



## AGROWILL GROUP AB

(incorporated in Lithuania with limited liability, corporate ID code 126264360)

OFFERING OF NEW ISSUE OF UP TO 25,000,000 ORDINARY REGISTERED SHARES IN AGROWILL GROUP AB AND ADMISSION OF THEM TO TRADING ON THE SECONDARY LIST OF THE NASDAQ OMX VILNIUS AND THE MAIN MARKET OF THE WARSAW STOCK EXCHANGE AS WELL AS ADMISSION TO THE MAIN MARKET OF THE WARSAW STOCK EXCHANGE OF ALL THE SHARES ISSUED IN THE SHARE CAPITAL OF THE ISSUER

with a nominal value of LTL 1 each

Subscription Period 15 June 2011 – 22 June 2011

Agrowill Group AB (the "Company" or the "Issuer") is a public limited liability company organised and existing under the laws of the Republic of Lithuania. The registered share capital of the Company equals to LTL 71,552,254 and is divided into 71,552,254 ordinary registered shares with the par value of LTL 1 each. The major shareholders of the Company are Volemer Holdings Limited (16,575,672 shares, i.e. 23.17% of all the shares of the Company), Vretola Holdings Limited (10,800,202 shares, i.e. 15.09% of all the shares of the Company), Mr. Linas Strėlis (10,418,800 shares, i.e. 14.56% of all the shares of the Company), Eastern Agro Holdings, UAB (8,343,609 shares, i.e. 11.66% of all the shares of the Company), and Mr. Romualdas Petrošius (5,218,667 shares, i.e. 7.29% of all the shares of the Company). On 25 March 2011 the General Meeting of shareholders of the Company decided *inter alia*: (i) to increase the authorised capital of the Company issuing up to 25,000,000 ordinary registered shares of the Company (the "Offer Shares" or the "New Shares"); and (ii) to offer the Offer Shares for the public sale to the retail and institutional investors in Poland (the "Offering"), (iii) taking into consideration the increase of the authorised capital of the Company to amend its Articles of Association.

All shares in the Company are currently listed on the Secondary List of the AB NASDAQ OMX Vilnius ("OMX"). On 18 May 2011 the closing price of shares in the Company on the OMX was EUR 0.309. No other securities issued by the Company are currently admitted to trading on any other regulated market. In connection with the Offering and the issuance of New Shares, based on this prospectus (the "Prospectus") the Company will apply for listing of: (i) all its shares, including the New Shares (i.e. a total of up to 96,552,254 Shares), on the main market of the Warsaw Stock Exchange (the "WSE"); (ii) the New Shares on the Secondary List of the OMX.

The Offer Shares as well as other details and conditions of the Offering will be established and the allocation of the Offer Shares will be implemented under the terms and conditions of this Prospectus.

The price of the Offer Shares (the "Offer Price") shall not exceed the maximum price of PLN 1.5 (the "Maximum Price"), which was determined by the Board of the Company. The final Offer Price will be determined by the Issuer upon agreement with the Adviser and the Offering Broker, based on the following criteria and rules: (i) size and price sensitivity of demand from the Institutional Investors as indicated during the book-building process, (ii) the current and anticipated situation on the Polish and international capital markets and (iii) assessment of the growth prospects, risk factors and other information relating to the Issuer's activities. The Issuer will announce the Offer Price prior to commencement of the subscription period (on or about 14 June 2011 – the "Subscription Period"). The Offer Price will be filed with the LSC and the PFSA and published in the same manner as the Prospectus.

The Offering shall be made only in the territory of Poland, in accordance with the Polish law of 29 July 2005 on Public Offering, Conditions Governing the Introduction of Financial Instruments to Organized Trading, and Public Companies (as amended from time to time) (the "Public Offering Act"). The shares of the Company are registered (and the Offer Shares will be registered) with the Central Securities Depository of Lithuania (the "CSDL") under ISIN number LT0000127466. The delivery of the Offer Shares will be made through the book-entry facilities of the National Depository for Securities of Poland (Krajowy Depozyt Papierów Wartościowych S.A.) (the "NDS").

This Prospectus does not constitute an offer to buy, or the solicitation of an offer to buy, the Offer Shares to any person in any jurisdiction in which it is unlawful to make any such offer to such person. The public offering of the Offer Shares is being conducted only within the territory of Poland. The Prospectus in respect of the Offer Shares has been approved by the Lithuanian Securities Commission (the "LSC") as the competent authority of the home Member State within the meaning of the Directive 2003/71/EC of the European Parliament and of the Council of 4 November 2003 on the prospectus to be published when securities are offered to the public or admitted to trading and amending Directive 2001/34/EC (the "Prospectus Directive") and Commission Regulation (EC) No 809/2004 of 29 April 2004, implementing the Prospectus Directive as regards information contained in prospectuses as well as the format, incorporation by reference and publication of such prospectuses and dissemination of advertisements (the "Prospectus Regulation") and notified to the Polish Financial Supervision Authority (the "PFSA") as the competent authority of the host Member State within the meaning of the Prospectus Directive.

### Maximum Price: PLN 1.5

**Offer Price: To be determined in PLN and announced on or about 14 June 2011**

**Dom Maklerski IDM**  
Lead Manager and Offering Broker

**Rubicon Partners Dom Maklerski S.A.**  
Financial Adviser



The date of this Prospectus  
31 MAY 2011

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# 1 IMPORTANT INFORMATION

**Governing Law.** The Offering and the subsequent listing and trading of the Shares on the WSE is conducted in accordance with and governed by the Polish and Lithuanian law and WSE and NDS rules. The listing and trading of the Offer Shares on the OMX is conducted in accordance with and governed by the Lithuanian law. The Company is organised and exists under the Lithuanian law. Also the Lithuanian law will be applicable with regards to the procedure of approval of this Prospectus and its supplements (if applicable) and certain other issues, related to the Offering.

**Prospectus.** This Prospectus has been prepared by the Company in connection with (i) the Offering; (ii) listing of all Shares, including the New Shares (i.e. a total of up to 96,552,254 Shares), on the WSE and (iii) listing of the New Shares on the OMX. This Prospectus is a prospectus in the form of a single document within the meaning of the Prospectus Directive and the Prospectus Regulation. This Prospectus has been prepared in accordance with Annex I (Minimum Disclosure Requirements for the Share Registration Document) and Annex III (Minimum Disclosure Requirements for the Share Securities Note) of the Prospectus Regulation. This Prospectus was approved by the LSC and notified to the PFSA according to the Law on Securities of the Republic of Lithuania (the "Law on Securities") and other applicable legal acts and regulations. The approval of the Prospectus shall mean that the information submitted in the Prospectus is in accordance with the regulations on the disclosure of information stipulated in the laws. The approval of the Prospectus should neither be considered as the confirmation of the correctness of the information nor the recommendation of the LSC to the investors.

The information in this Prospectus is subject to change. In the case of such a change, a supplement to this Prospectus will be prepared, which will be subject to an approval by the LSC and notification to the PFSA. The supplement will be published in the same manner as the original Prospectus.

All persons who have received this Prospectus should get acquainted with respective restrictions applied in specific jurisdiction and comply with them. This Prospectus should not be used and is not intended to be used as an offer to sell or a solicitation to buy shares in the jurisdictions where such an offer or solicitation would be considered as illegal.

By taking any share-based investment decision, investors should rely on knowledge attained by themselves after evaluation of the Issuer's financial situation, conditions of the Offering, including (but not limited to) appropriate related advantages and associated risks. The contents of this Prospectus should not be considered as legal or investment advice or as tax consulting. For legal, investment or tax related questions, each potential investor should consult with his/her appropriate consultant.

By participating in the Offering, investors agree that they are relying on their own examination and analysis of this Prospectus (including the financial statements of the Group which form an indispensable part of this Prospectus) and any information on the Company that is available in the public domain. Investors should also acknowledge the risk factors that may affect the outcome of such investment decision (as presented in Section 4 *Risk Factors*).

Investors should not assume that the information in this Prospectus is accurate as of any other date than the date of this Prospectus. The delivery of this Prospectus at any time after the conclusion of it will not, under any circumstances, create any implication that there has been no change in the Company's (its Group's) affairs since the date hereof or that the information set forth in this Prospectus is correct as of any time since its date.

In the case of a dispute related to this Prospectus or the Offering, the plaintiff may have to resort to the jurisdiction of the Lithuanian courts and consequently a need may arise for the plaintiff to cover relevant state fees and translation costs in respect of this Prospectus or other relevant documents.

## 1.1 RESPONSIBILITY FOR THIS PROSPECTUS

**Persons Responsible.** The Issuer and its Management Board accept responsibility for the accuracy and completeness of the Prospectus information. The name of the Issuer is Agrowill Group AB. The Issuer's registered office is located in Smolensko str. 10, LT-03201 Vilnius, Lithuania. The Issuer and its Management Board – Mr. Vladas Bagavičius (Chairman), Mr. Mamertas Krasauskas, Mr. Domantas Savičius, Mr. Linas Strėlis and Mr. Marius Žutautas declare that they took all reasonable steps to ensure that the information included in this Prospectus is to the best of their knowledge, in accordance with the facts and contains no omission likely to affect its import.

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Vladas Bagavičius  
Chairman of the  
Management Board

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Mamertas Krasauskas  
Member of the  
Management Board

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Domantas Savičius  
Member of the  
Management Board

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Linas Strėlis  
Member of the  
Management Board

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Marius Žutautas  
Member of the  
Management Board

No other persons were authorized to provide any other information or make any representations than those provided in this Prospectus. If any information is provided and (or) any representations are made by other persons, these should not be considered as having been confirmed by the Issuer.

**Limitations of Liability.** Without prejudice to the above, no responsibility is accepted by the person responsible for the information given in this Prospectus solely on the basis of the summary of this Prospectus, unless such summary is misleading, inaccurate or inconsistent when read together with the other parts of the Prospectus.

Furthermore, the Managers (as defined below) expressly disclaim any liability based on the information contained in this Prospectus, the summary of this Prospectus or individual parts thereof and will not accept any responsibility for the correctness, completeness or import of such information. No information contained in this Prospectus or disseminated by the Company in connection with the Offering may be construed to constitute a warranty or representation, whether expressed or implied, made by the Lead Manager or the Adviser to any third parties.

Neither the Company nor the Lead Manager nor the Adviser will accept any responsibility for the information pertaining to the Offering, the listing of the Shares on the WSE, the listing of the Offer Shares on the OMX, the Company or its operations, where such information is disseminated or otherwise made public by third parties either in connection with this Offering or otherwise.

## 1.2 NOTICE TO PROSPECTIVE INVESTORS

The distribution of this Prospectus and the Offering of the Offer Shares in certain jurisdictions may be restricted by law. This Prospectus may not be used for, or in connection with, and does not constitute, any offer to sell, or an invitation to purchase, any of the Offer Shares offered hereby in any jurisdiction in which such offer or invitation would be unlawful. Persons in possession of this Prospectus are required to inform themselves about and to observe any such restrictions, including those set out under Section 23 *Selling Restrictions*. Any failure to comply with these restrictions may constitute a violation of the securities laws of any such jurisdiction.

As a condition for the purchase of any Offer Shares in the Offering, each purchaser will be deemed to have made, or in some cases be required to make, certain representations and warranties, which will be relied upon by the Company, the Lead Manager and others. The Company reserves the right, at its sole and absolute discretion, to reject any purchase of Offer Shares that the Company, the Lead Manager or any agents believe may give rise to a breach or a violation of any law, rule or regulation. See Section 23 *Selling Restrictions*.

The Offer Shares have not been approved or disapproved by the US Securities and Exchange Commission, any State securities commission in the United States or any other US regulatory authority, nor have any of the foregoing passed upon or endorsed the merits of the Offering or the accuracy or adequacy of this Prospectus. Any representation to the contrary is a criminal offence in the United States.

## 1.3 PRESENTATION OF FINANCIAL AND OTHER INFORMATION

**Financial Information.** This Prospectus contains financial statements of, and financial information relating to the Company and its subsidiaries (the "Group").

The Prospectus contains the Group's audited consolidated annual financial statements for the years ended 31 December 2010, 2009 and 2008 (the "Consolidated Financial Statements") prepared in accordance with International Financial Reporting Standards as adopted by the European Union (IFRS), as well as consolidated unaudited interim financial information for the three months period ended 31 March 2011 (the "Consolidated Interim Information") prepared in accordance with International Accounting Standard 34 "Interim Financial Reporting", (IAS 34) and the Results forecast for the years 2011 and 2012 (the "Forecast").

The presentation of financial information in accordance with IFRS requires Management to make various estimates and assumptions which may impact the values shown in the financial statements and notes thereto. The actual values may differ from such assumptions.

The Consolidated Financial Statements were audited by PricewaterhouseCoopers UAB, with its registered office in Vilnius, Lithuania. See Section 22 *Independent auditors* for further information.

The Consolidated Interim Information was not audited.

The Forecast was audited by HLB Sarnowski & Wiśniewski Sp. z o.o., with its registered office in Poznan, Poland. See Section 22 *Independent auditors* for further information.

**Change of Presentation of Comparable Data.** In the Consolidated Financial Statements the Group management corrected previously incorrectly accounted entries. Management performed purchase price allocation of Polva Agro A/S acquisition, tested the goodwill of Polva Agro for impairment and as a result recognized impairment for major part of goodwill in 2008, also adjusted the biological assets valuation as of 31 December 2008. For more details see Note 2.2 of Consolidated Financial Statements.

**Non-GAAP Financial Information.** For the purposes of this Prospectus, EBITDA is defined as *Net income add interest, depreciation and reversal of all other non-cash items*. The Company believes that EBITDA provides additional useful information for the purposes of measuring the operating results of the Group. EBITDA is presented because the Company believes it provides a useful indication of the underlying

performance of the Group's continuing operations. EBITDA is not an IFRS measure and should not be considered as an alternative to IFRS measures of profit/(loss) or as an indicator of operating performance or as a measure of cash flows from operations under IFRS or as an indicator of liquidity. EBITDA is not intended to be a measure of free cash flows available for Management's discretionary use, as it does not consider certain cash requirements such as interest payments, tax payments, debt service requirements and capital expenditures. It should be noted that EBITDA is not a uniform or standardized measure and the calculation of EBITDA, accordingly, may vary significantly from company to company, and by itself provides no grounds for comparison with other companies. EBITDA is calculated by the Company and has not been included in the Consolidated Financial Statements.

**Approximation of Numbers.** Numerical and quantitative values in this Prospectus (e.g. monetary values, percentage values, etc.) are presented with such precision which the Company deems sufficient in order to convey adequate and appropriate information on the relevant matter. From time to time, quantitative values have been rounded up to the nearest reasonable decimal or whole value in order to avoid excessive level of detail. As a result, certain values presented as percentages do not necessarily add up to 100% due to the effects of approximation. Exact numbers may be derived from the financial statements of the Group, to the extent that the relevant information is reflected therein.

**Dating of Information.** This Prospectus is drawn up based on information which was valid on 31 March 2011. Where not expressly indicated otherwise, all information presented in this Prospectus (including the consolidated financial information of the Company, the facts concerning its operations and any information on the markets in which it operates) must be understood to refer to the state of affairs as of the aforementioned date. Where information is presented as of a date other than 31 December 2010, this is identified by either specifying the relevant date or by the use of expressions as "*the date of this Prospectus*", "*to date*", "*until the date hereof*" and other similar expressions, which must all be construed to mean the date of this Prospectus (31 May 2011).

