b>	<b>16,938</b>	<b>18,804</b>

As at 31 December the Group's short-term borrowings were the following:

	<b>2016</b>	<b>2015</b>
<i>Borrowings from banks</i>		
Mushroom growing companies	2,317	2,317
Agricultural entities	-	770
Parent Company	-	2,990
Grain selling entity	3,033	-
<b>Total</b>	<b>5,350</b>	<b>6,077</b>

Short-term loans from banks include EUR 5,350 thousand credit-line facilities.

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**18. Borrowings (continued)**

As at 31 December the Company's long-term borrowings consisted of the following:

	<b>2016</b>	<b>2015</b>
Special purpose entities (subsidiaries)	25,568	8,177
Long-term payable to creditors	1,170	1,722
<b>Total</b>	<b>26,738</b>	<b>9,899</b>
<b>Less:</b> amounts payable within one year (according to agreements)	(1,170)	(1,722)
<b>Total long-term borrowings</b>	<b>25,568</b>	<b>8,177</b>

The long-term borrowings and payables are repayable as follows:

	<b>2016</b>	<b>2015</b>
Within second year	-	-
Within third and fourth year	25,568	8,177
After fifth year and later	-	-
<b>Total</b>	<b>25,568</b>	<b>8,177</b>

As at 31 December the Company's short-term borrowings were the following:

	<b>2016</b>	<b>2015</b>
Loans from banks	-	2,990
<b>Total</b>	<b>-</b>	<b>2,990</b>

**19. Obligations under finance lease**

As at 31 December the Group's minimum lease payments consisted of the following:

	<b>2016</b>		<b>2015</b>	
	<b>Minimum lease payments</b>	<b>Present value of minimum lease payments</b>	<b>Minimum lease payments</b>	<b>Present value of minimum lease payments</b>
Amount payable within one year	2,911	2,690	2,140	1,991
In the second to fifth years inclusive	3,644	3,427	2,621	2,515
<b>Minimum lease payments</b>	<b>6,555</b>	<b>6,117</b>	<b>4,761</b>	<b>4,506</b>
Less: future finance charges	(438)		(255)	
<b>Present value of minimum lease payments</b>	<b>6,117</b>	<b>6,117</b>	<b>4,506</b>	<b>4,506</b>

The Group's obligations under finance leases are secured by the lessor's charge over the leased assets (note 5). The fair value of the Group's obligations under finance leases approximates their carrying amount.

As at 31 December the Company's minimum lease payments consisted of the following:

	<b>2016</b>		<b>2015</b>	
	<b>Minimum lease payments</b>	<b>Present value of minimum lease payments</b>	<b>Minimum lease payments</b>	<b>Present value of minimum lease payments</b>
Amount payable within one year	20	17	-	-
In the second to fifth years inclusive	83	79	-	-
<b>Minimum lease payments</b>	<b>103</b>	<b>96</b>	<b>-</b>	<b>-</b>
Less: future finance charges	(7)		-	
<b>Present value of minimum lease payments</b>	<b>96</b>	<b>96</b>	<b>-</b>	<b>-</b>

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**20. Income tax**

Income tax charge in the income statement for the Group is calculated as follows:

	GROUP		COMPANY	
	2016	2015	2016	2015
Current income tax for the year	-	216	-	-
Deferred tax (credit) debit	(353)	353	-	-
<b>Total income tax charge</b>	<b>(353)</b>	<b>569</b>	<b>-</b>	<b>-</b>

The tax on the Group's profit before tax differs from the theoretical amount that would arise using the basic tax rate as follows:

	GROUP			
	2016		2015	
Profit (loss) before tax, non-agricultural companies	-	( 2,241)	-	1,914
Profit (loss) before tax, agricultural companies	-	4,033	-	4,214
Tax calculated at a tax rate of 15%	15.00%	( 336)	15.00%	287
Tax calculated at a tax rate of 5%	5.00%	202	5.00%	211
<b>Total theoretical tax</b>		<b>(134)</b>		<b>498</b>
Non-taxable income, non-agricultural companies	7.99%	(179)	(0.47%)	(9)
Non-taxable income, agricultural companies	(15.15%)	(611)	(9.14%)	(385)
Non-deductible expenses, non-agricultural companies	(4.77%)	107	3.08%	59
Non-deductible expenses, agricultural companies	3.77%	136	1.12%	47
Gain from previously unrecognised tax losses, non-agricultural companies	7.90%	(177)	-	-
Gain from previously unrecognised tax losses, agricultural companies	(0.94)%	(38)	-	-
Current-year losses for which no deferred tax asset is recognised, non-agricultural companies	(24.23%)	543	18.76%	359
Changes in estimates related to prior years, non-agricultural companies	-	-	-	-
<b>Total income tax charge, non-agricultural companies</b>	<b>1.88%</b>	<b>(42)</b>	<b>(36.37%)</b>	<b>696</b>
<b>Income tax charge, agricultural companies</b>	<b>(7.72%)</b>	<b>(311)</b>	<b>(3.02%)</b>	<b>(127)</b>
<b>Total income tax charge</b>	<b>-</b>	<b>(353)</b>	<b>-</b>	<b>569</b>

The tax on the Company's profit before tax differs from the theoretical amount that would arise using the basic tax rate as follows:

	COMPANY			
	2016		2015	
Profit (loss) before tax	-	(3,045)	-	(1,422)
Tax calculated at a tax rate of 15%	15.00%	(457)	15.00%	(213)
<b>Total theoretical tax</b>		<b>(457)</b>		<b>(213)</b>
Non-taxable income	-	-	-	-
Non-deductible expenses	(0.46%)	14	0.63%	9
Current-year losses for which no deferred tax asset is recognised	(14.58%)	444	13.01%	185
Changes in income tax on take-over of losses, non-agricultural companies	-	-	(1.34%)	19
	<b>0.00%</b>	<b>-</b>	<b>0.00%</b>	<b>-</b>

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**20. Income tax (continued)**

Profit for 2016 and 2015 is taxable at a rate of 5% for agricultural companies and at a rate of 15% for non-agricultural companies of the Group, in accordance with Lithuanian regulatory legislation on taxation. In order to apply a reduced tax rate of 5%, the share of a company's agricultural sales should be at least 50% of the total company's sales.

**Deferred tax**

	GROUP		COMPANY	
	2016	2015	2016	2015
Assets (Liability) as at 1 January	(2,565)	(1,433)	-	-
(Disposal) acquisition of DTA of subsidiaries (note 25)	(48)	-	-	-
Disposal (acquisition) of DTL of subsidiaries (note 25)	2,602	-	-	-
Income statement charge (credit)	353	(1,132)	-	-
Revaluation reserve charge of DTL	(48)	-	-	-
Write offs of DTL	(58)	-	-	-
<b>Assets (Liability) as at 31 December</b>	<b>236</b>	<b>(2,565)</b>	<b>-</b>	<b>-</b>

As at 31 December 2016 and 2015 deferred income tax was calculated using 15% income tax rate, except for tax provisions applicable to agricultural entities.

**Deferred tax asset**

	GROUP		COMPANY	
	2016	2015	2016	2015
Tax loss carried forward	669	255	-	-
<b>Deferred tax asset</b>	<b>669</b>	<b>255</b>	<b>-</b>	<b>-</b>

**Deferred tax liability**

	GROUP		COMPANY	
	2016	2015	2016	2015
Revaluation of investment property	-	1,102	-	-
Revaluation of PPE	433	1,718	-	-
<b>Deferred tax liability</b>	<b>433</b>	<b>2,820</b>	<b>-</b>	<b>-</b>

Deferred tax asset in 2016 and 2015 is created on tax losses carried forward of all Group's entities except for Parent company and AWG Investment 1 UAB.

In the Management's opinion, the whole amount of the Group's deferred tax asset will be recovered after more than 12 months from the date of these financial statements as future taxable profit will be available against which the Group can use the benefits therefrom.

The amount of unused tax losses carried forward for the Group and the Company is as follows:

	GROUP		COMPANY	
	2016	2015	2016	2015
Total tax loss carried forward	27,382	19,961	8,149	5,192
Less: deferred tax asset created from tax loss carried forward	(17,926)	(14,646)	-	-
<b>Total tax loss carried forward for which no deferred tax asset created</b>	<b>9,456</b>	<b>5,315</b>	<b>8,149</b>	<b>5,192</b>

According to the amendment of the Law on Corporate Income Tax of the Republic of Lithuania, ordinary tax losses can be carried forward indefinitely. As of 1 January 2011, according to the new amendments to the Law on Corporate Income Tax, the companies belonging to a holding structure can offset taxable profit with other holding companies' tax losses carried forward. Starting from 1 January 2014, ordinary tax losses carried forward can only be set off against up to 70% of the calculated taxable profits of the taxable period.

**21. Other payables and current liabilities**

As at 31 December the other payables and current liabilities consisted of the following:

	GROUP		COMPANY	
	2016	2015	2016	2015
Payroll related liabilities	1,239	1,079	111	105
Vacation reserve	759	670	106	84
Advances received	1,475	246	-	-
Taxes payable	363	697	-	-
Deferred revenue	57	99	-	-
Other payables	888	859	1	-
<b>Total</b>	<b>4,781</b>	<b>3,650</b>	<b>218</b>	<b>189</b>

Other payables include payables for land rent to organizations and private individuals. As at 31 December 2016 such payables amounted to EUR 910 thousand (EUR 840 thousand as at 31 December 2015).