**Currencies.** In this Prospectus, financial information is presented either in Lithuanian Litas (LTL), i.e. the official currency of the Republic of Lithuania, in Euro (EUR), i.e. the official currency of the EU Member States participating in the Economic and Monetary Union, or US Dollars (USD), i.e. the official currency of the United States of America. On the date of this Prospectus, the exchange rate between Euro and Lithuanian Litas is fixed to be LTL 3.4528 for EUR 1. Amounts originally available in other currencies have been converted to Euros or Lithuanian Litas as of the date for which such information is expressed to be valid. With respect to the state fees, taxes and similar country specific values, information may occasionally be presented in currencies other than LTL or EUR. The exchange rates between such currencies and Euro may change from time to time.

**Documents on Display.** Throughout the lifetime of this Prospectus, the Articles of Association of the Company (the "Articles of Association"), the Consolidated Financial Statements (or copies thereof), and Consolidated Interim Information, preceding the date of this Prospectus where applicable, may be inspected at the head offices of the Company located at Smolensko str. 10, Vilnius, Republic of Lithuania, at the customer service centre of the Lead Manager in Poland at the addresses Maly Rynek 7, 31-041 Krakow, Poland, all other customer service centers of the Lead Manager in Poland, indicated on the website of the Offering Broker ([www.idmsa.pl](http://www.idmsa.pl)), at the address of the Adviser (ul. Emilii Plater 28, 00-688 Warsaw, Poland) at the time of the Offering and on the Company's website ([www.agrowill.lt](http://www.agrowill.lt)). Any interested party may obtain a copy of these documents from the Company without charge. To the extent that documents other than mentioned above (i.e. reports, letters, valuations, statements) are not reflected in this Prospectus with reasonable fullness and do not at the sole discretion of the Company constitute business secrets of the Company, physical inspection of such documents will be arranged at the offices of the Company or via electronic mail at the request of any interested party and subject to an agreement between the Company and such interested party regarding the means of inspection of the relevant documents. Reference to the Company's website in this Prospectus should not be deemed to incorporate the information on the Company's website by reference.

**Updates.** The Company will update the information contained in this Prospectus only to such extent, at such intervals and by such means as required by applicable law or considered necessary and appropriate by the Company. The Company is under no obligation to update or modify forward-looking statements included in this Prospectus.

**Third Party Information and Market Information.** With respect to certain portions of this Prospectus, some information may have been sourced from third parties. Such information has been accurately reproduced as far as the Company is aware and is able to ascertain from the information published by such other third parties that no facts have been omitted, which would render the reproduced information inaccurate or misleading. Certain information with respect to the markets, on which the Company and its subsidiaries are operating, is based on the best assessment made by the Management Board. With respect to the industry, in which the Group is active, and certain jurisdictions, in which its operations are being conducted, reliable market information might be unavailable or incomplete. While every reasonable care was taken to provide the best possible estimate of the relevant market situation and the information on the relevant industry, such information may not be relied upon as final and conclusive. Investors are encouraged to conduct their own investigation into the relevant market or seek professional advice. Information on market shares represents the Management Board's views, unless specifically indicated otherwise.

**The annexes to this Prospectus include:**

- Independent auditor's report, Consolidated Annual Report and Consolidated Financial Statements;

- Consolidated Interim Information;
- The Articles of Association of the Company;
- Independent assurance report on Prospective Financial Information to the Management Board of Agrowill Group AB.

#### 1.4 DEFINITIONS AND ABBREVIATIONS

Terms used in this Prospectus in capital letters have the meaning specified in the table below, except where the context clearly requires otherwise. The table below lists only the most important terms in the Prospectus. Other definitions may be defined elsewhere in the Prospectus.

<b>"Admission"</b>	Admission of the Shares to trading on the WSE and/ or admission of the New Shares to trading on the OMX.
<b>"Allotment Date"</b>	Date on which the Offer Shares will be allocated to Investors.
<b>"Articles of Association"</b>	Articles of Association of the Company.
<b>"Audit Committee"</b>	Audit Committee of the Company.
<b>"Bid"</b>	A declaration from the Investor interested in the acquisition of the specific number of the Offer Shares under the Prospectus, at an indicated price submitted during the book building process.
<b>"Committees"</b>	The Audit Committee collectively with the Nomination and Remuneration Committee.
<b>"Company" or "Issuer"</b>	Agrowill Group AB – a public limited liability company organized and existing under the laws of the Republic of Lithuania, legal person code 1262 64360, VAT number is LT100001193419; registered office address is Smolensko str. 10, Vilnius, Lithuania. The company's data is collected and stored in the Register of Legal Persons of the Republic of Lithuania.
<b>"Consolidated Financial Statements"</b>	Group's audited consolidated annual financial statements for the years ended 31 December 2010, 2009 and 2008, prepared in accordance with International Financial Reporting Standards as adopted by the EU.
<b>"Consolidated Interim Information"</b>	Consolidated unaudited interim financial information for the period ended 31 March 2011, prepared in accordance with International Accounting Standard 34 "interim Financial Reporting".
<b>"CSDL"</b>	Central Securities Depository of Lithuania.
<b>"EU"</b>	European Union.
<b>"EUR", "€", "Euro"</b>	The lawful currency of the European Union Member States that adopted the single currency.
<b>"Financial Adviser" or "Adviser"</b>	Rubicon Partners Dom Maklerski S.A. registered at ul. Emilii Plater 28, 00-688 Warsaw, Poland.
<b>"General Meeting"</b>	General Meeting of Shareholders of the Company.
<b>"Group"</b>	The Issuer and the Subsidiaries of the Issuer, as set out in Section 13.1 <i>Description of the Group</i> .
<b>"IAS"</b>	International Accounting Standards as adopted by the EU.
<b>"IFRS"</b>	International Financial Reporting Standards as adopted by the EU.
<b>"Institutional Investors"</b>	Legal persons (which include persons managing portfolios for their clients) and unincorporated organizations, invited to make declarations as to the acquisition of the Offer Shares under the terms and conditions of this Prospectus, as it is indicated in Section 21.1.5 Subscriptions in the Institutional Tranche.
<b>"Institutional Tranche"</b>	Shares offered to Institutional Investors.
<b>"Investors"</b>	Institutional Investors collectively with the Retail Investors.
<b>"Issue"</b>	The issue of up to 25,000,000 Offer Shares, which shall be offered for the investors in Poland and listed on WSE.
<b>"Key Executives"</b>	The Manager, the Chief Financial Officer and the Chief Accountant of the Company collectively.
<b>"Law on Companies"</b>	Law on Companies of the Republic of Lithuania (as amended from time to time).
<b>"Law on Securities"</b>	Law on Securities of the Republic of Lithuania (as amended from time to time).
<b>"Lead Manager", or "Offering Broker"</b>	Dom Maklerski IDMSA, Maly Rynek 7, 31-041 Krakow, Poland.



<b>"Listing Date"</b>	First day of trading in the Shares on the WSE.
<b>"LTL", "Lithuanian Litas"</b>	Litas, the lawful currency of the Republic of Lithuania.
<b>"LSC"</b>	Securities Commission of the Republic of Lithuania.
<b>"Major Shareholders"</b>	The Company's major shareholders Volemer Holdings Limited, Vretola Holdings Limited, Mr. Linas Strėlis, Eastern Agro Holdings, UAB (formerly Finhill soft management, UAB) and Mr. Romualdas Petrošius, as indicated in Section 18.1 <i>Major Shareholders</i> .
<b>"Management"</b>	The Management Board and Key Executives of the Company.
<b>"Management Board"</b>	Management Board of the Company.
<b>"Managers"</b>	Adviser and Lead Manager.
<b>"Maximum Price"</b>	The maximum price per each Offer Share which was determined by the Board of the Company.
<b>"Member State"</b>	A Member State of the European Economic Area.
<b>"MiFID"</b>	Directive 2004/39/EC of the European Parliament and of the Council of 21 April 2004 on markets in financial instruments amending Council Directives 85/611/EEC and 93/6/EEC and Directive 2000/12/EC of the European Parliament and of the Council and repealing Council Directive 93/22/EEC.
<b>"N/A"</b>	'not applicable'.
<b>"NBP"</b>	The National Bank of Poland.
<b>"NDS"</b>	<i>Krajowy Depozyt Papierów Wartościowych S.A. (KDPW S.A)</i> , the National Depository for Securities – the clearing and settlement institution in Poland.
<b>"New Share" or "Offer Shares"</b>	Up to 25,000,000 ordinary registered Shares to be newly issued by the Issuer based on the decision of the extraordinary general meeting of shareholders of the Issuer of 25 March 2011.
<b>"Nomination and Remuneration Committee"</b>	Nomination and Remuneration Committee of the Company.
<b>"Offering"</b>	The offering of the Offer Shares based on this Prospectus.
<b>"Offer Price"</b>	The final price per each Offer Share which will be determined in accordance with the terms and conditions of the Offering.
<b>"OMX"</b>	AB NASDAQ OMX Vilnius – Vilnius Stock Exchange.
<b>"PFSA"</b>	Polish Financial Supervision Authority ( <i>Komisja Nadzoru Finansowego</i> ), the capital market regulatory authority of the Republic of Poland.
<b>"Placement Agreement"</b>	The agreement to be concluded between the Company, the Major Shareholders the Adviser and the Lead Manager related to the Offering.
<b>"PLN", "Polish zloty"</b>	The lawful currency of the Republic of Poland.
<b>"Prospectus"</b>	This document, prepared for the purpose of the Offering and the Admission, including its annexes and supplements, if any.
<b>"Prospectus Directive"</b>	Directive 2003/71/EC of the European Parliament and of the Council of 4 November 2003 on the prospectus to be published when securities are offered to the public or admitted to trading and amending Directive 2001/34/EC.
<b>"Prospectus Regulation"</b>	Commission Regulation (EC) No 809/2004 of 29 April 2004 implementing Directive 2003/71/EC of the European Parliament and of the Council as regards information contained in prospectuses as well as the format, incorporation by reference and publication of such prospectuses and dissemination of advertisements.
<b>"Public Offering Act"</b>	The Polish Act of July 29, 2005 on Public Offerings and Conditions governing the Admission of Financial Instruments to Trading on Organized Markets, and on Listed Companies.
<b>"Register of Legal Persons"</b>	Register of Legal Persons of the Republic of Lithuania.
<b>"Related Parties"</b>	As defined in International Accounting Standard 24 <i>Related Party Disclosures</i> .
<b>"Retail Investors"</b>	Investors other than the Institutional Investors.
<b>"Retail Tranche"</b>	Offer Shares offered to Retail Investors.
<b>"Section"</b>	A section of this Prospectus.

<b>"Shares"</b>	All the ordinary registered shares, issued by the Issuer, with the par value of 1 (one) LTL (including Offer Shares).
<b>"Subscription Period"</b>	The period in which Investors may place orders to subscribe for or purchase the Offer Shares.
<b>"Subsidiaries"</b>	Subsidiaries of the Issuer, as set out in Section 13.1 <i>Description of the Group</i> .
<b>"Summary"</b>	The summary of this Prospectus.
<b>"Supervisory Council"</b>	Supervisory Council of the Company.
<b>"Takeover Directive"</b>	Directive 2004/25/EC of the European Parliament and of the Council of 21 April 2004 on takeover bids.
<b>"Trading in Financial Instruments Act"</b>	Polish Act of 29 July 2005, on Trading in Financial Instruments.
<b>"Tranches"</b>	Retail Tranche and Institutional Tranche collectively.
<b>"USD", "\$", "US Dollars"</b>	The lawful currency of the United States of America.
<b>"VAT"</b>	The value added tax applicable in the Republic of Lithuania.
<b>"WSE"</b>	Warsaw Stock Exchange ( <i>Giełda Papierów Wartościowych w Warszawie S.A.</i> ), a regulated market in Poland.
<b>"WSE Corporate Governance Code"</b>	Code of Best Practice for WSE Listed Companies.

### 1.5 FORWARD LOOKING STATEMENTS

The Prospectus contains forward-looking statements that are based on current expectations and forecasts about the future events. By their nature, forward-looking statements involve risks and uncertainties because they relate to events and depend on circumstances that may or may not occur in the future. Forward-looking statements are not guarantees of future performance. The actual performance of the Issuer, its results of operations, financial condition, the development of its financing strategies and the operation of the markets in which it is directly or indirectly operating and the actual resources available to it, may differ materially.

Forward-looking statements can be identified by the use of forward-looking terminology, including the terms *believe, estimate, think, can, continue, expect, plan, anticipate, intend, consider, expect, seek, target, strategy, objective, aim, continue, may, will or should* or, in each case, their negative or other variations or comparable terminology, and other words and expressions of similar meaning. Forward-looking statements can also be identified by the fact that they do not relate strictly to historical or current facts.

Forward-looking statements encompass information about possible and planned business results of the Issuer, business strategies, contractual relations, compensation for services, financing plans, competitive state, industry's business conditions, possible growth possibilities, influence of future regulations and competitive consequences. Forward-looking statements are statements made on the day of the declaration and Issuer is not obliged to publicly update or change the statements, except to the extent required by the law and exchange rules. Issuer is not providing any assurances that expected events and conditions presented in this Prospectus will occur and, correspondingly, Issuer's results might differ substantially from the presented in the forward-looking statements.

The accuracy and validity of any forward-looking statement is influenced by the fact that the Issuer operates in the competitive business environment. Moreover, this business is affected by changes in both domestic and foreign economic, political, legal, social and business conditions, regulations, technical or mechanical problems and other risk factors or uncertainties, related to the devices possessed by the Issuer, Issuer's ability successfully implement its growth strategy, as well as new developments in the competition. The Issuer's actual results may differ materially from the management's expectations because of the changes in such factors. Furthermore, there are other factors and risks that could negatively affect the business operations and the financial results of the Group (please see the Section 4 *Risk Factors* for a discussion of the risks which are identifiable and deemed material at the date hereof).

### 1.6 USE OF THIS PROSPECTUS

This Prospectus is prepared solely for the purposes of the Offering and the listing of the Shares on the WSE and the OMX; it may not be construed as a warranty or a representation to any person not participating or not eligible to participate in the Offering or trade in the Shares. No public offering of the Shares is conducted in any jurisdiction other than Poland and consequently the dissemination of this Prospectus in other countries may be restricted or prohibited by law. The Prospectus cannot be used for any purpose other than for informational. Prior to making a decision to participate or refrain from participating in the Offering or to conduct any trading activities with the Shares on the WSE the prospective investors should read this document. In making an investment decision, prospective investors must rely upon their own examination of the Company and the terms of this document, including the risks involved. It is forbidden to copy, reproduce (other than for private and non-commercial use) or disseminate this Prospectus without express written permission from the Company.

## 2 SUMMARY

*NOTICE: This Summary is not the prospectus for the public Offering and the listing of the Company's Shares and should be read merely as an introduction to the same. This Summary presents the facts and circumstances that the Company considers important with respect to the Company's business and the public Offering of the Company's Shares and is a summary of certain information appearing in more detail elsewhere in the Prospectus. Any decision to participate in the Offering and invest in the Company's shares should be based by each investor on the Prospectus (including any amendments or supplements thereto) as a whole and not merely on this Summary.*

*The Issuer accepts civil liability for the information provided in the Summary, but only if the data of the Summary is misleading, inaccurate or contradictory, as compared with other parts of the Prospectus. Prospective investors should take notice that if a claim relating to the information contained in the Prospectus is brought before a court, the plaintiff investor might, under the national legislation of the relevant state, have to bear the costs of translating the entire Prospectus before the court proceedings are initiated.*

### 2.1 SUMMARY OF THE BUSINESS

Key information about the Issuer is provided in the table below.

**Table 1: Key information about the Issuer**

Legal name of the Issuer	AB Agrowill Group
Legal form	Public limited liability company
Head office	Smolensko str. 10, LT-03201 Vilnius
Registration number	AB 2003-926
Country of registration	Republic of Lithuania
Legal person code	1262 64360
Legislation under which the Company operates	The laws of the Republic of Lithuania
Phone number	+370 (5) 2335340
Fax	+370 (5) 2335345
E-mail	info@agrowill.lt
Website	http://www.agrowill.lt

Source: The Company

The Group is the largest agricultural activity and land management company in Lithuania. The Group carries out its activities in Lithuania managing 16 agricultural companies in the stock-breeding and crop growing sectors, as well as 22 subsidiaries in land management, which controls around 13,500 ha of arable land, which is leased for farmers and other businesses.

The number of employees of the Group as of 31 March 2011 amounted to 514 (31 December 2010: 444), from which 41 worked at central office (31 December 2010: 42), 32 were responsible for agricultural entities management (31 December 2010: 32), and 441 were agricultural entities workers (31 December 2010: 370).

The Group's divides its operations into following segments:

- 1. Stock-breeding.** This activity is the most stable and one of most profitable among all segments. Stock-breeding is one of the two main activities of the Group (the other is crop growing), which historically generates between 35 to 55% of total Group revenues. Stock-breeding activities are particularly important for the Group, as revenues received from stock-breeding covers expenses for other sectors, while the main commercial crops – rapeseeds and wheat – are being grown. The Group concentrated its managed herds in eight companies, as at 31 March 2011 holds 2,440 dairy cows 2,400 heifers of all ages (31 December 2010: 2,600 dairy cows, 2,300 heifers of all ages), and sells around 37 tons of milk every day. Revenues from production of milk and cattle-meat in 2010 amounted to LTL 18.7 million.
- 2. Crop-growing.** Crop growing constitutes another important part – historically from 40 to 50% of the total Group revenues. Winter and summer wheat and rapeseeds are mainly grown by the Group. Grain for cattle feed is grown from barley and triticale, while green feed is grown from corns and a variety of perennial grasses. The Group currently operates and declares about 18,500 ha, additional 2,000 ha is temporarily leased, but is planned to be worked by the Group from August 2011. In 2010 the Group's revenues from crop growing amounted to LTL 20.8 million.
- 3. Other segments.** The Group currently owns 13.5 thousand ha of land, of which 3.2 thousand ha is leased to the Group's agricultural companies, 9.7 thousand ha for other agricultural subjects, 0.6 thousand ha is temporarily not leased. In 2010 revenues from land rent and other activities amounted to LTL 2.6 million. As of 31 March 2011 around 17.5 thousand ha were rented from third parties.

**Table 2: Revenue breakdown (LTL'000)**

Item	31 March 2011 (unaudited)	2010	2009	2008
			Restated	Restated
<b>Stock-breeding</b>	<b>5,024</b>	<b>18,654</b>	<b>27,198</b>	<b>32,078</b>
Milk	4,570	16,802	20,609	28,028
Cattle meat	451	1,852	6,589	4,050
<b>Crop growing</b>	<b>1,627</b>	<b>20,812</b>	<b>15,748</b>	<b>23,188</b>
Wheat	1,627	11,905	8,110	11,838
Barley	-	740	563	3,214
Rapeseed	-	6,717	3,934	7,462
Other crops	-	1,450	3,141	674
<b>Trade</b>	<b>-</b>	<b>2,285</b>	<b>394</b>	<b>0</b>
<b>Other segments</b>	<b>754</b>	<b>3,414</b>	<b>4,937</b>	<b>3,446</b>
<b>Total revenues</b>	<b>7,402</b>	<b>45,165</b>	<b>48,277</b>	<b>58,712</b>

Source: Consolidated Financial Statements and Consolidated Interim Information

## 2.2 COMPETITIVE STRENGTHS

The Group is well placed to exploit its existing assets and deliver strong, consistent financial growth due to the competitive strengths outlined below. The Group believes that the key competitive strengths that allow the Group to pursue its strategy include:

- Long-standing relationships with customers and well diversified customer base
- Strong brand and integrated business model
- Good track record of growth in a multi-billion market
- Convenient geographical location
- Efficient cost structure
- Ability to explore the synergy effects

## 2.3 HISTORICAL AND RECENT DEVELOPMENTS

On 25 June 2003 Galuvė UAB was established and in the same year, the Company changed its name to Agrovaldymo grupė UAB. On 26 January 2006 Agrovaldymo Grupė UAB was transformed from a limited liability company (UAB) into a public limited company (AB). On 5 December 2007 the Company registered a new company name – Agrowill Group AB.

- In January–March of 2007 the Issuer acquired group of land management companies Žemės vystymo fondas.
- By the end of 2007 the Group established 7 new land management companies. The Group owned 12,100 ha of land and cultivated in total 26,000 ha of land (own and rented land).
- In March of 2008 the Group has successfully completed the Initial Public Offering and listed its shares on Vilnius Stock Exchange (currently OMX).
- In July of 2008 the Issuer acquired the Estonian milk production company Polva Agro AS with 2,200 cattle and 2,300 ha cultivated land.
- In September of 2008 Issuer acquired Lithuanian agricultural company Grūduva UAB with 1,900 cattle and 4,000 ha cultivated land.
- At the end of 2008 the global economic crisis adversely affected activities and results of the Issuer – a decrease in grain prices resulted in net loss of LTL 16.4 million in 2008.
- Due to the turmoil in commodity market and frozen credit markets the Issuer in June 2009 was unable to redeem LTL 27 million bond issue. As of 20 May 2010 the Issuer has entered into the restructuring process.
- On 3 October 2009 Polva Agro AS was sold to Estonian investors.
- As of 31 March 2011 Group's subsidiary land buying entities owned around 13.5 thousand ha of land, agricultural entities owned around 1 thousand ha, and additionally around 17.5 thousand ha were rented from others.
- As of 31 March 2011 the Group controlled 51 Subsidiaries: 16 agricultural Companies (ŽŪB) and the remaining being responsible for land management and for the Group's acquisitions.

## 2.4 SHARES AND SHAREHOLDERS

As of the date of this Prospectus, the Issuer's share capital consisted of 71,552,254 ordinary registered shares with par value of LTL 1 each. The major shareholders were Volemer Holdings Limited – 23.17%,

Vretola Holdings Limited – 15.09%, Mr Linas Strėlis – 14.56%, Eastern Agro Holdings, UAB – 11.66%, and Mr Romualdas Petrošius – 7.29% of all the shares of the Company.

On 12 May 2011 Volemer Holdings Limited, Mr Romualdas Petrošius and two minority shareholders of the Company Jurgis Petrošius and Aldona Petrošienė reached 31.03% of total voting shares of the Company (the reason for overstepping the limit – acquisition of voting rights by acquiring the control of legal entity (shareholder of the Company)). Mr Jurgis Petrošius controls the company, which indirectly controls one of the shareholders of the Company (Volemer Holdings Limited). Others of the indicated persons are related to Mr Jurgis Petrošius, also holding shares in the Company, thus, are (and deem themselves) as persons acting in concert.

As of 18 April 2011, total number of shareholders approximated to 1,075.

**Table 3: Members of administrative, management and supervisory bodies**

Name, surname	Position in the company	Owned shares in the Company, units	Owned shares in the Company, %
<b>Supervisory Council</b>			
Ramūnas Audzevičius	Chairman of the Supervisory Council	–	–
Česlav Okinčič	Member of the Supervisory Council	419,236	0.59
Aurimas Sanikovas	Member of the Supervisory Council	–	–
Džiuginta Balčiūnė	Member of the Supervisory Council	–	–
Gediminas Žiemelis	Member of the Supervisory Council	8,993	0.01
<b>Management Board</b>			
Vladas Bagavičius	Chairman of the Management Board	–	–
Mamertas Krasauskas	Member of the Management Board	28,000	0.04
Domantas Savičius	Member of the Management Board	19,417	0.03
Linas Strėlis	Member of the Management Board	10,418,800	14.56
Marius Žutautas	Member of the Management Board	–	–
<b>Administration</b>			
Algirdas Pereckas	Chief Executive Officer	–	–
Domantas Savičius	Chief Financial Officer	19,417	0.03
Robertas Giedraitis	Chief Accountant	6,600	0.01

Source: The Company

## 2.5 SUMMARY OF RISK FACTORS

There are several risk factors that should be taken into consideration by Potential Investors before investing in the Offer Shares. A detailed description of such risks is provided in Section 4 Risk Factors. The following is a summary of essential, but of not all evidencing in the activities of the Group, risks that may influence the value of the Shares:

### General business risks

- An economic downturn may lead to a decrease in demand for some agricultural production on the markets in which the company conducts its business;
- Failure to secure the adequate level of external financing may limit the Group's growth potential;
- Insolvencies among the Company's customers or contracting parties could result in losses for the Company and may have a material adverse effect on the Company's revenues and operating results;
- Unfavourable currency movements may adversely affect business transactions of the Company and consequently impair its financial position;
- The Issuer may implement in the future investment projects of large scope and there is no guarantee that the investment plans and the investments made will generate anticipated or planned return on investment;
- Strong inflation may have a considerable adverse influence on the Issuer's financial situation and business results;
- Lithuanian economy is catching up with the average salary of the European Union, and because Labour costs make a considerable part of the cost of the Issuer's products, an increase in salary may have a considerable adverse effect on the Issuer's financial situation and business results;
- Different unexpected events and accidents may impede the Issuer's business.

**Group specific risks**

- In its report for the years ended 31 December 2008, 31 December 2009 and 31 December 2010, the Issuer's auditors issued qualified opinion. As the basis for the qualified opinion the auditors indicated the possible effect of the fact that auditors did not observe the counting of the Group's physical inventory stated at LTL 7,255 thousand as of 31 December 2009 since this date was prior to their appointment as auditors of the statutory financial statements as of 31 December 2009. Auditors were unable to satisfy themselves as to the inventory quantities at this date by other audit procedures. The full report of the auditor is provided in this Prospectus. Except for the above mentioned limitations of scope, financial statements contained in this Prospectus provide a true and correct view of the financial situation, business results, and cash flows of the Group, as required in the International Financial Reporting Standards applicable in the EU.;
- While disclosing the Consolidated Interim Information on the segments, the information on the income of different segments was disclosed, however, other information of the segments according to item g) of Article 16 of 34th IFRS was not included. This inaccuracy will be remedied, while preparing the interim information of the Company and the Group for the period, ended 30 June 2011;
- The high level of the Group's borrowed capital may lead to restricted financing opportunities of the Group and cause difficulties in settlement with creditors. The Group might find it difficult to obtain any means of borrowed capital and might be dependant only on generated cash flows from operating activities;
- The Group may not achieve its objectives when managing capital 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;
- Due to the possible adverse changes in product markets, deterioration in the Group's financial situation, decrease of loan re-financing possibilities or other risk factors, the Group may be unable to settle debts with its creditors;
- A notable part of the Issuer's financial liabilities will become due in 2012, the Group's liquidity ratio is below 1 for last couple of years;
- As the Group's borrowings include loans with floating interest rate, an increase in interest rates may have an adverse effect on cash flow and financial results of the Issuer;
- Dependence on key executives and personnel;
- The insurance policies held by the Group do not cover all risk types, which may affect the Issuer's business. Although the insurance policies held cover the main risk factors, the insurance amount may be insufficient to cover all damages incurred by the Issuer in relevant circumstances;
- Because Issuer is a holding company, its financial situation is subject to the possibilities of the Issuer's subsidiaries and associated companies to pay management fees, to declare and pay dividends. Any decrease in these payments may have a considerable adverse effect on the Issuer's financial situation, business and its results;
- The success of the Group's activities depends on supply of qualified and less qualified workforce on the labour market. The shortfall of workforce necessary for the Issuer may considerably increase labour costs, suspend the Issuer's development and thus have a significant adverse effect on its business results and financial situation;
- The Group may need to update existing and operational equipment significantly;
- Most of the land parcels owned by the Group companies were formed according to preliminary measurements. Precise boundaries of these land parcels will be determined after geodesy measurements, upon performance of which, the land parcels owned by the Group companies may be adjusted;
- The Group has undertaken contractual obligations the non-performance of which may incur sanctions upon the Group companies;
- The Group is dependent on the availability of third party suppliers of equipment and raw materials;
- The payments under the Group's land lease agreements may increase;
- The Group is an industrial seller thus the number of clients is very limited;
- The Group's company Grūduva, UAB has not executed all the actions, needed for the title to shares of Grain LT, UAB to be duly transferred to Grūduva, UAB;
- Considerable amount of shares of Group companies' are pledged; also seized;
- Certain extended loans of the Company to its Subsidiaries may be recognized as concluded at the interest rate that is higher than the market standard;
- Insolvency of one of agricultural company of the Group may have a significant negative effect to financial standing of other agricultural companies;
- Credit Agreements concluded with certain Group companies, amounting to EUR 936,721 were terminated;
- Grounds for termination of credit agreements, concluded by certain Group companies with one of Lithuanian banks exist;
- The Group companies have extensive commercial relations with each other, which may create negative tax implications;
- Assets of a number of Group companies are seized in order to secure claims of third parties in the amount of EUR 5,366,514;
- Pending civil disputes may affect control and operation rights over Gustoniai, ŽŪB currently held by Smilgiai, ŽŪB and AVG Investments, UAB;
- Three of the currently consolidated land management entities have to be repurchased in order to remain a part of the Group.

**Industry specific risks**

- Epidemic of pig or cattle diseases (e.g., bovine spongiform encephalopathy or mad cow disease) may adversely affect Issuer’s financial situation;
- Sales volumes of agricultural production may decrease and have an adverse consequences for the Issuer;
- Failure to comply with the legal acts regulating agriculture may have a significant effect on the Issuer’s activities and business perspectives;
- Any damage arising due to adverse climatic conditions may negatively affect the Issuer’s financial situation, business, and results;
- Due to the various hardly predictable factors prices of agricultural products may fall having an adverse effect on the Issuers financial situation and business results;
- Expressed or implied dangers related to the quality, safety or health effects of products offered by the Issuer could give rise to liability of the Issuer and prejudice its business and reputation;
- The Issuer is subject to fluctuation of prices of seeds, fertilisers, compound foodstuffs;
- National policies and regulation in the field of agriculture and related business areas may adversely affect the Issuer’s activities and profitability.

**Risk factors related to Listing and Market**

- The Offering may be delayed, suspended or cancelled;
- The Offering may be delayed or aborted;
- The price of the Company’s Shares may fluctuate;
- The market value of Shares may be adversely affected by future sales or issues of substantial amounts of Shares;
- An active market for the shares may not develop;
- The marketability of the Company’s Shares may decline and the market price of the Company’s Shares may fluctuate disproportionately in response to adverse developments that are unrelated to the Company’s operating performance and decline below the Offer Price;
- Securities or industry analysts may cease to publish research or reports about the Company’s business or may change their recommendations regarding the Shares;
- No guarantee of dividend payment to the Issuer’s shareholders;
- The Company may be unable to list the Company’s Shares on the WSE or the OMX or the Company may be delisted from the WSE or the OMX;
- Trading in the Company’s Shares on the WSE or the OMX may be suspended;
- There can be no assurance regarding the future development of the market for the Shares and its liquidity;
- Dual listing of the Shares will result in differences in liquidity, settlement and clearing systems, trading currencies and transaction costs between the two exchanges where the Shares will be listed. These and other factors may hinder the transferability of the Shares between the two exchanges;
- The Company will have a limited free float, which may have a negative effect on the liquidity, marketability or value of its Shares;
- The Issuer has been and will continue to be controlled by its majority shareholders whose interests may conflict with those of other shareholders;
- Other public offerings of other companies, active in the same industry as the Group during the Offering may lower the interest in the Offering;
- LSC may refuse to approve a supplement to this Prospectus.