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**22. Segment information**

Income statement	Reportable segments										
	Total	Total reportable segments	Stock-breeding		Total stock-breeding	Crop-growing			Total crop growing	Mushroom growing	Other segments
Milk			Cattle meat	Wheat		Peas, beans	Other crops				
<b>2016</b>											
Sales	<b>56 884</b>	<b>53 598</b>	6,223	2 564	<b>8,786</b>	7,661	5,386	6,011	<b>19,058</b>	<b>25,753</b>	<b>3,286</b>
Total cost of sales	<b>(54,346)</b>	<b>(51,078)</b>	(6,453)	(3,199)	<b>(9,652)</b>	(7,763)	(5,068)	(5,530)	<b>(18,361)</b>	<b>(23,065)</b>	<b>(3,268)</b>
Gross profit as reported to management of the Group (a)	<b>2 538</b>	<b>2 519</b>	(230)	( 635)	<b>(866)</b>	(102)	318	481	<b>697</b>	<b>2,688</b>	<b>38</b>
Intergroup eliminations											
<i>Intergroup sales</i>	<b>17,253</b>	<b>13,985</b>	-	1,752	<b>1,752</b>	4,536	3,967	3,730	<b>12,233</b>	-	<b>3,268</b>
<i>Intergroup cost of sales</i>	<b>(17,680)</b>	<b>(14,412)</b>	-	(1,917)	<b>(1,917)</b>	(4,952)	(3,865)	(3,678)	<b>(12,495)</b>	-	<b>(3,268)</b>
Eliminations, net (b)	(427)	(427)	-	(165)	<b>(165)</b>	(416)	102	52	<b>(262)</b>	-	-
Total revenues from external customers	<b>39 630</b>	<b>39 783</b>	6,223	811	<b>7,034</b>	3,125	1,419	2,281	<b>6,825</b>	<b>25,753</b>	<b>18</b>
Direct subsidies (c)	<b>8,680</b>	<b>8,680</b>	809	306	<b>1,115</b>	-	-	7,565	<b>7,565</b>	-	-
Gain on changes in biological assets fair value (d)	<b>(868)</b>	<b>(868)</b>	(86)	(543)	<b>(629)</b>	-	-	(239)	<b>(239)</b>	-	-
<b>Gross profit ((a)-(b)+(c)+(d))</b>	<b>10,777</b>	<b>10,758</b>			<b>(215)</b>				<b>8,285</b>	<b>2,688</b>	<b>18</b>
<b>Depreciation included in cost of sales</b>	<b>3,266</b>	<b>3,266</b>	<b>465</b>	<b>81</b>				<b>1,088</b>		<b>1,632</b>	

'Other segments' include accounting and management services provided by the Company to subsidiaries, also land rent income (both inside and outside the Group). 'Stock-breeding' includes milk processing and cattle raising, whereas 'Crop-growing' includes growing of wheat, barley, rapeseed, triticale, maize as well as other several agricultures.

The main intersegment transactions are the following:

- The crop growing segment prepares feed for cows (corn silage, hay, haylage) and sells to cattle growing segment
- Other segments produce combined feed for cows and sells to cattle growing segment
- Other segments supply the crop growing segment with fertilizer and chemicals and buys grain and rapeseed as the mean of payment.

In 2016, 15.70 per cent of total revenues were received from ICA Sverige AB (mushrooms buyer), 13.30 per cent of total revenues were received from Vilkyškių pieninė, AB(milk buyer) and 6.07 per cent of total revenues were received from COOP NORWAY HANDEL AS (mushrooms buyer). In 2015, 12.2 per cent of total revenues were received from ICA Sverige AB (mushrooms buyer), and 8.5 per cent of total revenues were received from Baltic Agro AB. 49 per cent of total group sales are exported to foreign countries and 51% are sold in local markets.

As of 1 June 2004 the Group companies are entitled to subsidies for agricultural land used in operations according to the European Commission directive „Regarding European agriculture direction and guarantee fund support to rural regions“. Plantation declaration must be submitted by 15 June, and subsidies for the year are paid until 30 April of next year. These subsidies reduce the cost of sales of plant-growing operations. The latest program approving the direct subsidies up to 2020 (including) was approved by Regulation (EU) No 1307/2013 of the European Parliament and of the Council of 17 December 2013 in which were established rules for direct payments to farmers under support schemes within the framework of the common agricultural policy and repealing Council Regulation (EC) No 637/2008 and Council Regulation (EC) No 73/2009.

**AUGA GROUP AB**

Konstitucijos av. 21C, Quadrum North, LT-08130, Vilnius, Lithuania

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**22. Segment information (continued)**

Various national level subsidies (for milk production, for cattle breeding, and others) are approved each year in line with the EU Commission Regulation. As the Group started organic production, it applied for organic subsidies according to Minister of Agricultural order no 3D-286 issued on 20 April 2015 regarding the Lithuanian agricultural policy for 2014-2020 branch "Organic agriculture" rules. The Group will be receiving organic direct subsidies for at least 5 years. Organic subsidies are applied for during the same crops declarations until 15 June each year (additionally checking the organic box), and the subsidies are being paid out until 30 June the following year.

In 2016, the amounts of subsidies were the following:

Direct EU subsidies for organic production	around 170 EUR/ Ha	applicable to all operated land plots by the Group (23.5 thousand Ha)
Direct EU subsidies payable for each declared Ha	55,66 EUR / Ha	applicable to all operated land plots by the Group (23.5 thousand Ha)
Direct EU subsidies for operating on lower fertility land	46-61 EUR / Ha	applicable to around 2.000 Ha operated by the Group
Direct EU subsidies for organic operations	44,89 EUR / Ha	applicable to all operated land plots by the Group (23.5 thousand Ha)
Direct EU subsidies for protein cultures (peas / beans)	83,47 EUR / Ha	applicable to around 2.300 Ha operated by the Group
Direct EU subsidies for sold milk during year	38,12 EUR / t	applicable to all milk sold during the year (around 25 thousand tonnes)
Direct EU subsidies for each sold cow / bull	76,79 EUR / head	applicable to around 2.500 head of Group's sold animals

**Reportable segments**

Income statement	Total	Stock-breeding			Crop-growing			Mushroom growing	Other segments		
		Total reportable segments	Milk	Cattle meat	Total stock-breeding	Wheat	Rapeseed			Other crops	Total crop growing
<b>2015</b>											
Sales	<b>62,094</b>	<b>50,164</b>	6,379	3,264	<b>9,643</b>	10,836	3,236	3,659	<b>17,732</b>	<b>22,790</b>	<b>11,930</b>
Total cost of sales	<b>(57,431)</b>	<b>(47,423)</b>	(7,090)	(4,388)	<b>(11,478)</b>	(9,198)	(2,157)	(4,401)	<b>(15,756)</b>	<b>(20,189)</b>	<b>(10,008)</b>
Gross profit as reported to management of the Group (a)	<b>4,663</b>	<b>2,741</b>	(711)	(1,124)	<b>(1,835)</b>	1,638	1,079	(742)	<b>1,975</b>	<b>2,601</b>	<b>1,922</b>
Intergroup eliminations											
Intergroup sales	<b>14,669</b>	<b>3,947</b>	-	1,598	<b>1,598</b>	-	327	1,877	<b>2,204</b>	<b>145</b>	<b>10,722</b>
Intergroup cost of sales	<b>(13,082)</b>	<b>(4,201)</b>	-	(1,690)	<b>(1,690)</b>	-	(286)	(2,226)	<b>(2,511)</b>	-	<b>(8,881)</b>
Eliminations, net (b)	<b>1,587</b>	<b>(254)</b>	-	(91)	<b>(91)</b>	-	41	(349)	<b>(308)</b>	<b>145</b>	<b>1,841</b>
Total revenues from external customers	<b>47,425</b>	<b>46,217</b>	6,379	1,665	<b>8,044</b>	10,836	2,909	1,783	<b>15,528</b>	<b>22,645</b>	<b>1,208</b>
Direct subsidies (c)	<b>7,615</b>	<b>7,578</b>	915	245	<b>1,160</b>	-	-	6,418	<b>6,418</b>	-	<b>37</b>
Gain on changes in biological assets fair value (d)	<b>(289)</b>	<b>(289)</b>	-	(527)	<b>(527)</b>	-	-	238	<b>238</b>	-	-
<b>Gross profit ((a)-(b)+(c)+(d))</b>	<b>10,401</b>	<b>10,283</b>			<b>(1,112)</b>				<b>8,939</b>	<b>2,456</b>	<b>118</b>
<b>Depreciation included in cost of sales</b>	<b>4,972</b>	<b>4,582</b>	<b>792</b>	<b>463</b>	<b>1,255</b>	<b>1,320</b>	<b>141</b>	<b>308</b>	<b>1,769</b>	<b>1,557</b>	<b>390</b>

**EXPLANATORY NOTES  
FOR THE YEAR ENDED 31 DECEMBER 2016**

(All amounts are in EUR thousand, unless otherwise stated)

**22. Segment information (continued)**

The Company's sales breakdown by type was the following:

	<b>2016</b>	<b>2015</b>
Business consultations	333	333
Financial accounting services	258	260
Other revenues	29	3
<b>Total</b>	<b>620</b>	<b>596</b>

**23. Cost of sales by nature**

As at 31 December the Group's cost of sales breakdown by type of expenses was the following:

	<b>2016</b>	<b>2015</b>
Services from contractors	5,961	5,387
Payroll expenses	5,988	5,340
Property, plant and equipment depreciation	3,266	4,972
Raw materials	4,640	4,544
Fertilizer	279	3,540
Packaging	3,654	2,739
Feed for animals	2,007	2,421
Spare parts and inventory	1,254	2,056
Land rent	1,341	1,725
Social security expenses	1,856	1,655
Fuel costs	909	1,383
Chemicals	-	1,284
Electricity	1,157	1,225
Seed	601	995
Write-down to net realizable value of agricultural produce	(620)	1,319
Write-downs of inventory and crops	1,266	666
Medicine	290	298
Other expenses	2,816	2,801
Less: direct subsidies from State	(8,680)	(7,615)
<b>Total</b>	<b>27,985</b>	<b>36,735</b>

In 2016 the management of the Group have made decision to write-down perennial grasses (amounting to EUR 400 thousand) as it was foreseen that this culture will not be profitable and no more investments will be made.

**24. General and administrative expenses**

As at 31 December the expenses consisted of the following:

	<b>GROUP</b>		<b>COMPANY</b>	
	<b>2016</b>	<b>2015</b>	<b>2016</b>	<b>2015</b>
Payroll expenses	2,337	1,968	1,063	726
Depreciation of property, plant and equipment	647	785	40	22
Selling expenses	367	767	169	48
Social security expenses	725	610	330	216
Insurance and tax expense	472	414	63	25
Impairment of property, plant and equipment	-	264	-	-
Consultations and business plan preparations	693	243	490	1
Rent and utilities	168	223	93	8
Fuel costs	137	154	52	41
Real estate registration and notaries	124	93	21	-
Impairment of accounts receivable (note 13)	15	65	-	88
Transportation costs	86	58	33	-
Impairment of investments	-	-	-	314
Fines and late payments	128	40	8	-
Office administration	374	80	-	-
Other expenses	741	305	475	535
<b>Total</b>	<b>7,014</b>	<b>6,069</b>	<b>2,837</b>	<b>2,024</b>

Expense for the Group's defined contribution plans amounts to EUR 2,573 thousand in 2015 (2015: EUR 2,335 thousand) and is accounted for in cost of sales and operating expenses. Defined contribution plan payments consist of payments to the State social security fund only, with the amount calculated equalling 31 per cent from the gross salary expense of all employees.