**Legal Risks**

- The rights of Lithuanian company shareholders may differ from the rights of the shareholders of a Polish company and the legislation, interpretation and application of legal acts may be different in Lithuania from that in Poland;
- Judgments of Polish courts against the Company may be more difficult to enforce than if the Company and its management were located in Poland;
- Tax treatment for non-Lithuanian investors in a Lithuania company may vary;
- The Issuer does not follow the OMX Corporate Governance Code to its full extent;
- Considerable part of Group companies are undergoing the procedure of restructuring;
- The Board as well as the Supervisory Council of the Company was not duly re-elected;
- Formal requirement regarding possible Board members of the Group’s agricultural companies is not followed;
- The right of use of a number of buildings owned by Group companies has not been duly established;
- Company’s restructuring plan may be declared inoperative and will need to be re-approved in the court;
- Pending civil dispute with one of Lithuanian banks, which may lead to loss of equipment used in the activities of some of the Group’s agricultural companies.

**2.6 SUMMARY OF THE OFFERING**

The Company .....	Agrowill Group AB, a public limited liability company established and existing under the laws of the Republic of Lithuania, with registered address at Smolensko str. 10, LT-03201 Vilnius, the Republic of
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	Lithuania.
Legal form of the Company .....	Public limited liability company, corporate ID code 126264360.
The Offering .....	The Offering comprises of up to 25,000,000 newly issued ordinary registered shares that are to be offered by the Company in a public offering in Poland. No public offering in Lithuania will take place. Although for the purpose of the Offering in Poland the Issuer has taken and will take certain actions in Lithuania as its home Member State of the Company. Moreover, the Offer Shares will be admitted to trading on the OMX, as indicated below.
Offer Shares .....	Up to 25,000,000 new ordinary registered shares in the share capital of the Company each with a nominal value of LTL 1 per share.
Book-building .....	Prior to the commencement of the Offering, a book building process shall be undertaken. The book building shall apply to both Tranches under which the Offer Shares are being offered. As a result of the activities, the book of demand for the Offer Shares shall be build up. The results of book building in both Tranches shall be used when setting an issue price for the Offer Shares. For more information please see Section 21.1.3 <i>Book-building</i> .
Subscription Period .....	Subscription Period for the Offer Shares is expected between 15 June 2011 and 22 June 2011.
Subscription Order .....	<p>Subscriptions will be accepted at the offices of the Offering Broker and at the offices of distribution consortium members, if the consortium is set up. A list of places where subscriptions in each Tranche will be accepted will be published before the start of the subscriptions at the Issuer's website <a href="http://www.agrowill.lt">www.agrowill.lt</a> and the website of the Offering Broker <a href="http://www.idmsa.pl">www.idmsa.pl</a>.</p> <p>Subscriptions via Internet, by phone, facsimile or other communication are also allowed in accordance with the regulations of the entities accepting subscriptions, providing the protection of the text of subscriptions is guaranteed and the signature may be identified (where applicable).</p>
Maximum Price .....	PLN 1.5.
Offer Price .....	<p>The final Offer Price will be determined by the Issuer upon agreement with the Adviser and the Offering Broker, based on the following criteria and rules: (i) size and price sensitivity of demand from the Institutional Investors as indicated during the book-building process, (ii) the current and anticipated situation on the Polish and international capital markets and (iii) assessment of the growth prospects, risk factors and other information relating to the Issuer's activities.</p> <p>The Offer Price will be the same for both Tranches and will not exceed the Maximum Price. The price will be expressed in PLN.</p> <p>The Issuer will announce the Offer Price prior to commencement of the Subscription Period. The Offer Price will be filed with the LSC and the PFSA and published in the same manner as the Prospectus.</p>
Allotment and delivery of the Offer Shares .....	<p>The Management Board shall allot the Offer Shares up to six business days after the closing of the Subscription Period. The minimum allotment unit shall be one Offer Share.</p> <p>Delivery of the Offer Shares will be made in accordance with settlement instructions placed by the Investors upon subscription, through the facilities of the NDS, by registration of the Offer Shares on the Investors' securities accounts indicated by such Investors.</p> <p>Delivery of the Offer Shares is expected to take place no longer than 2 weeks after the Allotment Date, barring unforeseen circumstances, by appropriate entry on the Investors' securities accounts held through members of the NDS. The exact delivery dates will depend on timing of (i) the registration of capital increase of the Company with the Register of Legal Persons, (ii) registration of the Offer Shares with the CSDL and (iii) registration of the Offer Shares in the facilities of the NDS.</p> <p>After the successful closing of the Offering, the Offer Shares will be held in book entry form in the NDS.</p>
Listing Date .....	It is expected that the trading in the Shares on the WSE as well as in the Offer Shares on the OMX will commence in the beginning of July 2011.
Shares issued and outstanding ....	Prior to the Offering, the Company's share capital consisted of



	71,552,254 shares issued and outstanding. After the issue of up to 25,000,000 Offer Shares, the Company's share capital will consist of up to 96,552,254 shares issued and outstanding.
Voting rights.....	Each Share of the Company confers one vote in the General Meeting. Only shareholders who have fully paid-up their Shares are entitled to vote at the General Meeting. Persons, who were shareholders of the Company at the end of the record date of the General Meeting, are entitled to attend and vote at the General Meeting or the repeated General Meeting. The record date of the General Meeting of the Company is the close of the fifth business day before the General Meeting.
Reasons for the Offer and Use of proceeds .....	<p>The purpose of the Offering is to attract additional capital and ensure the successful implementation of development strategies of the Group. Moreover, the listing of Shares is expected to increase international awareness of the Group, especially among professional investors.</p> <p>The net proceeds from the sale of the Offer Shares will be aimed primarily at the expansion of the milking cow herd, working capital financing, and execution of other value added projects.</p>
Dilution.....	Upon completion of the Offering and assuming that all Offer Shares are issued, the Offer Shares will represent a total of 25.9% of the new share capital of the Issuer.
Dividends and dividend policy .....	For a description of issues related to dividends and dividend policy please refer to the Section 7 <i>Dividends and Dividend Policy</i> .
Major shareholders .....	<p>The major shareholders of the Company are Volemer Holdings Limited (16,575,672 shares, i.e. 23.17% of all the shares of the Company), Vretola Holdings Limited (10,800,202 shares, i.e. 15.09% of all the shares of the Company), Mr. Linas Strėlis (10,418,800 shares, i.e. 14.56% of all the shares of the Company), Eastern Agro Holdings, UAB (8,343,609 shares, i.e. 11.66% of all the shares of the Company), and Mr. Romualdas Petrošius (5,218,667 shares, i.e. 7.29% of all the shares of the Company).</p> <p>On 12 May 2011 Volemer Holdings Limited, Mr Romualdas Petrošius and two minority shareholders of the Company Jurgis Petrošius and Aldona Petrošienė reached 31.03% of total voting shares of the Company (the reason for overstepping the limit – acquisition of voting rights by acquiring the control of legal entity (shareholder of the Company)). Mr Jurgis Petrosius controls the company, which indirectly controls one of the shareholders of the Company (Volemer Holdings Limited). Others of the indicated persons are related to Mr Jurgis Petrošius, also holding shares in the Company, thus, are (and deem themselves) as persons acting in concert.</p>
Lock-up .....	<p>The Issuer has agreed that for the period of 12 months from the first day of listing of the Shares on the WSE, the Issuer will not, without a prior written consent of the Offering Broker, which shall not be unreasonably withheld, propose or otherwise support an offering of any of the Issuer's Shares, announce any intention to offer new Shares within the period of 12 months from the first day of listing of the Shares on the WSE and/or to issue any securities convertible within the period of 12 months from the first day of listing of the Shares on the WSE into the Issuer's Shares or securities that in any other manner represent the right to acquire the Issuer's Shares, or conclude any transaction (including any transaction involving derivatives) the economic effect of which would be similar to the effect of selling the Issuer's Shares.</p> <p>In addition, all the Major Shareholders of the Issuer have agreed that for the period of 12 months from the first day of listing of the Shares on the WSE they will not, without a prior written consent of the Offering Broker, which consent shall not be unreasonably withheld, (i) sell or announce an intention to sell any of the Company's Shares or otherwise transfer any Shares, (ii) issue any securities exchangeable into the Issuer's Shares, (iii) issue any securities that in any other manner represent the right to acquire the Issuer's Shares, or (iv) conclude any transaction (including any transaction involving derivatives) the economic effect of which would be similar to the effect of selling the Issuer's Shares.</p> <p>However, two of Major Shareholders, Linas Strėlis holding 14.56% and Eastern Agro Holdings UAB holding 11.66% of Shares respectively, pledged all of their Shares to the banks as the security for the granted facility. According to the pledge agreements banks in case of the default</p>

	<p>may sell the Shares in order to satisfy their claims under the facility agreements. Banks would have priority over the lock-up. Furthermore, Volemer Holdings Limited holding 23.17% of all the Shares is entitled to enter into pledge agreement with respect to its Shares if the pledgee under the agreement would have the right to satisfy itself from the Volemer Holdings Limited Shares only after the period end of the lock-up period. Conclusion of such pledge agreement is subject to the Offering Broker consent, which could be granted only after obtaining the confirmation from the pledgee that it agrees on such conditions of the pledge. Moreover, lock-up agreement stipulates the contractual penalty for the Linas Strélis, Eastern Agro Holdings UAB and Volemer Holdings Limited in case of breach of their obligations.</p>
ISIN code.....	LT0000127466.

### 3 SUMMARY FINANCIAL AND OPERATING DATA

#### 3.1 SUMMARY FINANCIAL INFORMATION

**Table 4: Summary financial information of the Group (LTL'000)**

Item	31 March 2011 (unaudited)	31 March 2010 (unaudited)	31 December 2010	31 December 2009 Restated	31 December 2008 Restated
<b>Selected consolidated Income Statements data</b>					
Revenues	7,402	5,885	45,165	48,277	58,712
Operating profit	2,723	-1,744	7,736	-44,487	-6,772
Profit before tax	1,467	-2,956	912	-57,366	-19,807
Net profit (loss)	1,956	-2,956	7,297	-54,072	-34,863
<b>Selected consolidated Balance Sheets data</b>					
Property, plant and equipment	138,529	-	140,442	146,960	161,103
Investment property	81,762	-	81,794	82,364	82,364
Intangible assets	2,914	-	2,916	2,961	5,246
Long term receivables	220	-	430	232	588
Financial assets	763	-	757	139	310
Deferred tax asset	4,032	-	3,543	-	-
Biological assets - livestock	13,523	-	13,009	9,981	35,480
<b>Total non-current assets</b>	<b>241,723</b>	-	<b>242,891</b>	<b>242,637</b>	<b>285,091</b>
Crops	12,404	-	10,384	5,124	12,772
Inventory	12,114	-	11,588	7,255	19,578
Trade receivables, advance payments and other receivables	21,083	-	22,779	13,497	26,566
Cash and cash equivalents	2,950	-	1,322	3,725	3,011
<b>Total current assets</b>	<b>48,551</b>	-	<b>46,073</b>	<b>29,601</b>	<b>61,927</b>
<b>Total assets</b>	<b>290,294</b>	-	<b>288,964</b>	<b>272,238</b>	<b>347,018</b>
Share capital	71,552	-	71,552	26,143	26,143
Share premium	25,595	-	25,595	22,130	22,130
Reserves	47,134	-	47,885	46,462	26,609
Retained earnings	-35,768	-	-38,326	-47,621	3,576
Minority interest	2,580	-	2,431	103	4,084
<b>Total equity</b>	<b>111,093</b>	-	<b>109,137</b>	<b>47,217</b>	<b>82,542</b>
Borrowings and financial lease	5,355	-	29,128	30,127	67,357
Grants	9,681	-	9,905	10,650	11,053
Restructured liabilities	38,173	-	22,152	-	-
Deferred tax liability	10,783	-	10,870	17,919	19,104
<b>Total non-current liabilities</b>	<b>63,992</b>	-	<b>72,055</b>	<b>58,696</b>	<b>97,514</b>
Current portion of non-current borrowings and financial lease	81,726	-	73,392	59,777	78,625
Current borrowings	8,128	-	6,128	64,218	45,445
Trade payables	16,687	-	16,084	17,498	24,956
Other payables and current liabilities	8,668	-	12,168	24,832	17,936
<b>Total current liabilities</b>	<b>115,209</b>	-	<b>107,772</b>	<b>166,325</b>	<b>166,962</b>
<b>Total liabilities</b>	<b>179,201</b>	-	<b>179,827</b>	<b>225,021</b>	<b>264,476</b>
<b>Total equity and liabilities</b>	<b>290,294</b>	-	<b>288,964</b>	<b>272,238</b>	<b>347,018</b>
Financial debt (current and non-current, including financial lease)	133,382	-	130,800	154,122	191,427
Invested capital (financial debt and equity)	244,475	-	239,937	201,339	273,969
<b>Selected consolidated Cash Flow Statements data</b>					
Cash flow from operating activities	875	6,651	133	13,543	-1,180
Cash flow from investing activities	-18	488	-990	-2,208	-103,702
Cash flow from financing activities	881	-7,948	-1,546	-10,621	103,472

<i>Item</i>	<i>31 March 2011</i>	<i>31 March 2010</i>	<i>31 December 2010</i>	<i>31 December 2009 Restated</i>	<i>31 December 2008 Restated</i>
<b>Unaudited Key ratios and indicators</b>					
EBITDA	1,876	-127	8,751	-8,186	4,600
EBITDA margin, %	0.25%	-2.16%	19.38%	-16.96%	7.83%
Current ratio	0.42	-	0.43	0.18	0.37
Quick ratio	0.32	-	0.32	0.13	0.25
ROA, %	0.94%	-	2.76%	-14.37%	-2.46%
ROE, %	0.89%	-	9.49%	-86.12%	-44.13%

*Source: The Company, Consolidated Financial Statements and Consolidated Interim Information*

EBITDA = Net income add interest, depreciation and reversal of all other non-cash items (as described in Section 1.3 *Presentation of financial information*).

Current ratio = Current assets / Current liabilities

Quick ratio = (Current assets - Inventory) / Current liabilities

ROA = Operating profit / Average total assets

ROE = Net profit / Average total equity

## 4 RISK FACTORS

*Before deciding to invest in the Offer Shares, prospective investors should study carefully the risk factors described below as well as other information contained in this Prospectus. Additional risks and uncertainties of which the Issuer is currently unaware or which are considered as irrelevant at the moment may also have an adverse effect on the Issuer's business, financial situation, liquidity, or business results. Occurrence of any of the potential events listed below may have a material adverse effect on the Issuer's business, financial situation, liquidity, or business results. These or other risk factors may reduce the sale price of the shares and the investors may lose all or part of their investments.*

### 4.1 GENERAL BUSINESS RISKS

**Economic instability.** The Group conducts its business in Lithuania. The principal sales markets of the Group are Lithuania (milk) and global markets (the Group exports some part of the grain). Both developed and emerging markets are subject to impacts of economic downturn, including decreased global demand for agricultural products and conservative lending policy of credit institutions. In addition, profit margins for various products are influenced by economic conditions and tend to decrease during economic recessions. As a result, economic downturn and volatile business conditions may adversely influence the Group's ability to execute its business strategy and may negatively affect its operating results or possibilities to obtain external financing.

**Dependence on external financing.** Further development of the Group's activities will require substantial amounts of capital to fund operating activities and capital expenditures. For this reason, failure to secure adequate levels of external financing might limit the Group's growth plans and place it at competitive disadvantage as compared to well-capitalized peers.

Furthermore, credit facilities of the Company's Subsidiaries contain covenants placing certain restrictions and limiting the discretion of the Company subsidiary's management by the necessity to meet certain financial ratios and existence of restrictions to grant or receive loans, to establish new entities, etc. without an approval of the financing party. In case of a failure to comply with these covenants, the Company's Subsidiaries run the risk of certain credit facilities being cancelled or a demand being made to repay certain loans. Such events may cause interruptions in regular business activities, loss of collateral or, in extreme cases, a financial distress in the respective Subsidiary.

**Insolvencies among major customers and contracting parties.** Insolvencies among the Group's customers or contracting parties could result in losses for the Group and may have a material adverse effect on the Group's revenues and results of operations.

**Exposure to currency fluctuations.** The Group conducts its business operations in multiple currencies. The major currencies are Euros and Lithuanian Litas. Lithuanian Litas is pegged to the Euro at the exchange rate of 1 EUR = 3.4528 LTL. However, should any other currency has to be used, exposure to currency fluctuations results from currency mismatches in purchasing and sales activities, i.e. goods and services are bought and sold in different currencies. Therefore, unfavourable currency movements may adversely affect business transactions of the Group and consequently impair its financial position.

**Success of previous, current, and future investment projects.** The Issuer has implemented and may implement in the future investment projects of large scope. Though the Issuer and its employees invoke all available information and analytical resources when planning investments, there is no guarantee, however, that all information on which the investments planned were based was true and exhaustive. Furthermore, there is no guarantee that the investment plans and the investments made will generate anticipated or planned return on investment; there is no guarantee that investment will not cost more than it was anticipated. Failure of already implemented or anticipated investment projects, where return on investment from these projects is lower than it was expected or prices of such investments are higher than it was planned, may have a significant adverse effect on the Issuer's activities, its financial situation and business results. The Issuer develops its business by acquiring inefficient agricultural undertakings and investing in their modernisation and management of their business aiming to increase the efficiency of these agricultural undertakings. There is no guarantee, however, that the Issuer's investments will succeed, i.e. that the undertakings will grow, modern agricultural technologies will be introduced properly and successfully, and it will be ensured that all the agricultural undertakings acquired will manufacture high-quality agricultural products. Failure to ensure effective modernisation of the agricultural undertakings acquired may significantly adversely affect the Issuer's activities, financial situation and results.

**Inflation.** The upcoming years may entail considerable inflation. Relevant expenses of the Issuer, e.g., investment to equipment and workforce, are closely related to the general price level. Growing inflation may prevent the Issuer from changing the prices of its products respectively to preserve the existing profit margin or may lead to higher losses. Thus, the Issuer's expenditures would increase considerably due to inflation and the Issuer would have to cover its increased costs from internal resources, unless the Issuer manages to increase its prices. Thus, strong inflation may have a considerable adverse influence on the Issuer's financial situation and business results.

**Increase of salaries.** Labour costs make a considerable part of the cost of the Issuer's products. Though workforce is cheaper in Lithuania than in old EU member states, the difference should decrease constantly as the Lithuanian economy is catching up with the average of the EU. Willing to remain competitive and retain its employees, the Issuer may be forced to increase its labour costs at a faster pace than it used to do

previously. If the Issuer fails to increase labour efficiency and effectiveness by increasing these costs, this may have a considerable adverse effect on the Issuer's financial situation and business results.

**Different unexpected events and accidents may impede the Issuer's business.** The Issuer's business may be affected by different unexpected events, such as fire, transportation problems, breakdown of equipment, etc. The companies controlled by the Issuer possess a lot of different assets and equipment, which are used in the Group's business. Considering that the Group uses much technical equipment and operates in a large area, occurrence of any unexpected events (an accident, explosion, fire, etc.) in the area or premises controlled by the Group is possible. Any of these events may destroy prepared grain crops, seeds, fertilisers, feedstuffs, etc. accumulated and kept by the Group. There is no guarantee that the limits of the insurance policies held would be sufficient to cover the damages suffered in case of any of these events. Furthermore, there is no guarantee that elimination of the consequences of these events would be successful. There is a threat that any of these events may disrupt the business of the entire Group or considerably affect its day-to-day business. The Group has insured its business against a wide range of possible events and resulting damages, but not against all events and damages. Thus, insurance premiums may fail to cover all damages should these events occur. In such circumstances, arising damages may entail considerable adverse effects on the Company's financial situation and business results.

#### 4.2 GROUP SPECIFIC RISKS

**Issuer's financial reporting accuracy risk.** In its report for the years ended 31 December 2008, 31 December 2009 and 31 December 2010, the Issuer's auditors issued qualified opinion. As the basis for the qualified opinion the auditors indicated the possible effect of the fact that auditors did not observe the counting of the Group's physical inventory stated at LTL 7,255 thousand as of 31 December 2009 since this date was prior to their appointment as auditors of the statutory financial statements as of 31 December 2009. Auditors were unable to satisfy themselves as to the inventory quantities at this date by other audit procedures. The full report of the auditor is provided in this Prospectus. Except for the above mentioned limitations of scope, financial statements contained in this Prospectus provide a true and correct view of the financial situation, business results, and cash flows of the Group, as required in the International Financial Reporting Standards applicable in the EU..

**Execution of the requirements of IFRS, while disclosing the Consolidated Interim Information.** While disclosing the Consolidated Interim Information on the segments, the information on the income of different segments was disclosed, however, other information of the segments according to item g) of Article 16 of 34th IFRS was not included. This inaccuracy will be remedied, while preparing the interim information of the Company and the Group for the period, ended 30 June 2011.

**The level of the Group's borrowed capital may lead to restricted financing opportunities of the Group and cause difficulties in settlement with creditors.** The Issuer's Group's borrowed capital is significant. As of 31 March 2011, the aggregate debt of the Group amounted to LTL 133,382 thousand (31 December 2010: 130,800 thousand); long-term tangible property in the value of LTL 73,900 thousand (31 December 2010: 79,285 thousand) has been mortgaged for the benefit of banks. Additionally, as of 31 March 2011 the carrying amount of investment property in the amount of LTL 74.4 million (as of 31 December 2010: LTL 74.8 million, 31 December 2009: LTL 77.9 million) have been pledged as security for bank borrowings. Total amount of assets pledged for borrowings amount to more than 50% of total Group's assets. The level of the borrowed capital may be decisive for the Group and give rise to complications in attracting additional financing in the future. The level of the borrowed capital may also influence that in the future, the Group would have to direct a considerable portion of generated cash flows to serve the debt and pay interest. This may limit the Group's development possibilities, reclamation of new land parcels and aggravate the surveillance and maintenance of increased number of cows. These factors may have considerable adverse effects on the Group's business results. Furthermore, taking into account that a considerable part of the assets of the Issuer and the Group are mortgaged in order to secure the performance of financial obligations under the credit agreements, there are no assurances or guarantees that if the Group fails to fulfil its debt obligations timely, its creditors will not refer their claims to recover their funds from the assets of the Issuer or the Group. Using the Group's assets for covering its own debt obligations may aggravate or suspend the Group's operations. This may worsen its financial situation considerably and adversely affect its activities and results. Moreover, the indebtedness level may impede active implementation of development due to business and financial obligations contained in credit agreements, which restrict the Group's possibilities of borrowing more funds, mortgaging property and/or participating in mergers or amalgamations of other type. The level of indebtedness of the Group may also entail significant consequences, including without limitation: (i) the Group's ability to obtain additional financing for working capital, capital expenditure, acquisitions, servicing the debt, or other targets may be restricted; (ii) the Group's flexibility to adapt to changing market conditions may be limited; (iii) the Group's competitive advantages may decrease. Furthermore, major loans of the Group are with floating interest rates; thus, increase of interest rates may adversely affect the Group's cash flows and business results. Any of the factors mentioned above may have an adverse considerable influence on the Group's financial situation, its operations and results.

**Group's capital risk.** 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.

**Group's credit risk.** Investors assume the risk that due to the existing adverse changes in product markets, deterioration in the Group's financial situation, decrease of loan re-financing possibilities or other risk factors, the Group may be unable to settle with its creditors and this would have a negative effect on the Group's business and the value of the Group's shares respectively. The Group's business during the year 2010 has been profitable. Credit risk related to the funds in banks is limited as the Group works with the major Lithuanian banks only. As of 31 December 2010, the ratio of total (consolidated) liabilities and total assets was 0.62. The balance of total financial loans, including liabilities related to leasing, amounted to LTL 130,800,000 on 31 December 2010.

**A notable part of the Group's financial liabilities will become due in 2012, the Group's liquidity ratio is below 1 for last couple of years** Around LTL 23.2 million of the bank credit facilities drawn by the Group for the purpose of arable land acquisition will mature in 2012. It shall be noted that agreement was concluded in 2008 with the original repayment date as of 2010 with initial interest rate of 15%. After successful negotiations it was prolonged till 2012, alongside a decrease in the interest rate down till 5%. It is highly probable that additional repayment date prolongation will take place. And only if the repayment date will not be postponed, there is a possibility that the Group will not be able to repay the amounts due on time, what could potentially have a significantly negative effect on the size of land portfolio since the 3,900 ha are pledged to secure this bank credit, as well as the Company has issued a guarantee on repayment of this loan. Such occurrence might negatively affect the viability of business operations conducted by the Group.

Also, Grūduva, UAB has an obligation to repay approx. EUR 216,500 by 30 September 2011 which is secured by financial collateral arrangements. Furthermore, Grūduva, UAB has a monetary obligation amounting to EUR 549,200 to one Lithuanian company payable in equal proportions in 2011 and 2012 respectively.

**Group's cash flow and fair value interest rate risk.** The Group's interest rate risk arises from 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. Absolute majority of bank borrowings and finance lease liabilities are re-priced each 6 months. Other borrowings are re-priced each 12 months. In 2010, total Group borrowings at variable rates amount to LTL 91.1 million (2009: LTL 101 million, 2008: LTL 143 million), LTL 11.5 million (2009: LTL 10 million, 2008: LTL 12 million) of which is denominated in LTL, while the remaining LTL 79.6 million (2009: LTL 91 million, 2008: LTL 131 million) borrowings are denominated in EUR. If floating rate interest (influenced by EURIBOR or VILIBOR) changed by 1 percentage point, the annual effect on the Group would amount to LTL 911 thousand before taxes (2009: LTL 1,010 thousand, 2008: LTL 1,430 thousand). As at 31 December 2010 the Group's bonds were classified with restructured liabilities and had a fixed rate of 10.1% (2009, 2008: 12% to 14%). Trade and other receivables and payables are interest-free and have settlement dates within one year.

**Dependence on key executives and personnel.** Each area of the Group's activities depends on the Issuer's and Group's executive team responsible for the development, growth and proper day-to-day operation of a separate field. Therefore, the Group's ability to remain competitive and implement the growth strategy is determined largely by the experience, knowledge, personal relations and other characteristics of these people. The Group's capability to attract and hire executives of high qualification also attributes to the Issuer's success. It is likely that the Issuer's executives and major employees may decide to change their place of employment and cease their work with the Issuer as permanent and severe competition for high qualification personnel is taking place in the labour market. Loss of these employees or the Issuer's incapability to hire new executives having appropriate knowledge and skills, or shortfall of these people in the market may have a considerable adverse effect on the Issuer's business perspectives, financial situation and results.

Furthermore, neither the key executives and personnel of the Group, nor any other employees could be not restrained by non-competition obligation, as according to the non-competition and non-solicitation agreements, used by the Group companies, payment of any compensation for the non-competition obligation is not foreseen, which according to the relevant case law makes non-competition agreement unenforceable following the termination of the employment. Thus, in principle the employees of the Group companies may work in/ provide services to the competitors of the Group companies as well as have their shares or otherwise participate in their capital, which could contradict to the interests of the Group and have negative influence to its perspectives and results.

**Insurance.** The insurance policies held by the Group do not cover all risk types, which may affect the Group's business. Although the insurance policies held cover the main risk factors, the insurance amount may be insufficient to cover all damages incurred by the Group in relevant circumstances. The Issuer makes no provisions that would be allotted to indemnify for non-covered damages of third parties. In case of any events which may inflict considerable damages to the Group or during which the Issuer causes damages to third parties, provided the limits of insurance are insufficient to cover these damages, the Group's activities may be severely disturbed as the Group may be forced to allot considerable resources to reduce damages or to pay larger premiums to cover damages. There is no guarantee that these expenses will be compensated in full or at least in part. This may have a considerable adverse effect on the Group's business, financial situation and results.

Furthermore, only 24% of crops (exclusively rape fields) of Group's agricultural companies are insured. Other crops than rape fields, which cover nearly 14,000 ha and make up 76% of all crops planted for the

season are not insured. Also the agricultural companies of the Group are not protected from losses arising from meteorological and/or environmental risks.

**The Issuer is a holding company.** The Issuer is a holding company operating through its subsidiaries and associated companies. Apart from the investments to operating companies, the Issuer has no other considerable property and thus its functioning is subject to management fees collected from controlled companies. In the future, the Issuer may also be subject to the dividends paid by its subsidiaries. The dividends, however, may not be paid, unless the paying companies generate appropriate profits. The Issuer's possibilities of benefiting from sale of the assets of these companies in case of liquidation thereof or in other cases also depend on whether these companies manage to settle with all their creditors properly. Thus, the Issuer's financial situation is subject to the possibilities of the Issuer's subsidiaries and associated companies to pay management fees, to declare and pay dividends. Any decrease in these payments may have a considerable adverse effect on the Issuer's financial situation, business and its results.

**Business results of the Group also depend on its abilities to attract qualified and less qualified workforce.** The success of the Group's activities depends on supply of qualified and less qualified workforce on the labour market. The shortfall of workforce necessary for the Group may considerably increase labour costs, suspend the Group's development and thus have a significant adverse effect on its business results and financial situation. The Group has to comply with environmental rules and it may be held liable for improper compliance with such rules. In its operations, the Group must comply with different environmental rules regulating labelling, use, and storage of different hazardous substances used in the Group's activities. These rules require installing procedures and technologies for proper treatment of any hazardous substances, and provide for the Group's liability in managing and eliminating any pollution of the environment. In addition to the liability for current activities, the Group may also be liable for any previous operations if it appears that such operations caused damages to the environment. Furthermore, any changes in environmental regulations, both national and international, may bind the Group to introduce the measures that would meet the new standards. This may have an adverse effect on the Issuer's activities, financial situation and results.

**The Group may need to update existing and operational equipment significantly.** The Group uses a variety of equipment and technologies in its business. Therefore, the Group encounters a risk of breakdown or wear of parts of the most important equipment and technologies prematurely. In this case, the Group should allot considerable funds for repair or update of the equipment thus limiting its possibilities of investing in its development and entering new markets. This may cause a significant damage to its financial situation and perspectives. Failures, breakdowns, etc. of the most important technological equipment used in the business of the Group companies may directly adversely affect the scope of the Issuer's activities and sales as well as the Group's financial situation and business results.

**Inaccuracy of preliminary measurements.** Most of the land parcels owned by the Group companies were formed according to preliminary measurements. Precise boundaries of these land parcels will be determined after geodesy measurements. Upon performance of geodesy measurements, the land parcels owned by the Group companies may be adjusted, i.e. their total area may decrease or increase respectively.

**Contractual obligations.** The Issuer has undertaken contractual obligations the non-performance of which may incur sanctions upon the Group companies. This may affect the Issuer's business results and profitability. For example, pursuant to the agreements entered into by the Group's agricultural undertakings selling milk produced by them, if any party breaches a contractual obligation related to the supply and/or purchase of products, the defaulting party has to pay the other party a penalty equal to the value of milk that has not been supplied and/or purchased properly.

**The Group is dependent on the availability of third party suppliers of equipment and raw materials.** If the Group is unable to secure sufficient supplies of equipment and materials, such as seeds, fuel, feed, fertilizer and other, and at reasonable prices, in order to carry out its operations, or that any of its third party suppliers do not perform as expected, it may have a material adverse effect on the Group's business, financial conditions, result of operations and prospects.