As at 31 December 2015, the Company made impairment tests regarding investments in subsidiaries. After detailed tests and political environment evaluations, an impairment loss of EUR 314 thousand was accounted.

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(All amounts are in EUR thousand, unless otherwise stated)

**25. Increase in shareholding, acquisitions and disposals of subsidiaries**

The Group did not acquire any subsidiaries over 2015 and 2016, only some subsidiaries were established. In December 2016, the Group started acquisition process of KTG Agrar UAB group activities in Lithuania. More details on acquisition are provided in note 31.

In December 2016, the Group sold Fixed Yield Investment Fund investment units to a financial investor ŽVB – 3 UAB. The Fund controlled 32 management entities and 19 entities possessing agricultural land as their assets. The details of the result of the Group's loss of subsidiaries disposal is as follows:

<b>Disposal of subsidiaries</b>	<b>Fixed Yield Investment Fund Carrying value of the investment 31 December 2016</b>
<i>Non-current assets</i>	
PPE (note 5)	24,811
Investment property (note 6)	-
Deferred tax asset (note 20)	48
Other non-current assets	52
<i>Current assets</i>	
Trade receivables and other current assets	63
Cash and cash equivalents	315
<i>Long term liabilities</i>	
Grants (note 17)	(1)
Financial liabilities	(14,750)
Deferred tax liability (note 20)	(2,602)
<i>Short term liabilities</i>	
Other financial liabilities	(445)
Trade payables and other current liabilities	(108)
<b>Net assets at disposal date</b>	<b>7,384</b>
Sold share capital, %	100.00
Cash received for shares	6,480
Account receivable outstanding	720
<b>Total sale proceeds</b>	<b>7,200</b>
<b>Total (loss) gain on transaction</b>	<b>(184)</b>

The Company did not sell any subsidiaries over 2015 and 2016, nor made any investments over the same time period.

**26. Other income**

	<b>GROUP</b>		<b>COMPANY</b>	
	<b>2016</b>	<b>2015</b>	<b>2016</b>	<b>2015</b>
Gain (loss) on sale of investment property or land	(227)	174	6	-
Gain on write-down of liabilities	184	10	-	4
Interest and fines income	48	50	-	1
Insurance payouts	32	-	-	-
Other income	90	224	10	47
<b>Total</b>	<b>127</b>	<b>458</b>	<b>16</b>	<b>52</b>

In December 2016, the Group sold Fixed Yield Investment Fund investment units to a financial investor ŽVB – 3 UAB and incurred a EUR 184 thousand loss. For more details refer to note 25. In 2015, the Group sold around 600 ha (2014: around 2,600 ha) of land to different farmers and agricultural entities. The Group received proceeds of EUR 1,896 thousand and reported a profit of EUR 174 thousand from such transactions.

**EXPLANATORY NOTES  
FOR THE YEAR ENDED 31 DECEMBER 2016**

(All amounts are in EUR thousand, unless otherwise stated)

**27. Finance cost**

For the year ended as at 31 December finance cost consisted of the following:

	GROUP		COMPANY	
	2016	2015	2016	2015
Bank interest expenses	1,388	1,303	112	9
Leasing and other financial expenses	244	373	-	-
Other borrowings interest expenses	288	193	48	41
Negative currency fluctuation effect	-	(22)	-	73
Restructured liabilities interest expenses	-	-	-	-
Fair value change of derivatives	(42)	(27)	-	-
Borrowings from subsidiaries interest expenses	-	-	628	135
Other financial expenses	220	181	40	89
<b>Total</b>	<b>2,098</b>	<b>2,001</b>	<b>828</b>	<b>661</b>

**28. Basic and diluted earnings per share**

	GROUP		COMPANY	
	2016	2015	2016	2015
Net profit (loss) attributable to equity holders of the Company	2,173	5,618	(3,045)	(1,736)
Weighted average number of shares	187,416,252	187,416,252	187,416,252	187,416,252
<b>Earnings per share (EUR)</b>	<b>0.01</b>	<b>0.03</b>	<b>(0.02)</b>	<b>(0.01)</b>

The Company had no dilutive options outstanding during 2016 and 2015 or as at 31 December 2016 and 2015.

**29. Related party transactions**

Over the year ended 31 December 2016 the average number of Senior Management was 7 people. Senior management includes Board of Directors, and General Director of the Company.

*i) Payments to Board Members and Senior Management*

In 2016, salaries and other payments to the Board Members and Senior Management of the Company amounted to EUR 554 thousand (2015: EUR 292 thousand).

*(ii) Other transactions with related parties*

All the shareholders of AUGA Group AB (note 1), owning, directly or indirectly, an interest in the voting power of the reporting enterprise that gives them significant influence over the enterprise, are considered to be related parties. Trading transactions with related parties were carried out on commercial terms and conditions and market prices.

Transactions with related parties are as follows:

	2016		2016		
	Accounts receivable	Borrowings	Accounts payable	Purchases	Sales
<i>Parties related to ultimate shareholder Kęstutis Juščius</i>					
Farmer Kęstutis Juščius	18	1,254	-	-	-
Šampinjonid, OU	-	-	-	-	-
Champs Polska, Sp.z.o.o	-	-	-	-	-
Baltic Champs Group, UAB	-	247	-	-	-
<i>Parties related to board member Linas Strėlis</i>					
Vilkyškių pieninė AB	378	-	-	-	5,267
<i>Parties related to board member Marius Žutautas</i>					
ŽIA valda, AB	-	-	-	-	-
Avia Solutions Group, AB	-	-	-	-	-
<b>Total</b>	<b>396</b>	<b>1,502</b>	<b>-</b>	<b>-</b>	<b>5,267</b>

**2015**

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**29. Related party transactions (continued)**

	Accounts receivable	Borrowings	Accounts payable	Purchases	Sales
<i>Parties related to ultimate shareholder Kęstutis Juščius</i>					
Farmer Kęstutis Juščius	-	1,873	70	1	101
Šampinjonid, OU	105	-	-	-	656
Champs Polska, Sp.z.o.o	117	-	-	79	70
Baltic Champs Group, UAB	-	633	356	32	67
<i>Parties related to board member Linas Strėlis</i>					
Vilkyškių pieninė AB	284	-	-	9	5,426
<i>Parties related to board member Marius Žutautas</i>					
ŽIA valda, AB	-	-	-	58	-
Avia Solutions Group, AB	-	-	-	14	-
<b>Total</b>	<b>506</b>	<b>2,506</b>	<b>426</b>	<b>193</b>	<b>6,320</b>

The Company's balances and transactions with the Group companies are as follows:

	2016					Sales and interest income
	Borrowings provided (gross)	Accounts receivable and advances	Borrowings	Accounts payable	Purchases	
Subsidiaries						
Agricultural entities	-	158	-	56	23	620
Land management companies	-	-	25,568	713	628	-
Trade companies	-	-	-	-	-	-
SPV's	-	-	-	-	-	-
Other related parties	-	-	-	-	146	-
Kęstutis Juščius	-	-	1,17	-	-	-
<b>Total</b>	<b>-</b>	<b>158</b>	<b>26,738</b>	<b>769</b>	<b>798</b>	<b>620</b>
	2015					
	Borrowings provided (gross)	Accounts receivable and advances	Borrowings	Accounts payable	Purchases	Sales and interest income
Subsidiaries						
Agricultural entities	-	91	-	-	1	595
Land management companies	-	-	8,177	85	133	1
Trade companies	-	-	-	-	1	-
SPV's	-	-	-	-	-	-
Other related parties	-	-	-	33	138	-
Kęstutis Juščius	-	-	1,722	-	-	-
<b>Total</b>	<b>-</b>	<b>91</b>	<b>9,899</b>	<b>118</b>	<b>273</b>	<b>596</b>

**30. Commitments and contingencies**

The Group leases agricultural land, some passenger cars, and premises under operating lease agreements. The total amount of such expenses included in the income statement for the year ended 31 December 2016 equals to EUR 1,876 thousand. These contracts are with an average term of 3–5 years. All contracts are registered in the State Registrar, so the lessor cannot terminate them before the original term expires. The Group can cancel the contracts with 1-year prior notice. The first hand right to buy the leased land belongs to the Group; however, if the Group does not wish to acquire the land, the rent contract stays valid until the original term expires. At the end of year 2016 the Group has sold Fixed Yield Investment Fund investment units to a financial investor ŽVB – 3 UAB (see note 25). This fund owns over 6.2 thousand hectares of agricultural land which, starting with 2017, will be leased to the Group under operating lease agreements. The increase in minimum lease payments is directly related to the sale of FYIF.

The future aggregate minimum lease payments under non-cancellable operating leases are as follows:

	2016	2015
Not later than 1 year	3,371	2,150
Later than 1 year, but not later than 5 years	12,409	4,270
After 5 years	2,517	967
<b>Total future lease payments</b>	<b>18,297</b>	<b>7,387</b>

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**30. Commitments and contingencies (continued)**

The Group leases out agricultural land to third parties. Total amount of such revenues included in the income statement for the year ended 31 December 2016 equals to EUR 60 thousand. The future aggregate minimum lease receivables under non-cancellable agreements:

	<u>2016</u>	<u>2015</u>
Not later than 1 year	1	60
Later than 1 year, but not later than 5 years	-	-
After 5 years	-	-
<b>Total future lease receivables</b>	<b><u>1</u></b>	<b><u>60</u></b>

There are no other ongoing or pending legal cases, except for the litigation with the Bank of Lithuania, which is described in detail below.

The Group has issued guarantees to Swedbank, AB for the loans taken by cooperative entity Grybai Lt. The amount outstanding of these loans as at 31 December 2015 was EUR 3,426 thousand. Also a number of guarantees for KTG Agrar UAB (the Group acquired this entity in January 2017) were issued for total of EUR 1,331 thousand. As at 31 December 2016, the Company had issued guarantees to banks Swedbank AB and Dnb Bankas AB for loans taken by subsidiary entities (agricultural entities, Baltic Champs UAB, Grain Lt UAB) for total of EUR 19,819 thousand. Additionally the Company guaranteed for finance liabilities of KTG Agrar UAB for EUR 1,000 thousand as at 31 December 2016.

No full tax investigation of the Company for the period from 2011 to 2016 has been performed by the tax authorities. According to effective tax legislation, the tax authorities may at any time perform investigation of the Company's accounting registers and records for the period of five years preceding the accounting tax period, and calculate additional taxes and penalties. The Management of the Company is not aware of any circumstances which would cause calculation of additional tax liabilities.

Regulatory oversight actions regarding Valuation report of the eTime invest UAB shares

In February 2015 AUGA Group AB received a letter of the Supervision Service of the Bank of Lithuania (the Regulator) forwarding a conclusion of the Property Valuation Oversight Agency regarding the compliance of the business valuation report prepared by OBER-HAUS nekilnojamas turtas UAB on the valuation of the shares in eTime invest UAB (the Valuation Report) and applied valuation methods with the provisions of the Law on the Bases of Property and Business Valuation of the Republic of Lithuania (hereinafter referred to as Conclusion). The Property Valuation Oversight Agency provided a conclusion that the said Report did not comply with a paragraph 22 item 4.13 of the Law on the Bases of property and Business Valuation of the Republic of Lithuania, which require that the Report provides information regarding assumptions of assets or business value determination and the calculations of assets or business value and paragraphs 5 and 102.6 of the Property and Business Valuation Methodology, which require that the appraiser uses market and economic logics as well as criteria, based on results observation and research of market and economic conditions and that the Report must include the formulas applied, sequence of calculations performed and results. In its letter, the Regulator asked the Company to issue a notification on the related material event stating that decision to increase the share capital of AUGA Group by accepting payment for the shares issued with a non-monetary contribution of eTime invest shares was made according to valuation report which is non-conforming to legal acts of Lithuania, additionally stating that sum of nominal values of the shares which were issued to Vretola Holdings Limited could be higher than the non-monetary contribution and the shares issued may be not fully paid.

Taking the Regulator's letter into account, the Company published the following notification on a material event on 18 February 2015:

"AUGA Group AB received a letter of the Supervision Service of the Bank of Lithuania forwarding a conclusion of the Property Oversight Agency regarding the compliance of the business valuation report prepared by UAB OBER-HAUS nekilnojamas turtas on the valuation of the shares in UAB eTime invest and applied valuation methods with the provisions of the Law on the Bases of Property and Business Valuation of the Republic of Lithuania (hereinafter referred to as Conclusion). The Property Valuation Oversight Agency provided a conclusion that the said Report did not comply with few provisions of the Law on the Bases of Property and Business Valuation of the Republic of Lithuania and Property and Business Valuation Methodology.

In its letter, the Supervision Service of the Bank of Lithuania advised the Company to issue a notification on the related material event, regardless that the situation with Conclusion is not finally settled yet. Taking this into account, the Company published a notification on a material event.

The Company reminds that its shareholder, Vretola Holdings Limited, during an increase in the authorised capital, subscribed to 14,151,252 new shares (with the total issue price of LTL 14,151,252 [EUR 4,098 thousand]) and paid for them by a 100% shareholding in UAB eTime invest, which is comprised of 6,856,500 ordinary registered shares at the par value of LTL 1 [EUR 0.29].

Looking from the Company's perspective, the real importance is behind the fact that 100% shareholding in UAB eTime invest has been evaluated LTL 16.7 million [EUR 4,837 thousand], which is LTL 2.55 million [EUR 739 thousand] more than price of subscribed shares of the Company.

**EXPLANATORY NOTES  
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(All amounts are in EUR thousand, unless otherwise stated)

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**30. Commitments and contingencies (continued)**

The Company also observes that:

1. In its Conclusion, the Property Valuation Oversight Agency did not specify whether the business valuation report values the shares in UAB eTime invest too high or too low. It is mentioned about few incompliances of applied evaluation methodology. It is likely that even after use of indicated evaluation methods the value of 100% shareholding in UAB eTime will remain materially unchanged or would be changed by not more than LTL 2.55 million [EUR 739 thousand].

2. In accordance with the Law on the Bases of Property and Business Valuation of the Republic of Lithuania and case-law, a conclusion of the Property Valuation Oversight Agency is not legally binding as long as a court has not ruled otherwise and should therefore be treated only as an opinion of the Property Valuation Oversight Agency. Whereas to the Company's knowledge, UAB OBER-HAUS nekilnojamas turtas has challenged the conclusion of the Property Valuation Oversight Agency and the dispute has not been resolved in court. Thus only after settlement of dispute it will be known whether the sum of the nominal values of the shares which are paid for by the contribution in kind of Vretola Holdings Limited should be valued additionally and, on reasonable grounds, adjusted.

Regardless of the above-mentioned aspects regarding the validity of the conclusion of the Property Valuation Oversight Agency, the Company has no grounds to doubt the competence and decisions of property valuator UAB OBER-HAUS nekilnojamas turtas.

According to the standards of transparency and information disclosure, the Company will inform on results of settlement of current situation and, on reasonable grounds, on taken actions."

On 9 January 2015, in response to a motion filed by the valuator OBER-HAUS, the courts issued a ruling stating the conclusion of the Property Valuation Oversight Agency should be considered as their opinion only, and there is no force of law arising from this conclusion, meaning that the OBER-HAUS Valuation Report remains valid, unless a Lithuanian court rules otherwise.

No other legal documentation (lawsuits, orders, etc.) regarding the validity of the Valuation Report were received by the Group until the date of signing these financial statements, except for the regulatory oversight actions regarding the Company's and the Group's compliance with IFRS, part of which is related to the matter of valuation of eTime Invest shares discussed above.

Regulatory oversight actions regarding Valuation report of the eTime invest UAB shares

In February 2015 AUGA Group AB received a letter of the Supervision Service of the Bank of Lithuania (the Regulator) forwarding a conclusion of the Property Valuation Oversight Agency regarding the compliance of the business valuation report prepared by OBER-HAUS nekilnojamas turtas UAB on the valuation of the shares in eTime invest UAB (the Valuation Report) and applied valuation methods with the provisions of the Law on the Bases of Property and Business Valuation of the Republic of Lithuania (hereinafter referred to as Conclusion). The Property Valuation Oversight Agency provided a conclusion that the said Report did not comply with a paragraph 22 item 4.13 of the Law on the Bases of property and Business Valuation of the Republic of Lithuania, which require that the Report provides information regarding assumptions of assets or business value determination and the calculations of assets or business value and paragraphs 5 and 102.6 of the Property and Business Valuation Methodology, which require that the appraiser uses market and economic logics well as criteria, based on results observation and research of market and economic conditions and that the Report must include the formulas applied, sequence of calculations performed and results. In its letter, the Regulator asked the Company to issue a notification on the related material event stating that decision to increase the share capital of AUGA Group by accepting payment for the shares issued with a non-monetary contribution of eTime invest shares was made according to valuation report which is non-conforming to legal acts of Lithuania, additionally stating that sum of nominal values of the shares which were issued to Vretola Holdings Limited could be higher than the non-monetary contribution and the shares issued may be not fully paid.

Taking the Regulator's letter into account, the Company published the following notification on a material event on 18 February 2015:

"AUGA Group AB received a letter of the Supervision Service of the Bank of Lithuania forwarding a conclusion of the Property Oversight Agency regarding the compliance of the business valuation report prepared by UAB OBER-HAUS nekilnojamas turtas on the valuation of the shares in UAB eTime invest and applied valuation methods with the provisions of the Law on the Bases of Property and Business Valuation of the Republic of Lithuania (hereinafter referred to as Conclusion). The Property Valuation Oversight Agency provided a conclusion that the said Report did not comply with few provisions of the Law on the Bases of Property and Business Valuation of the Republic of Lithuania and Property and Business Valuation Methodology.

In its letter, the Supervision Service of the Bank of Lithuania advised the Company to issue a notification on the related material event, regardless that the situation with Conclusion is not finally settled yet. Taking this into account, the Company published a notification on a material event.

The Company reminds that its shareholder, Vretola Holdings Limited, during an increase in the authorised capital, subscribed to 14,151,252 new shares (with the total issue price of LTL 14,151,252 [EUR 4,098 thousand]) and paid for them by a 100% shareholding in UAB eTime invest, which is comprised of 6,856,500 ordinary registered shares at the par value of LTL 1 [EUR 0.29].



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**30. Commitments and contingencies (continued)**

Looking from the Company's perspective, the real importance is behind the fact that 100% shareholding in UAB eTime invest has been evaluated LTL 16.7 million [EUR 4,837 thousand], which is LTL 2.55 million [EUR 739 thousand] more than price of subscribed shares of the Company.

The Company also observes that:

1. In its Conclusion, the Property Valuation Oversight Agency did not specify whether the business valuation report values the shares in UAB eTime invest too high or too low. It is mentioned about few incompliances of applied evaluation methodology. It is likely that even after use of indicated evaluation methods the value of 100% shareholding in UAB eTime will remain materially unchanged or would be changed by not more than LTL 2.55 million [EUR 739 thousand].

2. In accordance with the Law on the Bases of Property and Business Valuation of the Republic of Lithuania and case-law, a conclusion of the Property Valuation Oversight Agency is not legally binding as long as a court has not ruled otherwise and should therefore be treated only as an opinion of the Property Valuation Oversight Agency. Whereas to the Company's knowledge, UAB OBER-HAUS nekilnojamas turtas has challenged the conclusion of the Property Valuation Oversight Agency and the dispute has not been resolved in court. Thus only after settlement of dispute it will be known whether the sum of the nominal values of the shares which are paid for by the contribution in kind of Vretola Holdings Limited should be valued additionally and, on reasonable grounds, adjusted.

Regardless of the above-mentioned aspects regarding the validity of the conclusion of the Property Valuation Oversight Agency, the Company has no grounds to doubt the competence and decisions of property valuator UAB OBER-HAUS nekilnojamas turtas.

According to the standards of transparency and information disclosure, the Company will inform on results of settlement of current situation and, on reasonable grounds, on taken actions."