**The payments under the Group's land lease agreements may increase.** As of 31 December 2010 the Group owned over 13.5 thou. hectares of agricultural land and cultivated 18.5 thou. hectares. The plots leased are of significant acreage, so any increase of the land lease payments above the Group's current expectations could materially adversely affect the Group's business, results of operations and financial condition.

**The Issuer is an industrial seller thus the number of clients is very limited.** Due its nature raw milk purchasers are local companies and loss of one customer could greatly impact Issuer's business, results of operations and financial condition.

**The Group's company Grūduva, UAB has not executed all the actions, needed for the title to shares of Grain LT, UAB to be duly transferred to Grūduva, UAB.** On 30 September 2010 Grūduva, UAB and current shareholder of Grain LT, UAB concluded agreement regarding the future transfer of shares of Grain LT, UAB to Grūduva, UAB. According to the agreement, the current shareholder has an obligation to transfer title to the shares of Grain LT, UAB to Grūduva, UAB and Grūduva, UAB has an obligation to take over obligations of the shareholder under surety agreement between him and one of Lithuanian bank's. Title to the shares of Grain LT, UAB must be transferred to Grūduva, UAB upon Grūduva, UAB request, provided that the following conditions are met: (i) Grūduva, UAB shall pay the agreed fee for shares of Grain LT, UAB (this is the only action which is already executed); (ii) request regarding transfer of shares shall be submitted to the shareholder between 20 December 2010 and 1 February 2012; (iii) consent of the bank regarding transfer of obligation under surety agreement shall be issued.



Until the transaction is not closed, Grūduva, UAB may not be considered as holding shares in Grain LT, UAB and there is risk that Grūduva, UAB will not be able to acquire these shares if (i) the seller would refuse to transfer the shares of Grain LT, UAB; and/or (ii) the bank would not issue consent for assignment under the surety agreement.

**Considerable amount of shares of Group companies' are pledged; also seized.** All shares of Žemės vystymo fondas, UAB, Žemės vystymo fondas 1, UAB, Žemės vystymo fondas 2, UAB, Žemės vystymo fondas 3, UAB, Žemės vystymo fondas 4, UAB, Žemės vystymo fondas 6, UAB, Žemės vystymo fondas 7, UAB, Žemės vystymo fondas 8, UAB, Žemės vystymo fondas 11, UAB, Žemės vystymo fondas 12, UAB, Žemės vystymo fondas 15, UAB, Žemės vystymo fondas 16, UAB, Žemės vystymo fondas 19, UAB are pledged. Also all shares of Žemės vystymo fondas, UAB, Žemės vystymo fondas 1, UAB, Žemės vystymo fondas 2, UAB, Žemės vystymo fondas 3, UAB, Žemės vystymo fondas 4, UAB, Žemės vystymo fondas 5, UAB, Žemės vystymo fondas 6, UAB, Žemės vystymo fondas 7, UAB, Žemės vystymo fondas 11, UAB, Žemės vystymo fondas 12, UAB, Žemės vystymo fondas 14, UAB, Žemės vystymo fondas 15, UAB, Žemės vystymo fondas 16, UAB, Žemės vystymo fondas 19, UAB, Žemės vystymo fondas 20, UAB as well as of AVG investment, UAB, AVG investment 1, UAB, AVG investment 2, UAB and all agricultural companies of the Group (except Gustoniai, ŽŪB, Agrowill Želsvelė, ŽŪB and Agrowill Lankesa, ŽŪB) are seized.

Shareholder cannot dispose of the pledged (as well as seized) shares without the written consent of creditors. Furthermore, in case obligations secured by pledge will be not fulfilled (which is the case in certain of the aforementioned pledges), pledged shares could be taken over by the creditors of the Group companies. This also applies in case of seized shares.

**Certain extended loans of the Company to its Subsidiaries may be recognized as concluded at the interest rate that is higher than the market standard.** The Company has extended loans to some of its Subsidiaries at the interest rate, which may be recognized as exceeding the market interest rate and as a result the Company may be deemed to have received or is entitled to additional "excess" interest income of approx. EUR 380,000.

**Insolvency of one of agricultural company of the Group may have a significant negative effect to financial standing of other agricultural companies.** According to credit agreement concluded with one of Lithuanian bank's all agricultural companies of the Group (ŽŪB) (except Gustoniai, ŽŪB) are jointly and severally liable with other agricultural companies for the repayment of all debt which as of 31 December 2010 was equal to LTL 24,406,885. This loan is also secured by a guarantee issued by the Company in full amount. In addition, a number of agricultural companies of the Group have secured obligations to the bank of other agricultural companies. Thus, the insolvency of one of agricultural companies of the Group may have significant negative effect to financial standing of other agricultural companies and possibly cause insolvency of other agricultural companies.

**Credit Agreements concluded with certain Group companies, amounting to EUR 936,721 were terminated.** Žemės vystymo fondas 6, UAB and Žemės vystymo fondas 8, UAB have both failed to make timely payments under credit agreements concluded with one of Lithuanian bank's. As a result, the bank, having failed to reach the agreement with the debtors has terminated the credit agreements with the indicated Group companies. Unpaid amounts under both loan agreements amount to EUR 936,721. Thus, the bank may start procedure for recover of the indicated unpaid loan, which may lead to attachment of and subsequent recovery of the debt from assets of Žemės vystymo fondas 6, UAB and Žemės vystymo fondas 8, UAB as well as insolvency of the companies.

**Grounds for termination of credit agreements, concluded by certain Group companies with one of Lithuanian banks exist.** Group asset holding companies, among other potential violations of credit agreements, have failed to make timely payments of the principal and interest payments under all credit agreements concluded by the relevant companies and one of Lithuanian banks. Total amount of overdue payments of the principal amount of loans to the bank as of 31 December 2010 amounted to EUR 301,013 (additionally EUR 200,659 in overdue interest payments).

Failure to make timely payments, allows the bank to initiate termination of credit agreements. In case of termination of one or more of the credit agreements, the bank would be entitled to accelerate repayment of loans of up to EUR 8,877,788, which would negatively affect the Group's financial situation, business, and results and unless alternative financing would be found; the relevant Group company (companies) may even be required to declare bankruptcy.

**The Group companies have extensive commercial relations with each other, which may create negative tax implications.** The Group companies have extensive dealings with each other. The Company renders management and accounting services to all of the Group companies. Furthermore, loans among Group companies as of 31 December 2010 amounted to EUR 57,081,600.

Most of the largest suppliers of Group's agricultural companies are other Group companies. Total turnover of transactions between related parties in 2010 amounted to EUR 11,299,056 for sale of goods and EUR 3,329,116 for provision of services, which amount to 32% of the consolidated turnover of the Companies. For more information on such transactions please see Section 16 *Related Party Transactions*.

According to the applicable tax laws, transactions between the related parties must be concluded at arm's length. In addition, none of the Group companies has transfer pricing documentation prepared in accordance with the applicable laws.

The transactions with related parties could raise potential tax implications if it were determined by the State Tax Inspectorate that the agreement is executed not at conditions, which are comparable to market

conditions provided at arm's length. There is also a risk that the agreement may be considered as a simulated agreement, due to which fact the negative tax implications may occur, as services would be considered as not provided.

**Assets of a number of Group companies are seized in order to secure claims of third parties in the amount of EUR 5,366,514.** Significant amounts of assets of some of the Group companies have been seized in order to secure claims of various third parties in the amount of EUR 5,366,514, including State Tax Inspectorate, State Social Security Fund and other counterparties of the relevant companies in the amount.

Seized assets may not be an object of transfer, lease, pledge or similar transactions. Furthermore, if the claims of persons, whose claims are secured, would be upheld, such claims could be satisfied from the seized assets.

However, due to the fact that most of the Group companies, which assets are seized are undergoing restructuring, recovery from seized assets owned by these companies may not be executed. Therefore, for the period of restructuring, claims amounting to EUR 4,190,600 of the aforementioned sum may not be satisfied from seized assets. Despite this, seizure of all listed assets will remain in place.

**Pending civil disputes may affect control and operation rights over Gustoniai, ŽŪB currently held by Smilgiai, ŽŪB and AVG Investments, UAB.** AVG Investments, UAB (agent and commissioner A. Palionytė) and Smilgiai, ŽŪB as stakeholders of Gustoniai, ŽŪB from one side are in a conflict with A. Kazlauskas, S. Kazlauskas, M. Kazlauskas and N. Kazlauskienė as stakeholders of Gustoniai, ŽŪB from other side. Each side had initiated several meetings of stakeholders and adopted several resolutions on modification of Gustoniai, ŽŪB articles, resolutions on conclusion of stake sale-purchase agreements and etc., which respectively shifted over the control and operation of Gustoniai, ŽŪB between conflicting stakeholders. In order to annul possibly unlawful resolutions and transactions civil disputes were opened by the aforementioned parties before courts.

If claims of A. Palionyte, AVG Investments, UAB and Smilgiai, ŽŪB are satisfied, the latter will retain the control and operation of Gustoniai, ŽŪB. If claims of A. Palionyte, AVG Investments, UAB and Smilgiai, ŽŪB are rejected, and claims of other stakeholders are satisfied, AVG Investments, UAB and Smilgiai, ŽŪB will be eliminated from control and operation of Gustoniai, ŽŪB.

However, in such case the value of the assets of the Group would almost not lesser, as Gustoniai, ŽŪB owns only land plots of only 200 ha, practically having no rights to rent of land plots, anticipated payments for the declared 200 ha of land will be not big, the company has no expensive mechanisms and equipment, real estate of the company is worn out.

**Three of the currently consolidated land management entities have to be repurchased in order to remain a part of the Group.** As at 14 May 2010, the Group sold 3 land management entities (Žemės vystymo fondas 17 UAB, Žemės vystymo fondas 18 UAB, and Žemės vystymo fondas 21 UAB) to RN Investicijos UAB with a buy-back right. The buyback option expires on 29 July 2011. Land under ownership of these companies amounts to 1,500ha. In order to repurchase these subsidiaries, the Issuer will have to pay around LTL 5.5m. Should the Issuer not make the expenditure until the abovementioned date, it will no longer be possible to consolidate these entities as a part of the Group and the Issuer will have to incur around LTL 4m accounting loss, resulting from the fact that back in 2010 the companies were sold below their book value.

### 4.3 INDUSTRY SPECIFIC RISKS

**Risk of diseases.** The Issuer's business is related to raw materials of vegetable or animal origin. An epidemic of pig or cattle diseases (e.g., bovine spongiform encephalopathy or mad cow disease) may adversely affect the manufacture and decrease demand of products due to fear of diseases. These changes may lead to aggravation of the Issuer's financial situation.

**Risk of adverse consequences resulting from decrease of sales volumes.** The Issuer generates a major part of its income from sales of milk, grain crops, and rapeseed. In turn, apart from the price, these sales are also contingent on certain specific factors. Milk sales volumes are dependent on the number of cows and milk yield (cow performance). Sales of grain crops and rape are dependent on sown areas and productivity of land. There is no guarantee that the Issuer will manage to maintain a required number of cows or areas of land and to ensure the performance and productivity level. If any of these factors become unfavourable for the Issuer, the Issuer's sales would decrease significantly. This may adversely affect the Issuer's financial situation, its activities and results.

**Failure to comply with the legal acts regulating agriculture may have a significant effect on the Issuer's activities and business perspectives.** Failure to comply with the legal acts regulating manufacture of agricultural products may result in contingency costs necessary for implementing relevant obligations or paying penalties. In case the Issuer commits severe violations of appropriate legal acts, supervising authorities may restrict the operations of the Group companies in a relevant field or in general.

**Climatic conditions.** Climatic conditions are one of the most significant risk factors of agricultural activities. Poor or adverse meteorological conditions have a dominant influence on productivity and may significantly adversely affect the yield of agricultural products, cause harm to preparation of foodstuffs, destroy crops and cause other damages. Any damage arising due to adverse climatic conditions may negatively affect the Issuer's financial situation, business, and results.

**Prices of agricultural products.** The Group's income and business results are subject to many factors, including the prices of agricultural products, which are beyond the Group's control. Various hardly predictable factors, which are beyond the Group's control (climatic conditions, national agricultural policy, changes in worldwide demand determined by changes in the world population, changes of living conditions and volumes of competing products in other countries), also have a significant influence on the prices of agricultural products. The factors, such as climatic conditions, infections, pest infestations, national agricultural policy of different countries, etc., may have a strong effect on supply of primary agricultural products and prices. Changes in demand of primary agricultural materials may be greatly affected by different international and local programmes implemented in compliance with the national agricultural policy, changes in international demand determined by changes in the world population and changes of living conditions in different countries of the world. These factors may cause significant fluctuation of prices of agricultural products and consequently adversely affect the Group's activities, financial situation and results. It should be noted that in compliance with the relevant provisions of supply agreements entered into by the undertakings controlled by the Issuer, product supply terms and conditions (including the price of products) may be adjusted in cases provided for in the agreements and thus affect the Issuer's income and business results.

**Expressed or implied dangers related to the quality, safety or health effects of products offered by the Group could give rise to liability of the Group and prejudice its business and reputation.**

Notwithstanding the control mechanisms applied by the Group in its activities, there are no guarantees that any of the products offered by the Group (milk, grain crops) could not be recognised as incompatible with quality requirements or unsuitable for further processing and use. Therefore, the Group may be forced to recall or destroy these agricultural products and to assume liability for causing risk posed by these products to health of consumers. Recall of a significant part of its products and any claims to indemnify for damages caused by use of these products may result in long-term restrictions for access of these products to the market and loss of confidence in the Group and its products. Even where it is revealed that allegations concerning product safety are unjust, negative public opinion may strongly adversely affect the Group's reputation, image, and name. Furthermore, the limits of civil liability insurance held by the Group may be insufficient to cover the damages caused; therefore, the Group would have to indemnify for any non-covered damages from its own resources, which may also have a significant adverse influence on its financial situation, business and results. The Group's activities may also sustain adverse effects where the users of primary agricultural materials offered by the Group (processors or their clients) lose confidence in the Group's products and products produced from them, their quality or safety. A negative opinion could make business partners to refuse to consume certain products supplied by the Group. This may reduce supplies to the market and adversely affect the Group's financial situation and business results.

**The Group is subject to fluctuation of prices of seeds, fertilisers, compound foodstuffs.** The Group's business strongly depends on fluctuation of prices paid for the products used in the Group's activities. Prices of seeds, fertilisers, compound foodstuffs used by the Group fluctuated in the past and they may also fluctuate significantly in the future. The Group has not entered into long-term agreements with long-term fixed prices for acquisition of seeds, fertilisers, compound foodstuffs used in its business. Thus, the probability exists that in the future, the Group would have to purchase required seeds, fertilisers or compound foodstuffs at less favourable conditions than it can do now, or for preserving the level of acquired commodities favourable for the Group, would have to choose other suppliers who might offer seeds, fertilisers or compound foodstuffs of a poorer quality. Consequently, this may adversely affect the Group's financial situation, business and results.

**National policies and regulation in the field of agriculture and related business areas may adversely affect the Issuer's activities and profitability.** National policies and regulation by the institutions of the EU strongly affect agriculture and manufacture of agricultural products and their supply to the market. Regulation of agricultural activities is expressed through regulation of taxes, tariffs, quotas, subsidies, import, export, etc. Any change in this area may have a significant influence on profitability of agricultural activities, lead to the choice of crops to grow, increase or decrease production volumes or imports and exports of primary agricultural products. Furthermore, any international commercial disputes may adversely affect international trade flows restricting cross-border or regional trade. Future policies in the relevant area may have a negative influence on the prices of agricultural products offered by the Issuer or restrict business possibilities of the Issuer in relevant markets. This may adversely affect the Issuer's business, financial situation and results.