On 9 January 2015, in response to a motion filed by the valuator OBER-HAUS, the courts issued a ruling stating the conclusion of the Property Valuation Oversight Agency should be considered as their opinion only, and there is no force of law arising from this conclusion, meaning that the OBER-HAUS Valuation Report remains valid, unless a Lithuanian court rules otherwise.

No other legal documentation (lawsuits, orders, etc.) regarding the validity of the Valuation Report were received by the Group until the date of signing these financial statements, except for the regulatory oversight actions regarding the Company's and the Group's compliance with IFRS, part of which is related to the matter of valuation of eTime Invest shares discussed above.

*Regulatory oversight actions regarding Company's and Group's compliance with IFRS*

AUGA Group AB received Decision No. 241-38 ("the Decision") of 15 February 2016 from the Supervision Service of the Bank of Lithuania, under which the Company was obliged to publish a notification on material event containing the following information:

"4. To oblige AB AUGA Group to immediately publish a notice of a material event, i.e. the present decision adopted by the Director of the Supervision Service of the Bank of Lithuania, by indicating therein:

4.1. that by the decision of the Director of the Supervision Service of the Bank of Lithuania AB AUGA Group was given a warning for violating Article 21 of the Law on Securities;

4.2. that the financial statements of AB AUGA Group for 2014 do not comply with the requirements of IAS 1 Presentation of Financial Statements, IAS 36 Impairment of Assets and IFRS 3 Business Combinations and the qualitative characteristic of reliability of financial reporting established in the Framework for the Preparation and Presentation of Financial Statements;

4.3. that the fair value of the in-kind contribution used to pay for a part of the authorised capital of AB AUGA Group is unjustified; therefore, the sum of nominal values of the shares of AB AUGA Group paid for by the in-kind contribution, i.e. the shares of UAB eTime Invest, may exceed the value of the in-kind contribution, i.e. the stake in UAB eTime Invest, therefore, a portion of the shares of AB AUGA Group may be unpaid for, thus inflicting unjustified damage to the Company and violating the property and non-property rights of its shareholders;

4.4. the assessment of the impact thereof on the financial standing and financial results of AB AUGA Group and the Group as of 31 December 2014;

4.5. the date when the financial statements will be retrospectively restated to reflect the error correction and announced publicly."

Taking due account of the aforesaid, the Company published the notification on material event on 18 February 2016, which included the exact wording which was requested by the Regulator. The notification also included the following statements from the management of AUGA Group AB:

"With a view to provide full information about the current situation in connection with the aforementioned Decision and obligation, the Company would like to point out the following:

1. The Company has serious legal doubts about aforementioned decision and intends to analyse it with legal advisers and will consider its statutory right to appeal against it to the court;

2. At the time of increasing the Company's authorised capital, Vretola Holdings Limited, the shareholder of the Company, subscribed to 14,151,252 new shares (the aggregate price of the issue amounted to LTL 14,151,252 (EUR 4,098,486) and paid for them by a 100% stake in UAB eTime Invest, composed of 6,856,500 ordinary registered shares with the par value of LTL 1 (EUR 0.29) each. When assessing the current situation from the Company's position, it is important to emphasise that the stake in UAB eTime Invest was evaluated at LTL 16.7 million (EUR 4.836 million), which exceeded the price of the issue of the Company's new shares by LTL 2.55 million (EUR 0.738 million).

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**30. Commitments and contingencies (continued)**

3. As one of the Company's priorities is to ensure that financial information provided to investors is as transparent as possible, the Company will make every effort to resolve the current matter as quickly as possible. The Company will seek to adjust the property valuation report retrospectively in the immediate future in order to dispel doubts about the value of the shares of UAB eTime Invest in the currently valuation report.

4. No impact on the financial standing and financial results of AB AUGA Group and the Group as of 31 December 2014 will take place. The financial statements of AB AUGA Group and the Group as of 31 December 2014 (and later) already include decreased down to appr. LTL 1 million (EUR 0.289 million) value of Crimea assets held by UAB eTime Invest.

To meet the criteria of transparency and access to information, where necessary, the Company will inform about its subsequent actions in connection with the decision of the Supervision Service of the Bank of Lithuania."

Article 21 of the Law on Securities sets out requirements for presentation of periodic information (including annual and interim financial statements and annual report) to be prepared by the entity and states the entity and its management are responsible that information therein is accurate.

The Bank of Lithuania, as per their view, outlined 4 issues of inaccuracy and non-compliance with IFRS:

- a) IAS 1 Presentation of Financial Statements. The Bank of Lithuania claimed that the Company did not follow IAS 1 article 74 which states: "When an entity breaches a provision of a long-term loan arrangement on or before the end of the reporting period with the effect that the liability becomes payable on demand, it classifies the liability as current, even if the lender agreed, after the reporting period and before the authorisation of the financial statements for issue, not to demand payment as a consequence of the breach. An entity classifies the liability as current because, at the end of the reporting period, it does not have an unconditional right to defer its settlement for at least twelve months after that date."
- b) IAS 36 Impairment of Assets. The Bank of Lithuania claimed that the Company in the separate financial statements breached requirements of the IAS 36 by not presenting exact calculations of future cash flows of subsidiary entities, and not providing enough evidence regarding growth and discount rates used in the calculations.
- c) IFRS 3 Business Combinations. The Bank of Lithuania claims that the Company does not follow IFRS 3 article 18 which states: "The acquirer shall measure the identifiable assets acquired and the liabilities assumed at their acquisition-date fair values." This issue is related to valuation of eTime Invest UAB shares which were used as non-monetary contribution for payment of the shares issued to Vretola Holdings Limited. The Regulator also requested that a retrospective updated valuation of eTime Invest shares is performed, considering all significant circumstances occurring until the date of settlement for the shares issued (i.e. 15 April 2014, which was the date when the share subscription agreement with Vretola Holdings Limited was concluded).
- d) Qualitative characteristic of reliability of financial reporting. The Bank of Lithuania claims that the Company mistakenly presents in the Financial Statements accounting policy for biological assets, i.e. that it verifies the values of the crops in the open market and derives a market value from there.

The Company's management disagreed with the Regulator's position on 3 main issues and issued a legal challenge against the Decision in March 2016 regarding the following issues:

- a) Regarding the IAS 1 classification of current bank loans, Management believes that although some covenants were breached, the letter from the bank and the subsequent absence of any negative actions from the bank was sufficient to prove that classification of loans as non-current should be made according to original terms in the agreements.
- b) Regarding the IAS 36 impairment testing of investments in subsidiaries, the value of those investments in the separate financial statements of the Company should be calculated according to management's best estimates and using appropriate discount and growth rates which are applied by Company's management using a generally accepted methodology for estimating such rates.
- c) Regarding the unjustified fair value of the in-kind contribution of UAB eTime Invest shares, the share issue procedures were carried out according to Lithuanian laws and there was no breach in them. Additionally, the Company complies with IFRS 3 article 18, as it measured the acquired assets and liabilities at estimated fair values using a conservative approach.

The Company, after consulting with legal advisors, in the legal challenge against the Decision also asked the court's opinion whether Bank of Lithuania has authority to supervise compliance with the Law of Stock Companies and how listed companies are conducting their accounting and financial reporting activities.

In a separate claim to the court, the Company requested the court to apply protection measures to the Decision of the Regulator, specifically to temporarily (for a two-month period after any court ruling on the Company's legal challenge comes into effect) suspend the validity of the Decision (namely the requirement to perform a retrospective updated valuation of eTime Invest UAB shares considering all significant circumstances occurring until the date of settlement for the new shares on 15 April 2014) until a formal ruling on the legal challenge is announced. In a ruling regarding application of provisional measures dated 24 March 2016, the court refused to apply the requested provisional measures. The Company issued an appeal against that decision to the court of appeals. On 3 May 2016, the Lithuanian Supreme Administrative Court took its final decision regarding application of protection measures and rejected the Company's separate claim to apply protection measures.

The legal challenge against the Decision of the Bank of Lithuania was examined by the Vilnius Regional Administrative Court over autumn, and the final judgement was announced on 19 December 2016. The Court supported the Bank of Lithuania's position and decided that the Legal challenge is to be rejected as unjustified. The disagreements were narrowed down to share increase by non-monetary contribution of eTime Invest UAB issue, as three remaining issues were solved and Financial Statements adjusted accordingly. The Company was appointed 1 month period to sue the ruling to the higher instance court.

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**30. Commitments and contingencies (continued)**

The Company does not agree with the abovementioned ruling and sued it to the Court of Administration. The date of the first hearing in the court is not yet set.

There were no further legal proceedings undertaken with respect to any part of the legal challenge until the date of signing of these financial statements.

Management's current assessments and further actions

In the 31 December 2015 financial statements, the Group has adjusted the issues noted in the Regulator's decision of 18 February 2016 relating to the disclosure of the accounting policy of biological assets (*part d of non-compliance issues claimed by the Regulator*). Management corrected note 4 explaining that the crops are valued at the year-end at cost, as little biological transformation has taken place since initial cost incurrence.

Additionally, the Group have adjusted the loan classification issue (*part a of non-compliance issues claimed by the Regulator*). All loans with breached covenants are classified as current liabilities in 2015, as well as in 2014. The management corrected note 18 and disclosed the change in note 2.27 part 4.

Management revisited the impairment testing of subsidiaries in the Company's separate financial statements (*part b of non-compliance issues claimed by the Regulator*) and continues to believe that the impairment assessments were conducted in compliance with the requirements of IAS 36 and that no additional impairments were required at 31 December 2014. Key assumptions used by the management for testing impairment of investments in subsidiaries are disclosed in note 4.

Similarly, management has revisited the application of IFRS 3 with respect to the acquisition of control of AUGA Group AB by the controlling shareholder of Baltic Champs Group and, except for certain reclassifications within the categories of shareholders' equity disclosed in note 2.27, management did not identify any areas of non-compliance.

Management believes that the Regulator has no legal authority to challenge the share capital increase as the process is governed by the Law of Stock Companies and supervised by the State Registrar, with additional security coming from notarial verification and approval. It is management's view that the only place where Bank of Lithuania had influence was the approval of prospectus for the issuance of new shares of AUGA Group. The Regulator was provided with a copy of the OBER-HAUS Valuation Report as part of its evaluation of the prospectus and had an opportunity to consider and influence the issuance of new shares by AUGA Group. Management notes that Bank of Lithuania approved the prospectus on 31 March 2015 without any comment on the Valuation Report.