#### **4.4 RISK FACTORS RELATED TO LISTING AND MARKET**

**The Offering may be delayed, suspended or cancelled.** Public offerings are subject to various circumstances independent from the Company. In particular, the demand for the Offer Shares is shaped by, among others, investors' sentiment toward sector, legal and financial conditions of the Offering. In case such circumstances would have an adverse impact on the results of the Offering, the Issuer may decide to delay, suspend or cancel the Offering. Consequently, the investors may be unable to successfully subscribe for the Offer Shares and payments made by investors during the Offering, if any, may be returned without any compensation.

The Issuer reserves the right to cancel the Offering at any time prior to the Allotment Date without disclosing any reason for doing so.

Furthermore, the LSC, when performing its functions has the right (i) to suspend the public offering of the securities and their admission on the regulated market for the term of up to 10 business days, when it has reasonable suspicions, that the indicated actions are executed not in conformity with the applicable legal

requirements or the terms and conditions, foreseen in the prospectus or (ii) to require to suspend or terminate the trading in specific securities on a regulated market. The Company's Management will take all the necessary actions so that this Offering and admission of the Shares would be performed following the applicable legal requirements as well as the requirements of this Prospectus. However, the aforementioned risk may not be completely rejected.

**The Offering may be delayed or aborted.** According to the article 19 of the Public Offering Act, if the Issuer or an entity participating in the public offering, admission or introduction of securities to trading on a regulated market or promotional activities on behalf or upon orders of the Issuer, breaches legislation in force in connection with the public offering or admission or introduction of securities to trading on a regulated market or conducting promotional activities on the territory of the Poland, the PFSA should notify the LSC about that.

If, despite notification by the PFSA, the LSC does not take measures to prevent further violation of the legislation in force, or if such measures prove ineffective, the PFSA may, with a view to protecting the interests of investors and having first notified the LSC, apply measures provided for in article 16, 17 or Article 53.5 of the Public Offering Act. The PFSA should also promptly notify the European Commission that it has taken such measures.

Pursuant to Article 16 of the Public Offering Act, in the event that the Issuer or any other entity participating in the Offering, subscription carried out pursuant to the Offering on behalf of or upon the instructions of the Issuer, is in breach or there is a reasonable suspicion of such parties being in breach of the law in connection with the public offer, subscription of securities in Poland or that such breach may occur, the PFSA may:

- (a) order that the commencement of the public offer be withheld or the offering, subscription be interrupted for up to ten business days; or
- (b) prohibit the commencement of the public offering, subscription or their further conduct; or
- (c) publish at the issuer's expense, information with respect to the breach in connection with the public offering, subscription.

With respect to any public offering, subscription, the PFSA may apply the measures provided in items (b) and (c) above more than once.

If the grounds for the decision provided in (a) and (b) above cease to exist, the PFSA may, upon the request of the Issuer, or *ex officio* (on its own initiative), repeal such decision.

Pursuant to Article 17 of the Public Offering Act, in the event that the Issuer or other entities acting on behalf or upon instructions from the Issuer are in breach, or there is a reasonable suspicion of such entities being in breach, of the law in connection with applying for admission of securities to trading or admission to trading of securities on the regulated market in Poland, or there is a reasonable suspicion that such breach may occur, the PFSA may:

- (a) order that the application for the admission or introduction of the securities to trading on the regulated market be suspended for up to 10 business days;
- (b) prohibit the application for admission or introduction of the securities to trading on the regulated market;
- (c) publish, at the issuer's expense, information with respect to the breach when the issuer seeks to have the securities admitted or introduced to trading on the regulated market.

If the grounds for the decision provided in (a) and (b) above cease to exist, the PFSA may, upon the request of the Issuer, or *ex officio*, repeal such decision.

Pursuant to Article 53.5 of the Public Offering Act if a violation of the obligations regarding the promotion activities is found to have occurred, the PFSA may:

- (a) order that the commencement of the promotional activities be withheld or that the promotional activities already underway be discontinued, in each case for a period not exceeding 10 business days for the purpose of rectifying the identified irregularities, or
- (b) proscribe the promotional activities, this in the event that:
  - (i) the issuer or the selling securities holder evades rectifying the irregularities identified by the PFSA within the deadline set in point a above, or
  - (ii) the contents of the promotional or advertising materials violate statutory provisions, or
  - (iii) publish, at the expense of the issuer or of the selling securities holder, information concerning illegality of the promotional activities, specifying the identified violations.

**The price of the Company's Shares may fluctuate.** The market price of shares listed on a regulated market is determined by supply and demand, which depends on a number of factors (including changes in Company's financial results, differences between the financial results and market expectations, changes in the profit estimates made by analysts, comparison of the prospects of various sectors of the economy, the overall economic situation, changes in laws applicable to the sector in which the Group companies and the Company operate and other events and factors which are independent of the Company), as well as reactions of investors that are difficult to predict. In the event of significant price fluctuations, the shareholders may fail to achieve their planned gains or incur losses. Furthermore, consideration should be given to the fact

that the market value of the Shares may differ significantly from the Offer Price. This is possible, in particular, as a result of periodic changes in the Company's financial results, the liquidity of the stock market, the conditions prevailing on the WSE or the OMX, the conditions prevailing on world markets, as well as changes in economic and political factors.

**The market value of Shares may be adversely affected by future sales or issues of substantial amounts of Shares.** In connection with the Offering, a "lock-up" agreement is executed in respect of the issue and sale of Shares by the Company, the Managers and the Major Shareholders of the Company (see Section 18.3 *Lock-up Agreement* for further details regarding the terms of this agreement, including the period for which such restrictions will be binding on the shareholders). After this the expiration of termination of this lock-up, the respective Shares will be available for sale without any restrictions and there can be no assurance as to whether or not they will be sold on the market.

Moreover, two of Major Shareholders holding together approx. 26% of Shares (Eastern Agro Holdings, UAB and Mr. Linas Strėlis), pledged all of their Shares to the banks as the security for the granted facility. According to the pledge agreements banks in case of the default may sell the Shares in order to satisfy their claims under the facility agreements. Banks would have priority over the lock-up. Sell of the pledged Shares by the bank may cause drastic drop of the Shares price.

The Company cannot predict what effect such future sales or offerings of Shares, if any, may have on the market price of the Shares. However, such transactions may have a material adverse effect, even if temporary, on the market price of the Shares. Therefore, there can be no assurance that the market price of the Shares will not decrease due to subsequent sales of the Shares held by the existing shareholders of the Company or a new Share issue by the Company.

**An active market for the shares may not develop.** Prior to this Offer, the Shares were traded at OMX Secondary List. Over the period of one year before the date of the Prospectus the average daily trading turnover in Company's shares was LTL 54.8 thou. (median: LTL 25.9 thou.). Average daily number of shares traded approximately was 54 thou. (median: 30.5 thou.). Average daily number of deals was 29 (median: 18). Trading liquidity remained rather stable: average bid/ask spread was 1.9% (median: 1.6%). The Issuer cannot provide any assurance that an actively trading market for the Shares will emerge on the WSE or the OMX, develop or be sustained after the completion of the Offering. The Issuer will have a limited free float of Shares which may have a negative effect on the liquidity, marketability or value of its Shares.

**The marketability of the Shares may decline and the market price of the Company's Shares may fluctuate disproportionately in response to adverse developments that are unrelated to the Company's operating performance and decline below the Offer Price.** The Company cannot assure that the marketability of the Shares will improve or remain consistent. The Offer Price in the Offering may not be indicative of the market price for the Shares after the Offering has been completed. Shares listed on regulated markets, such as the WSE or the OMX, have from time to time experienced, and may experience in the future, significant price fluctuations in response to developments that are unrelated to the operating performance of particular companies. The market price of the Shares may fluctuate widely, depending on many factors beyond the Company's control. These factors include, amongst other things, actual or anticipated variations in operating results and earnings by the Group companies and/or its competitors, changes in financial estimates by securities analysts, market conditions in the industry and in general the status of the securities market, governmental legislation and regulations, as well as general economic and market conditions, such as recession. These and other factors may cause the market price and demand for the Shares to fluctuate substantially and any such development, if adverse, may have an adverse effect on the market price of the Shares which may decline disproportionately to the Group companies' operating performance. The market price of the Shares is also subject to fluctuations in response to further issuance of shares by the Company, sales of Shares by the Company's Major Shareholders, the liquidity of trading in the Shares and capital reduction or purchases of Shares by the Company as well as investor perception. As a result of these or other factors, there can be no assurance that the market price of the Shares in regulated trading will not decline below the Offer Price.

**Securities or industry analysts may cease to publish research or reports about the Company's business or may change their recommendations regarding the Shares.** The market price and/or trading volume of the Shares may be influenced by the research and reports that industry or securities analysts publish about the Company's business or the business of the Company's subsidiaries. There can be no guarantee of continued and sufficient analyst research coverage for the Company, as the Company has no influence on analysts who prepare such research and reports. If analysts fail to publish research and reports on the Company regularly, or cease to publish such reports at all, the Company may lose visibility in the capital markets, which in turn could cause the Company's shares price and/or trading volume to decline. Furthermore, analysts may downgrade the Company's shares or give negative recommendations regarding the Company's shares, which could result in a decline of the share price.

**No guarantee of dividend payment to the Issuer's shareholders.** The Company is under no lasting and definite obligation to pay regular dividends to its shareholders and no representation can be made with respect to the payment and amount of future dividends, if any. The Management's recommendations for the distribution of profit will be based on financial performance, working capital requirements, reinvestment needs and strategic considerations which may not necessarily coincide with the short-term interests of all shareholders. The payment of dividends and the amount thereof will be subject to the ultimate discretion of the majority of the Company's shareholders. Furthermore, for payment of dividend as well as execution of many other actions (e.g. (i) undertaking any financial obligations under credit, financial leasing, operative lease, or other financing agreements; (ii) undertaking any obligations towards third parties under guarantee,

surety, mortgage, pledge or similar undertakings; (iii) issuing loans to third parties, etc.) prior written consents of certain banks, with which the relevant credit agreements were signed, would be needed.

**The Company may be unable to list the Company's Shares on the WSE or the OMX or the Company may be delisted from the WSE or the OMX.** The admission of the Shares to trading on the WSE requires that (i) the LSC will approve the Prospectus; (ii) the PFSA receives a certificate from the LSC confirming that this Prospectus has been approved in Lithuania; (iii) the Shares are registered with the clearing and settlement system of the NDS and (iv) the management board of the WSE approves the listing and trading of the Shares on the WSE. In order to obtain the WSE management board's approval the Company has to meet certain requirements provided for in the respective regulations of the WSE and other applicable laws. Such requirements include, but are not limited to: (i) the appropriate free float of the Company's Shares; (ii) no restriction on transferability of the Company's Shares; (iii) preparation and publication of the audited financial statements for the past three accounting years. Furthermore, while examining the Company's application for admission of the Company's Shares to trading on the WSE, the management board of the WSE will take into consideration: (i) the Company's financial situation and its economic forecasts, (ii) the Group's development outlooks, in particular, the chances for successful completion of its investment plans, (iii) experience and qualifications of the members of the Company's Management Board and (iv) security of public trading on the WSE. Some of the conditions mentioned above are of discretionary nature and, therefore, the Company cannot assure that the management board of the WSE will conclude that the Company meets all of them. In particular, due to the fact that the Company is under the restructuring plan the management board of the WSE may decide that financial situation and its economic forecasts is not appropriate to admit Company's shares to trading on the WSE. Furthermore, according to the WSE rules shares may be admitted to trading on the WSE provided that no bankruptcy or liquidation proceedings are underway with respect to their issuer. Despite the fact that Issuer is of the opinion that the restructuring proceeding pending with respect to the Company is not treated as the bankruptcy or liquidation proceedings in the meaning of the WSE rule, there is no assurance that the WSE will support this opinion.

The rules of the WSE require the Company to file an application for introduction of Shares to trading on the WSE within a period of six months from the date on which the Company's Shares have been admitted to such trading. If the Company fails to comply with this obligation, the decision of the management board on the admission of the Company's Shares to trading on the WSE could be annulled.

The Company intends to take all the necessary steps to ensure that its Shares are admitted to trading on the WSE as soon as possible after the closing of the Offering. However, there is no guarantee that all of the aforementioned conditions will be met and that the Company's Shares will be admitted to trading on the WSE on the Listing Date as expected or at all.

Moreover, if the Company fails to fulfil certain requirements or obligations under the applicable provisions of securities laws, including in particular the requirements and obligations provided for under the Public Offering Act and the Trading in Financial Instruments Act, the PFSA could impose a fine on the Company or delist its Shares from trading on the WSE.

The WSE management board will delist the Shares from trading upon the request of the PFSA, if the PFSA concludes that trading in the Company's Shares imposes a significant threat to the proper functioning of the WSE or the safety of trading on that exchange, or infringes investors' interests. The mandatory delisting will also be effected by the WSE management board where: (i) transferability of Shares has become restricted, (ii) Shares are no longer in book entry form, (iii) the PFSA has requested so, (iv) the Company's Shares have been delisted from another regulated market by a competent supervisory authority over such market, provided that the Company's Shares were traded on another regulated market.

The WSE management board may also delist the Company's Shares where, (i) the Shares cease meeting all requirements for admission to trading on the WSE; (ii) the Company persistently violates the regulations of the WSE; (iii) the Company has requested so; (iv) the Company has been declared bankrupt or a petition for bankruptcy has been dismissed by the court because the Company's assets do not suffice to cover the costs of the bankruptcy proceedings; (v) the WSE considers it necessary in order to protect the interests of the market participants; (vi) following a decision on a merger, split or transformation of the Company; (vii) no trading was effected in the Shares within a period of three previous months; (viii) the Company has become involved in a business that is illegal under the applicable provisions of laws; and (ix) the Company is in liquidation proceedings.

The Company believes that as at the date hereof there are no circumstances which could give grounds for delisting of the Shares from the WSE in the foreseeable future. However, there can be no assurance that any of such circumstances will not arise in relation to the Shares in the future. Delisting of the Shares from the WSE could have an adverse effect on the liquidity of the Shares and, consequently, on investors' ability to sell the Shares at a satisfactory price.

Quite similar rules of listing and delisting the company's shares as described above are also applicable as far as the listing/ delisting on/ from the OMX.

**Trading in the Company's Shares on the WSE or the OMX may be suspended.** The WSE management board has the right to suspend trading in the Company's Shares for up to three months (i) at the request of the Company, (ii) if the Company fails to comply with the respective regulations of the WSE (such as specific disclosure requirements), or (iii) if it concludes that such a suspension is necessary to protect the interests and safety of market participants.

Furthermore, the WSE management board will suspend trading in Shares for up to one month upon the request of the PFSA, if the PFSA concludes that trading in the Shares is carried out in circumstances which may pose a possible threat to the proper functioning of the WSE or the safety of trading on that exchange, or may harm investors' interests.

The Company will make all endeavours to comply with all applicable regulations in this respect. However, there can be no assurance that trading in the Shares will not be suspended. Any suspension of trading could adversely affect the Share price.

Quite similar rules of suspension of the trading in company's shares as described above are also applicable as far as the suspension on trading on the OMX is concerned.

**There can be no assurance regarding the future development of the market for the Shares and its liquidity.** The existing Shares are listed on the OMX. However, the past performance of such Shares on the OMX can not be treated as indicative of the likely future development of market and future demand for the Shares. The lack of liquid public market for the Shares may have a negative effect on the ability of shareholders to sell their shares, or adversely affect the price at which the holders are able to sell their shares. There can be no assurance as to the liquidity of any trading in the Shares, or that the Shares will be actively traded on the WSE or the OMX in the future.