Under Lithuania laws relating to joint stock companies, when an increase of share capital is paid for by a non-monetary contribution, that contribution is required to be evaluated by an independent valuer within a period of 6 months prior to the date of contribution. That valuation report is required to be provided to the company prior to subscription of shares. The valuation report is also required to be provided to the State Registrar together with other documents for share capital increase. The OBER-HAUS Valuation Report was undertaken to establish the fair value of the non-monetary contribution of the eTime Invest shares as at 28 February 2014 and was issued on 12 March 2014, while the Shareholders meeting which approved the share capital increase with non-monetary contribution occurred on 13 March 2014 and the share subscription agreement with Vretola Holdings Limited was concluded on 15 April 2014. Lithuania Law of Stock Companies provides shareholders with 30 days to object decisions of company's shareholders and management.

Management notes that the Valuation Report has not been declared invalid, both notaries and State Registrar reviewed the documents of share capital increase and registered it. Management is not aware of any objections to or claims from any of the Company's shareholders with respect to valuation of eTime Invest shares as non-monetary contribution by Vretola Holdings Limited. Management further notes that based on the Valuation Report the eTime Invest UAB shares contributed to the Company were EUR 0.8 million higher valued than the nominal value of shares issued in return for the contribution.

After the separate appeal regarding application of provisional measures annulment on 3 May 2016, the Company did not make any major steps in 2016 with regard to orders listed in the Decision dated 15 February 2016 relating to the need to undertake a retrospective updated valuation of the eTime Invest UAB shares and to adjust the financial statements to reflect the new valuation (if necessary). For delay of implementation of the Decision the Supervision service of Bank of Lithuania on 21 November 2016 fined the Company EUR 3,000 and asked the Company to evaluate the fair value of 100% of UAB eTime Invest, which was used as the payment for a part of the authorised capital of AUGA Group AB, is re-estimated in compliance with the provisions of the Law on Companies and the Law on the Bases of Property and Business Valuation, with due consideration to the significant circumstances existing prior to the date of using the shares of UAB eTime Invest as the payment for the shares of AUGA Group AB, so that the fair value of UAB eTime Invest complies with the requirements of IFRS 3. Should it be established that the shares of AUGA Group AB, are not fully paid up, to ensure that this situation is rectified retrospectively according to the requirements of the law by and before 1 March 2017.

The Company signed agreement with OBER-HAUS regarding correction of valuation of eTime Invest UAB shares retrospectively on 28 February 2017. As at the date of signing these financial statements the eTime Invest UAB shares valuation report has not been reissued.

The Legal challenge against the Decision of the Bank of Lithuania in the first instance court was solved on 19 December 2016. The Court ruled in favour of Regulators decisions and rejected the Company's legal challenge. In January 2017, the Company filed an appeal against this decision in the Court of Administration.

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**30. Commitments and contingencies (continued)**

The case eventually will be solved in the Court of Administration and the final outcome of this litigation is not clear as at the date of issue of these financial statements. Management notes that OBER-HAUS received a ruling from the court in early 2015 indicating that the Valuation Report remains valid unless a Lithuanian court rules otherwise. While management is not aware of any legal challenges to the validity of the OBER-HAUS Valuation Report, it is possible that, during the course of considering the Company's legal challenge to the Regulator's Decision, the court could request another valuation of the eTime Invest UAB shares as at a different date or considering other key assumptions. After consultation with legal advisers management believes that there is no clear guidance or regulations that specify what should be done in the situation where shares were issued, and officially registered with the Registry of Legal Entities, and a considerable period of time later it is concluded that an underpayment for the issued shares took place due to issues relating to the valuation of the non-monetary contribution which was used to pay for the shares. The Company and its legal advisers, were not able to identify any evidence of court practices regarding such a specific issue and this appears to a situation without precedent in Lithuania. Consequently Management cannot assess the possible outcome and implications of the court case.

The financial statements of the Group and the Company continue to reflect the share capital issued to Vretola Holdings Limited in exchange of the in-kind contribution of the eTime Invest shares as fully paid-up at 31 December 2016 and 2015. Management of the Company believes that it adheres to IFRS and its financial statements are transparent and reliable. Only after the final ruling of the courts in the legal challenge against the Decision case will it be possible to evaluate what actions should be taken and what possible effects to the Company's and (or) Group's financial statements it may have.

**31. Subsequent events**

In December 2016, the Group started acquisition procedures of KTG Agrar Lithuanian operations. The Group filed a request with the Competition authority regarding permission to acquire the operations. The formal acceptance was received on 13 January 2017, and the Group finalized the acquisition procedures on 31 January 2017:

<b>Business combination</b>	<b>KTG group companies Fair value of the group as at 31 January 2017</b>
<i>Non-current assets</i>	
Intangible assets (land rent contracts)	1,542
PPE	4,746
<i>Biological assets (current)</i>	
Crops	515
<i>Current assets</i>	
Trade receivables and other current assets	1,717
Inventory	189
Cash and cash equivalents	71
<i>Long term liabilities</i>	
Grants	(55)
Financial liabilities	(789)
<i>Short term liabilities</i>	
Other financial liabilities	(3,158)
Trade payables and other current liabilities	(4,670)
<b>Net assets at acquisition date</b>	<b>108</b>
<b>Accounts receivable acquired</b>	<b>1,392</b>
Acquired share capital and receivables, %	100.00
Total value of acquired investment	1,500
Consideration paid for shares	620
Consideration paid for receivables	880
<b>Total purchase consideration</b>	<b>1,500</b>
<b>Total (negative) goodwill</b>	<b>-</b>

The Group will hire independent auditors for reviewing the balances of acquired Group and will provide more precise calculations of this particular business combination.

On 31 January 2017, the Group's shareholders changed the statutes of the Company and reduced the number of Supervisory Board members from 5 to 3 (electing former members Vladas Lašas, Rimantas Rudzkis and Liudas Navickas as new Supervisory Board members) and decreasing number of Board of Directors members from 7 to 5. On 8 February 2017, the Supervisory Board elected Kęstutis Juščius, Agnė Jonaitytė, Linas Bulzgyis, Marijus Bakas, and Linas Strėlis as new members of Board of Directors.

After the end of the financial year until preparation of these financial statements there were no other subsequent events which would have an effect on the financial statements or require disclosure.

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**AUGA GROUP AB DISCLOSURE CONCERNING THE COMPLIANCE WITH THE GOVERNANCE CODE FOR THE COMPANIES LISTED ON THE REGULATED MARKET IN 2016**

The public company AUGA Group AB, following Article 21 paragraph 3 of the Law on Securities of the Republic of Lithuania and item 23.5 of the Trading Rules of the NASDAQ OMX Vilnius Stock Exchange, discloses its compliance with the Governance Code, approved by the VSE for the companies listed on the regulated market, and its specific provisions. In the event of non-compliance with the Code or with certain provisions thereof, it must be specified which provisions are not complied with and the reasons of non-compliance.

PRINCIPLES/ RECOMMENDATIONS	YES/NO /NOT APPLICABLE	COMMENTARY
<b>Principle I: Basic Provisions</b>		
<b>The overriding objective of a company should be to operate in common interests of all the shareholders by optimizing over time shareholder value.</b>		
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	Changes estimated during the nearest fiscal years are provided by the company in the annual reports, which are provided on the company's and through NASDAQ OMX Vilnius and Warsaw Stock Exchange information systems.
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 company's Board members and chief executive officer attempt in their actions to increase the shareholders' equity and transparency of the company by ensuring a high long-term financial rate of return, maintaining a small risk level and abiding by the ethical standards.
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 company's shareholders form the Supervisory Council, which represent the shareholders and elect the Board of Directors, which is responsible for the strategic management and supervises the work of the CEO. On Supervisory Council meetings the activities of the Board are reviewed. On regular Board meetings, the activities of company's administration are reviewed and approved (in certain cases).
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.	Yes	The Company respects all the rights and interests of persons other than the company's shareholders participating in or connected with the company's operation.
<b>Principle II: The corporate governance framework</b>		
<b>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.</b>		
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.	Yes	The Company has a Supervisory Council and Board of Directors.  Meetings of the Supervisory Council and Board of Directors ensure the effective supervision of company's activities.
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.	Yes	The functions set forth in the recommendation are performed by the collegial management body – the Supervisory Council.

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PRINCIPLES/ RECOMMENDATIONS	YES/NO /NOT APPLICABLE	COMMENTARY
2.3. Where a company chooses to form only one collegial body, it is recommended that it should be a supervisory body, i.e. the supervisory board. In such a case, the supervisory board is responsible for the effective monitoring of the functions performed by the company's chief executive officer.	Yes	The Company has a Supervisory Council and Board of Directors.
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.	Yes	The relevant provisions set forth in III and IV principles are applicable to the formation of company's Supervisory Council and activity assessment.
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.	Yes	There are 5 (five) members of Supervisory Council and 7 (seven) Board members in the Company who do not have other mutual interests but only activity within the Supervisory Council and Board of Directors and who act seeking benefit to the company and all shareholders.
2.6. Non-executive directors or members of the supervisory board should be appointed for specified terms subject to individual re-election, at maximum intervals provided for in the Lithuanian legislation with a view to ensuring necessary development of professional experience and sufficiently frequent reconfirmation of their status. A possibility to remove them should also be stipulated however this procedure should not be easier than the removal procedure for an executive director or a member of the management board.	Yes	There are no directors-consultants in the company. The members of Supervisory Council and the Board are elected for 2-years term.
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.	Yes	<p>The Chairman of the Board is elected by the Board of the company.</p> <p>The CEO of the Company is elected by the Board of the company.</p> <p>The Chairman of the board and Chief executive officer of the company for 5 months was the same person, as of May 2015 – they are different persons.</p> <p>The independent supervision function is ensured via the Supervisory Council, which is comprised of 5 members.</p>
<b>Principle III: The order of the formation of a collegial body to be elected by a general shareholders' meeting</b>		
<b>The order of the formation a collegial body to be elected by a general shareholders' meeting should ensure representation of non-controlling shareholders, accountability of this body to the shareholders and objective monitoring of the company's operation and its management bodies</b>		
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 non-controlling shareholders.	Yes	<p>When electing collegial body, the shareholders can access the thorough information about each candidate before the shareholders meeting and during it.</p> <p>The company's Supervisory Council operates impartially, objectively and represents the interests of all shareholders equally.</p>

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PRINCIPLES/ RECOMMENDATIONS	YES/NO /NOT APPLICABLE	COMMENTARY
<p>3.2. Names and surnames of the candidates to become members of a collegial body, information about their education, qualification, professional background, positions taken and potential conflicts of interest should be disclosed early enough before the general shareholders' meeting so that the shareholders would have sufficient time to make an informed voting decision. All factors affecting the candidate's independence, the sample list of which is set out in Recommendation 3.7, should be also disclosed. The collegial body should also be informed on any subsequent changes in the provided information. The collegial body should, on yearly basis, collect data provided in this item on its members and disclose this in the company's annual report.</p>	Yes	<p>Information about the members of the Supervisory Council of the company, their education, qualification, professional experience, participation in the activity of other companies is released in the reports of the company.</p> <p>The information about the Supervisory Council members is constantly updated.</p>
<p>3.3. Should a person be nominated for members of a collegial body, such nomination should be followed by the disclosure of information on candidate's particular competences relevant to his/her service on the collegial body. In order shareholders and investors are able to ascertain whether member's competence is further relevant, the collegial body should, in its annual report, disclose the information on its composition and particular competences of individual members which are relevant to their service on the collegial body.</p>	Yes	<p>When electing Supervisory Council, the shareholders can access the thorough information about each candidate before the shareholders meeting and during it.</p>
<p>3.4. In order to maintain a proper balance in terms of the current qualifications possessed by its members, the collegial body should determine its desired composition 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.</p>	Yes	<p>The composition of the Supervisory Council is regularly assessed in the company with consideration to the type and structure of activity pursued by the Company.</p>
<p>3.5. All new members of the collegial body should be offered a tailored program focused on introducing a member with his/her duties, corporate organization and activities. The collegial body should conduct an annual review to identify fields where its members need to update their skills and knowledge.</p>	No	<p>Presently, members of the Supervisory Council do not perform the assessment of skills and knowledge. The members of the Supervisory Council are regularly informed about changes in the legal acts and other circumstances influencing the operations of the company.</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 number of independent members.</p>	Yes	<p>No shareholders have majority of the votes in the Supervisory Council, as the majority of the Council is independent. So the possible conflicts of interests are solved appropriately.</p>

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PRINCIPLES/ RECOMMENDATIONS	YES/NO /NOT APPLICABLE	COMMENTARY
<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 dependant are impossible to list, moreover, relationships and circumstances associated with the determination of independence may vary amongst companies and the best practices of solving this problem are yet to evolve in the course of time, assessment of independence of a member of the collegial body should be based on the contents of the relationship and circumstances rather than their form. The key criteria for identifying whether a member of the collegial body can be considered to be independent are the following</p> <p>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;</p> <p>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;</p> <p>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);</p> <p>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);</p> <p>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, counselling and consulting services), major client or organization receiving significant payments from the company or its group;</p> <p>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;</p>	<p>Yes</p>	<p>2 of the 5 members of the Supervisory Council elected at the general shareholders meeting fail to meet this code recommendation on independency, but nevertheless in their actions seek to benefit the company.</p>



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PRINCIPLES/ RECOMMENDATIONS	YES/NO /NOT APPLICABLE	COMMENTARY
<p>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;</p> <p>8) He/she has not been in the position of a member of the collegial body for over than 12 years;</p> <p>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>		
<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>	No	Supervisory Council members' independency assessment is not practiced in the Company.
<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>	No	See comment for 3.8
<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>	No	See comment for 3.8
<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. The general shareholders' meeting should approve the amount of such remuneration.</p>	Yes	The Supervisory Council members can be remunerated from the resources of the Company.

PRINCIPLES/ RECOMMENDATIONS	YES/NO /NOT APPLICABLE	COMMENTARY
<b>Principle IV: The duties and liabilities of a collegial body elected by the general shareholders' meeting</b>		
<b>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 of the company's management bodies and protection of interests of all the company's shareholders.</b>		
4.1. The collegial body elected by the general shareholders' meeting (hereinafter in this Principle referred to as the 'collegial body') should ensure integrity and transparency of the company's financial statements and the control system. The collegial body should issue recommendations to the company's management bodies and monitor and control the company's management performance.	Yes	The company's Supervisory Council performs all supervision functions set forth in the legal acts of the Republic of Lithuania.
4.2. Members of the collegial body should act in good faith, with care and responsibility for the benefit and in the interests of the company and its shareholders with due regard to the interests of employees and public welfare. Independent members of the collegial body should (a) under all circumstances maintain independence of their analysis, decision-making and actions (b) do not seek and accept any unjustified privileges that might compromise their independence, and (c) clearly express their objections should a member consider that decision of the collegial body is against the interests of the company. Should a collegial body have passed decisions independent member has serious doubts about, the member should make adequate conclusions. Should an independent member resign from his office, he should explain the reasons in a letter addressed to the collegial body or audit committee and, if necessary, respective company-not-pertaining body (institution).	Yes	According to the data held with the company, all Supervisory Council members act in good will with respect to the company, are guided by the interests of the company, and not personal or third parties' interests, seeking to preserve their independency while adopting the decisions.
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 of the meetings of the collegial body throughout the financial year of the company, shareholders of the company should be notified.	Yes	The company's Supervisory Council performed the functions assigned properly.
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 company's Supervisory Council treats all shareholders honestly and impartially.

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4.5. It is recommended that transactions (except insignificant ones due to their low value or concluded when carrying out routine operations in the company under usual conditions), concluded between the company and its shareholders, members of the supervisory or managing bodies or other natural or legal persons that exert or may exert influence on the company's management should be subject to approval of the collegial body. The decision concerning approval of such transactions should be deemed adopted only provided the majority of the independent members of the collegial body voted for such a decision.	Yes	All significant transactions with the shareholders of the Company (over EUR 60 thousand), which are made not in line with the main business of the Company are approved by the Board of directors.
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. 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.	Yes	The company's Supervisory Council is independent while adopting decisions which are significant for the activity and strategy of the company.
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. Companies should ensure that the functions attributable to the nomination, remuneration, and audit committees are carried out. However they may decide to merge these functions and set up less than three committees. In such case a company should explain in detail reasons behind the selection of alternative approach and how the selected approach complies with the objectives set forth for the three different committees. Should the collegial body of the company comprise small number of members, the functions assigned to the three committees may be performed by the collegial body itself, provided that it meets composition requirements advocated for the committees and that adequate information is provided in this respect. In such case provisions of this Code relating to the committees of the collegial body (in particular with respect to their role, operation, and transparency) should apply, where relevant, to the collegial body as a whole.	No	No such committees elected in 2015 and 2016.

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<p>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 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.</p>	N/A	No committees were formed.
<p>4.9. Committees established by the collegial body should normally be composed of at least three members. In companies with small number of members of the collegial body, they could exceptionally be composed of two members. Majority of the members of each committee should be constituted from independent members of the collegial body. In cases when the company chooses not to set up a supervisory board, remuneration and audit committees should be entirely comprised of non-executive directors. Chairmanship and membership of the committees should be decided with due regard to the need to ensure that committee membership is refreshed and that undue reliance is not placed on particular individuals.</p>	N/A	No committees were formed.
<p>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.</p>	N/A	No committees were formed.
<p>4.11. In order to ensure independence and impartiality of the committees, members of the collegial body that are not members of the committee should commonly have a right to participate in the meetings of the committee only if invited by the committee. A committee may invite or demand participation in the meeting of particular officers or experts. Chairman of each of the committees should have a possibility to maintain direct communication with the shareholders. Events when such are to be performed should be specified in the regulations for committee activities.</p>	N/A	No committees were formed.

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<p>4.12. Nomination Committee.</p> <p>4.12.1. Key functions of the nomination committee should be the following:</p> <ol style="list-style-type: none"> <li>1) Identify and recommend, for the approval of the collegial body, candidates to fill board vacancies. The nomination committee should evaluate the balance of skills, knowledge and experience on the management body, prepare a description of the roles and capabilities required to assume a particular office, and assess the time commitment expected. Nomination committee can also consider candidates to members of the collegial body delegated by the shareholders of the company;</li> <li>2) Assess on regular basis the structure, size, composition and performance of the supervisory and management bodies, and make recommendations to the collegial body regarding the means of achieving necessary changes;</li> <li>3) Assess on regular basis the skills, knowledge and experience of individual directors and report on this to the collegial body;</li> <li>4) Properly consider issues related to succession planning;</li> <li>5) Review the policy of the management bodies for selection and appointment of senior management.</li> </ol> <p>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>	N/A	No committees were formed.
<p>4.13. Remuneration Committee.</p> <p>4.13.1. Key functions of the remuneration committee should be the following:</p> <ol style="list-style-type: none"> <li>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;</li> <li>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;</li> <li>3) Make proposals to the collegial body on suitable forms of contracts for executive directors and members of the management bodies;</li> </ol>	N/A	No committees were formed.

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<p>4) 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);</p> <p>5) 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.</p> <p>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:</p> <p>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;</p> <p>2) Examine the related information that is given in the company's annual report and documents intended for the use during the shareholders meeting;</p> <p>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.</p> <p>4.13.3. Upon resolution of the issues attributable to the competence of the remuneration committee, the committee should at least address the chairman of the collegial body and/or chief executive officer of the company for their opinion on the remuneration of other executive directors or members of the management bodies.</p>		
<p>4.14. Audit Committee.</p> <p>4.14.1. Key functions of the audit committee should be the following:</p> <p>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);</p> <p>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;</p> <p>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;</p> <p>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;</p>	N/A	No committees were formed.

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<b>PRINCIPLES/ RECOMMENDATIONS</b>	<b>YES/NO /NOT APPLICABLE</b>	<b>COMMENTARY</b>
<p>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;</p> <p>6) Review efficiency of the external audit process and responsiveness of management to recommendations made in the external auditor's management letter.</p> <p>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.</p> <p>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.</p> <p>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.</p> <p>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.</p>		

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<p>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.</p> <p>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.</p>		
<p>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.</p>	No	In 2015 and 2016, two formal meetings per calendar year were carried out.
<p><b>Principle V: The working procedure of the company's collegial bodies</b></p>		
<p><b>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.</b></p>		
<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	This provision is implemented by the company's Supervisory Council and Board of Directors.



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PRINCIPLES/ RECOMMENDATIONS	YES/NO /NOT APPLICABLE	COMMENTARY
5.2. It is recommended that meetings of the company's collegial bodies should be carried out according to the schedule approved in advance at certain intervals of time. Each company is free to decide how often to convene meetings of the collegial bodies, but it is recommended that these meetings should be convened at such intervals, which would guarantee an interrupted resolution of the essential corporate governance issues. Meetings of the company's supervisory board should be convened at least once in a quarter, and the company's board should meet at least once a month.	Yes	The Board of Directors meetings were held at least once per month.  In 2015 and 2016, two formal meetings of Supervisory Board per calendar year were carried out.
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	
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.	Yes	
<p><b>Principle VI: The equitable treatment of shareholders and shareholder rights</b></p> <p><b>The corporate governance framework should ensure the equitable treatment of all shareholders, including non-controlling and foreign shareholders. The corporate governance framework should protect the rights of the shareholders.</b></p>		
6.1. It is recommended that the company's capital should consist only of the shares that grant the same rights to voting, ownership, dividend and other rights to all their holders.	Yes	The ordinary registered shares which compose the company's authorized capital grant equal rights to all shareholders of the company's shares.
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 company publicly informs about the rights granted by the newly issued shares.
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. All shareholders should be furnished with equal opportunity to familiarize with and participate in the decision-making process when significant corporate issues, including approval of transactions referred to above, are discussed.	Yes	All shareholders of the company have equal opportunities to get familiarized and participate in adopting decisions important to the company. Approval of the shareholder's meeting is also necessary in cases stipulated in the Company Law of the Republic of Lithuania.

PRINCIPLES/ RECOMMENDATIONS	YES/NO /NOT APPLICABLE	COMMENTARY
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. Prior to the shareholders' meeting, the company's supervisory and management bodies should enable the shareholders to lodge questions on issues on the agenda of the general shareholders' meeting and receive answers to them.	Yes	The shareholders meetings are held in Vilnius, in conference rooms in hotels. The procedures for the convention and conduction of the general shareholders' meeting comply with the provisions of legal acts and provide the shareholders with equal opportunities to participate in the meeting, get familiarized with the draft resolutions and materials necessary for adopting the decision in advance, also give questions to the Board members.
6.5. It is recommended that documents on the course of the general shareholders' meeting, including draft resolutions of the meeting, should be placed on the publicly accessible website of the company 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 English and/or other foreign languages. Documents referred to in this recommendation may be published on the publicly accessible website of the company to the extent that publishing of these documents is not detrimental to the company or the company's commercial secrets are not revealed.	Yes	All information dedicated to the shareholders and investors is announced on the company's website and through NASDAQ OMX Vilnius and Warsaw Stock Exchange information systems.
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 company's shareholders may exercise their rights to participate in the general shareholders' meeting both personally and via an attorney, if such person has a proper authorization.
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 in voting processes by allowing the shareholders to vote in general meetings via terminal equipment of telecommunications. In such cases security of telecommunication equipment, text protection and a possibility to identify the signature of the voting person should be guaranteed. Moreover, companies could furnish its shareholders, especially foreigners, with the opportunity to watch shareholder meetings by means of modern technologies.	No	The company does not follow this recommendation. In the future, the Company will seek to implement such possibility.
<p><b>Principle VII: The avoidance of conflicts of interest and their disclosure</b></p>		
<p><b>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.</b></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.	Yes	The Supervisory Council and Board members act according to the following recommendations.

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PRINCIPLES/ RECOMMENDATIONS	YES/NO /NOT APPLICABLE	COMMENTARY
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.	Yes	See 7.1
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	See 7.1
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	See 7.1
<b>Principle VIII: Company's remuneration policy</b>		
<b>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.</b>		
8.1. A company should make a public statement of the company's remuneration policy (hereinafter the remuneration statement). This statement should be part of the company's annual accounts. Remuneration statement should also be posted on the company's website.	No	The Company does not prepare a remuneration policy.  Information about the benefits and loans for the members of the management bodies is provided in the annual prospectuses – reports, financial accounts.
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.	No	See 8.1
8.3. Remuneration statement should leastwise include the following information: 1) Explanation of the relative importance of the variable and non-variable components of directors' remuneration; 2) Sufficient information on performance criteria that entitles directors to share options, shares or variable components of remuneration; 3) Sufficient information on the linkage between the remuneration and performance; 4) The main parameters and rationale for any annual bonus scheme and any other non-cash benefits; 5) A description of the main characteristics of supplementary pension or early retirement schemes for directors.	No	See 8.1

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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.	No	See 8.1
8.5. 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.	No	See 8.1
8.6. 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.	No	See 8.1
8.7. 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 8.7.1 to 8.7.4 for each person who has served as a director of the company at any time during the relevant financial year.	No	See 8.1
8.7.1. 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.	No	See 8.1

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PRINCIPLES/ RECOMMENDATIONS	YES/NO /NOT APPLICABLE	COMMENTARY
<p>8.7.2. As regards shares and/or rights to acquire share options and/or all other share-incentive schemes, the following information should be disclosed:</p> <p>1) The number of share options offered or shares granted by the company during the relevant financial year and their conditions of application;</p> <p>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;</p> <p>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;</p> <p>4) All changes in the terms and conditions of existing share options occurring during the financial year.</p> <p>8.7.3. The following supplementary pension schemes-related information should be disclosed:</p> <p>1) When the pension scheme is a defined-benefit scheme, changes in the directors' accrued benefits under that scheme during the relevant financial year;</p> <p>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.</p> <p>8.7.4. The statement should also state amounts that the company or any subsidiary company or entity included in the consolidated annual financial statements of the company has paid to each person who has served as a director in the company at any time during the relevant financial year in the form of loans, advance payments or guarantees, including the amount outstanding and the interest rate.</p>	No	See 8.1
<p>8.8. Schemes anticipating remuneration of directors in shares, share options or any other right to purchase shares or be remunerated on the basis of share price movements should be subject to the prior approval of shareholders' annual general meeting by way of a resolution prior to their adoption. The approval of scheme should be related with the scheme itself and not to the grant of such share-based benefits under that scheme to individual directors. All significant changes in scheme provisions should also be subject to shareholders' approval prior to their adoption; the approval decision should be made in shareholders' annual general meeting. In such case shareholders should be notified on all terms of suggested changes and get an explanation on the impact of the suggested changes.</p>	N/A	The Company does not use such remuneration policy.
<p>8.9. The following issues should be subject to approval by the shareholders' annual general meeting:</p> <p>1) Grant of share-based schemes, including share options, to directors;</p> <p>2) Determination of maximum number of shares and main conditions of share granting;</p> <p>3) The term within which options can be exercised;</p> <p>4) The conditions for any subsequent change in the exercise of the options, if permissible by law;</p> <p>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.</p>	N/A	See 8.8

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PRINCIPLES/ RECOMMENDATIONS	YES/NO /NOT APPLICABLE	COMMENTARY
8.10. Should national law or company's Articles of Association allow, any discounted option arrangement under which any rights are granted to subscribe to shares at a price lower than the market value of the share prevailing on the day of the price determination, or the average of the market values over a number of days preceding the date when the exercise price is determined, should also be subject to the shareholders' approval.	N/A	See 8.8
8.11. Provisions of Articles 8.8 and 8.9 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.	N/A	See 8.8
8.12. Prior to the annual general meeting that is intended to consider decision stipulated in Article 8.8, 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.	N/A	See 8.8
<b>Principle IX: The role of stakeholders in corporate governance</b>		
<b>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.</b>		
9.1. The corporate governance framework should assure that the rights of stakeholders that are protected by law are respected.	Yes	The company respects the rights of stakeholders which are protected by the laws and which authorize the stakeholders to participate in the management of the company in the manner set forth in the laws.
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	See 9.1
9.3. Where stakeholders participate in the corporate governance process, they should have access to relevant information.	Yes	See 9.1

PRINCIPLES/ RECOMMENDATIONS	YES/NO /NOT APPLICABLE	COMMENTARY
<b>Principle X: Information disclosure and transparency</b>		
<b>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.</b>		
<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	Information set forth in this recommendation is disclosed in the periodic prospectuses-reports, annual report, website, and through NASDAQ OMX Vilnius and Warsaw Stock Exchange information systems.
<p>This list should be deemed as a minimum recommendation, while the companies are encouraged not to limit themselves to disclosure of the information specified in this list</p>	Yes	See 10.1
<p>10.2. It is recommended 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	See 10.1
<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	See 10.1
<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	See 10.1
<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	<p>Information is provided by the company and through NASDAQ OMX Vilnius and Warsaw Stock Exchange information systems in the Lithuanian (only via NASDAQ OMX Vilnius) and English languages at the same time, as much as it is possible. The exchange announces the information received in their website and trade system, this way ensuring simultaneous provision of information to everyone.</p> <p>The company does not disclose information that may have an effect on the price of securities issued by the company in the commentaries, interview or other ways as long as such information is publicly announced via the information system of the Stock Exchange.</p>

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PRINCIPLES/ RECOMMENDATIONS	YES/NO /NOT APPLICABLE	COMMENTARY
10.6. Channels for disseminating information should provide for fair, timely and cost-efficient 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	Information is provided by the company and through NASDAQ OMX Vilnius and Warsaw Stock Exchange information systems in the Lithuanian (only via NASDAQ OMX Vilnius) and English languages at the same time, as much as it is possible. The exchange announces the information received in their website and trade system, this way ensuring simultaneous, timely and cheap provision of information to everyone.
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	The Company follows this recommendation.
<p><b>Principle XI: The selection of the company's auditor</b></p>		
<p><b>The mechanism of the selection of the company's auditor should ensure independence of the firm of auditor's conclusion and opinion.</b></p>		
11.1. An annual audit of the company's financial statements and report 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	An independent audit company audits the annual financial statements and annual report.
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.	No	The candidature of the audit company is suggested to the general shareholders meeting by the company's Board.
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.	N/A	The audit company did not provide non-audit services to the company.

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