**Dual listing of the Shares will result in differences in liquidity, settlement and clearing systems, trading currencies and transaction costs between the two exchanges where the Shares will be listed. These and other factors may hinder the transferability of the Shares between the two exchanges.** The existing Shares are listed on the OMX. Application will be made to list the Shares on the WSE. Therefore trading and liquidity of the shares will be split between those two exchanges. Furthermore, the price of the shares may fluctuate and may at any time be lower on the OMX than the price at which the shares are traded on the WSE and vice versa.

Differences in settlement and clearing systems, trading currencies, transaction costs and other factors may hinder the transferability of shares between the two exchanges. In addition, it is uncertain which exchange will be the principal trading place of the shares by value or volume. This could adversely affect the trading of the shares on these exchanges and increase their price volatility and/or adversely affect the price and liquidity of the shares on these exchanges.

The shares are quoted and traded in EUR on the OMX and will be quoted and traded in PLN on the WSE. The shares traded on the OMX are settled and cleared through the CSDL. The shares traded on the WSE will be settled and cleared through NDS. The transfer of the shares between the OMX and the WSE will be effectuated through a direct settlement link between the CSDL and the NDS. Although the Polish and Lithuanian settlement systems operated by the NDS and the CSDL currently settle transfers of shares between NDS and CSDL participants, they are under no obligation to perform or to continue to perform such procedures and such procedures may be discontinued at any time, which may limit the liquidity of the Shares and have a negative impact on the efficiency of the pricing mechanisms of the secondary market of the Shares.

**The Issuer has been and will continue to be controlled by its majority shareholders whose interests may conflict with those of other.** The Issuer is and will remain under the control of the majority shareholders (see the Section 18.1 *Major Shareholders* for more details). With an ownership stake in the Issuer exceeding 50% the principal shareholders (if voting similar in the General Meeting) will be able to adopt the majority of the corporate decisions which are under the competence of the General Meeting or block such decisions (see Section 12.3 *Corporate Purpose*). The interests of the Major Shareholder (or part of them) could conflict with the interests of other shareholders including the holders of the Offer Shares and may lead to the making of decisions that will have an adverse effect on any investment in the Shares.

**Other public offerings during the Offering may lower the interest in the Offering.** There is a risk that public offerings of other companies, to be conducted during the Offering, may in any case lower the interest of prospective investors in participation in the Offering. This translates into the failure of the Offering, thus not gaining estimated funding required for the future development of the Group.

The risk of the PFSA imposing fines on investors in case of failure to comply with the legally required duties.

The PFSA may impose fines on the person or entities who do not comply with the binding provisions of law. Therefore every potential investor should acquaint himself with all applicable provisions.

**LSC may refuse to approve a supplement to this Prospectus.** In case of refusal to approve a supplement to the Prospectus by the LSC before the Offering, the LSC may order to suspend the commencement of the Offering. Thus, the refusal to approve a supplement prior to the Offering by the LSC will not cause any impact to investors.

In case of refusal to approve a supplement to the Prospectus by the LSC after the commencement of the Offering, the LSC may *inter alia* order to withhold the offering or prohibit the request for admission of the Shares for trading on the WSE.

#### 4.5 LEGAL RISKS

**The rights of Lithuanian company shareholders may differ from the rights of the shareholders of a Polish company and the legislation, interpretation and application of legal acts may be different in Lithuania from that in Poland.** The Company is organized and exists under the laws of Lithuania, the

Existing Shares are listed on the OMX and it is expected that the Shares will be listed on WSE. Accordingly, the Company's corporate structure as well as rights and obligations of the shareholders may be different from the rights and obligations of shareholders in Polish companies listed on the WSE. The exercise of certain shareholders' rights for non-Lithuanian investors in a Lithuanian company may be more difficult and costly than the exercise of rights in a Polish company. For example, an action with view of declaring a resolution invalid must be filed with, and will be reviewed by the Lithuanian court, in accordance with the Lithuanian law.

The EU directives, such as Directive 2004/109/EC of the European Parliament and of the Council of 15 December 2004 on the harmonisation of transparency requirements in relation to information about issuers whose securities are admitted to trading on a regulated market and amending Directive 2001/34/EC, Directive 2004/25/EC of the European Parliament and of the Council of 21 April 2004 on takeover bids, Directive 2003/6/EC of the European Parliament and of the Council of 28 January 2003 on insider dealing and market manipulation (market abuse), provide different competencies for home Member State and host Member States with respect to rights and obligations of the investors in public companies, depending on the subject of regulations. In addition, EU directives are not always implemented or interpreted in a consistent manner at the EU and national level. Consequently, investors in the Shares may be forced to seek legal advice in order to comply with all applicable laws and regulations when exercising shareholder rights or when fulfilling shareholder related obligations. If an investor fails to fulfil its obligations or violates any laws or regulations when exercising rights from or regarding the Shares, he or she may be fined or sentenced for such non-compliance or may be unable to exercise his or her rights in respect of the Shares.

Even though Directive 2007/36/EC of the European Parliament and of the Council of 11 July 2007 on the exercise of certain rights of shareholders in listed companies should be transposed into the national law of Poland and Lithuania, there still might be differences in regulation of the shareholder rights and exercise thereof across the countries. In addition, even where the regulation is comparable, there still might be differences in its interpretation and application.

Furthermore, the conflicts regarding the applicable laws (Lithuanian or Polish) with regard to disclosures of information in connection with this Offering and other relevant issues on this Offering may arise.

Also 2 thresholds for implementation of the takeover bid would be applicable with regard to the voting rights of the Issuer, i.e. 33% and 33 1/3%. According to the applicable Polish laws a shareholder that wishes to cross the 33% voting rights threshold in the company is obliged to launch a public tender for shares that will entitle it to hold 66% of votes. It should be noted that the Polish law explicitly excludes application of the Polish regulations concerning thresholds only with respect to the 66% threshold as the mandatory threshold under the Takeover Directive. In such a case, the Lithuanian threshold of 33 1/3% should apply. On the other hand, the additional threshold of 33% stipulated in the Polish law is a separate obligation imposed by Poland irrespective of the Takeover Directive. Therefore, the announcement of a takeover bid when exceeding 33 1/3% of votes to satisfy the obligations imposed by the Takeover Directive should be deemed a different obligation from the obligation to announce a bid for 66% of votes when exceeding 33% of votes to satisfy additional Polish requirements. For more information on this issue please see Section 20 *Certain Lithuanian and Polish Securities Market Regulations*.

**Judgments of Polish courts against the Company may be more difficult to enforce than if the Company and its management were located in Poland.** The Company was formed in accordance with the Lithuanian law and its registered office is in Lithuania. The majority of the assets of the Company are located in markets outside Poland and the majority of the management personnel working for the Company reside in countries other than Poland. For this reason Polish investors may encounter difficulties in serving summons and other documents relating to court proceedings on any of the entities within the Company and/or the management personnel working for the Company. For the same reason it may be more difficult for Polish investors to enforce a judgment of the Polish courts issued against any entities within the Group and/or the management personnel working for the Company than if those entities and/or the management personnel were located in Poland.

**Tax treatment for non-Lithuanian investors in a Lithuania company may vary.** The Company is organised and existing under the laws of Lithuania and, as such, the Lithuanian tax regime applies to the distribution of profit and other payments from the Company to its investors. The taxation of income from such payments as well as other income, for instance, from the sale of the Shares, may vary depending on the tax residence of particular investors as well as the existence and the provisions of double tax treaties between an investor's country of residence and Lithuania. Tax provisions applying to particular investors may be unfavourable and/or may change in the future in a way which has an adverse effect on the tax treatment of an investor's holding of the Shares.

**The Issuer does not follow the OMX Corporate Governance Code to its full extent.** The Issuer does not follow the OMX Corporate Governance Code to its full extent: no independent member of the Audit Committee was elected, the meetings of the bodies of the Company are not convened regularly according to the schedule approved in advance, the Company does not publish its report on policy of remuneration, etc. Detailed information on the compliance of the Issuer with the corporate governance regime of OMX is provided in the annex to the Annual Report for the year 2010 of the Company.

The Issuer seeks to remedy the non-compliances to the applicable regulations after the completion of this Offering.

**Considerable part of Group companies are undergoing the procedure of restructuring.** Considerable part of Group companies, i.e. 15 companies (including the Company itself), having financial



difficulties, are undergoing the procedure of restructuring. Thus, there is a risk, that these companies, if the restructuring procedures would be terminated with regard to them, may be declared bankrupted, unless other financial sources would be found for them. For more information on the restructuring of the Group companies, please see Section 14.15 *Restructuring*.

**The Board as well as the Supervisory Council of the Company was not duly re-elected.** According to the Articles of Association of the Company, the Management Board and the Supervisory Council is elected for a 2 years term. The applicable laws provide that the service term of the Management Board and of the Supervisory Council lasts until the day of annual general meeting of shareholders in the final year of the term of respective board or council.

Previous Management Board of the Company has been elected on 14 December 2007 and a Supervisory Council – on 5 December 2007. Thus, their term lasted until the annual general meeting of shareholders in 2009. As a result, the powers the indicated Management Board and Supervisory Council of the Company were terminated on 30 April 2009. New Board was not elected until 26 April 2011 (council – until 24 August 2010). Thus, formally the Management Board and Supervisory Council had no powers within the indicated terms and could not adopt any decisions and there is a theoretical risk, that such decisions may be contested in the court. However, on 30 May 2011 the currently elected Board and Supervisory Council of the Company approved all the decisions adopted by relevant bodies of the Company within the indicated terms, thus, this risk is minimised. Furthermore, the term for commencement of the procedures in court is 3 months from the day when the plaintiff found out or should have found out about the decision to be contested. On the day of this Prospectus there were no such procedures initiated.

**Formal requirement regarding possible Board members of the Group's agricultural companies is not followed.** According to applicable law, only members (shareholders) of agricultural companies may be appointed to their Management Board. However, in current Management Boards of the Group's agricultural companies either no member or only one member is also member (shareholder) of the company. In addition, in a number of meetings of Management Board of agricultural companies, quorum requirements for adoption of decisions have not been observed.

Thus, formally there is a theoretical risk, that such decisions may be contested in the court. However, the term for commencement of such procedures is 3 months from the day when the plaintiff found out or should have found out about the decision to be contested. On the day of this Prospectus there were no such procedures initiated. Furthermore, applicable Lithuanian laws do not solve the question, who may be elected as the members of the Board of agricultural companies, in case all of the members of such company (or major part of them) are legal persons, which is the case in major part of Group's agricultural companies.

**The right of use of a number of buildings owned by Group companies has not been duly established.** A number of buildings owned by Group companies are located on the state owned land, the right of use whereof has not been duly established (formalised). However, there are no claims or other procedures regarding the indicated usage of land, preceded by the Group companies.

**Company's restructuring plan may be declared inoperative and will need to be re-approved in the court.** On 7 April 2011 Lithuanian Court of Appeal approved restructuring plan of the Company. Pursuant to the restructuring plan the debts of the Company have been rescheduled and the Company was granted payment holidays of its currently existing debt obligations until 7 April 2014. After 7 April 2014 the Company will have to make payments to non related creditors in the following instalments: (i) LTL 2.064.188 is deferred until 7 April 2014 and (ii) LTL 11,697,063. – until 7 April 2015. The remainder of debt of LTL 60,220,327 to subsidiaries is deferred until 7 April 2017.

The Company's restructuring plan came in force with the decision of Lithuanian Court of Appeal of 7 April 2011 by which the court dismissed the appeal of the State Tax Inspectorate. The State Tax Inspectorate may still appeal the decision to Lithuanian Supreme Court by 7 July 2011. If the State Tax Inspectorate files an appeal by 7 July 2011 and Lithuanian Supreme Court satisfies the appeal, the restructuring plan of the Company would become inoperative and would need to be returned to the court for approval. Theoretically, there is a risk that a court would then refuse to approve the restructuring plan and will return the plan for discussion and approval at the meeting of the creditors of the Company, as State Tax Inspectorate has substantiated the appeal by the fact that it was neither dully informed, nor had a chance to get acquainted with the restructuring plan before it was approved in the creditors' meeting. Due to the size of a claim of State Tax Inspectorate, which is equal to EUR 1,087,698, State Tax Inspectorate alone will not have enough votes to prevent the creditors from re-approving the restructuring plan.

**Pending civil dispute with one of Lithuanian banks, which may lead to loss of equipment used in the activities of some of the Group's agricultural companies.** The Company, Grūduva, UAB, Agrowill Lankesa, ŽŪB, Agrowill Mantviliskis, ŽŪB, Agrowill Skėmiai, ŽŪB, Agrowill Smilgiai, ŽŪB and Agrowill Spindulys, ŽŪB have lodged a claim with Vilnius Regional Court challenging unilateral termination of the leasing agreements by Swedbank lizingas, UAB as unlawful.

Total value of unpaid instalments under the leasing agreements is equal to EUR 1,525,063. As of rejection of the claim, the claimants would have to return leasing equipment to Swedbank lizingas, UAB and reimburse its losses in the amount of outstanding rental, interests and other losses, which may lead to loss of equipment used in the activities of the indicated Group's agricultural companies. However, until final settlement of this dispute, all the indicated assets were left in the possession of the Groups agricultural companies by the final decision of the court.

## 5 EXCHANGE RATES

The reporting currency of the Company is Lithuanian Litas. The major operating currencies are Euros and Lithuanian Litas. Lithuanian Litas is pegged to the Euro at the exchange rate of 1 EUR = 3.4528 LTL.

Solely for the convenience of the reader of this Prospectus and except otherwise stated, in the table below relevant foreign currency exchange rates are set out as they are used in this Prospectus, referring to the dates relevant for the financial information of the Company, announced by the Bank of Lithuania or the National Bank of Poland respectively.

**Table 5: Selected exchange rates**

Currency	As at 31 March	As at 31 December		
	2011	2010	2009	2008
LTL per EUR (*)	3.4528	3.4528	3.4528	3.4528
LTL per USD (**)	2.4551	2.6099	2.4052	2.4507
PLN per LTL (***)	1.1619	1.1496	1.1898	1.2084
PLN per EUR (***)	4.0119	3.9603	4.1082	4.1724
PLN per USD (***)	2.8229	2.9641	2.8503	2.9618

\*Fixed exchange rate

\*\*Source: Bank of Lithuania

\*\*\*Source: National Bank of Poland

Detailed PLN per LTL exchange rate for the period entailing this Prospectus is depicted in the figure below.

**Figure 1: Historical PLN/LTL exchange rate**



\*\*\*Source: National Bank of Poland

## 6 USE OF PROCEEDS

The amount of the gross proceeds raised from the Offering depends on the number of the Offer Shares actually placed and the set Offer Price. The Company expects the gross proceeds from the Offering, provided that all of the Offer Shares are subscribed, paid and allotted, to be approximately LTL 32.5 million (assuming the Offer Price LTL 1.30 (equivalent of PLN 1.50) per Offer Share). The net proceeds that the Issuer will receive from the issue of the Offer Shares in the Offering, after deducting the estimated commissions, costs and expenses associated with the Offering are estimated to be approximately LTL 30 million. The final amount of proceeds may however change due to possible fluctuations in PLN/LTL ratio.

The net proceeds from the sale of the Offer Shares will be aimed primarily at the expansion of the milking cow herd, working capital financing, and execution of other value added projects:

- (i) approximately LTL 9 million – extra cow program
  - The Company currently has around 1,200 empty places for milking cows for acquisition of which around LTL 4 million will be spent– Group plans to acquire around 1,050 heifers
  - Additionally, around LTL 2.5 million will be spent on cow barn internal improvements (milking parlors, computer systems, conditioning)
  - Remaining LTL 2.5 million is planned to be spent on construction of manure storage facilities, silage trenches and other minor improvements of cow barn surroundings
- (ii) approximately LTL 5 million – working capital
  - Working capital will be used to cover operational needs related to crop – growing activities
  - Payment for autumn acquisition of fertilizer and chemicals
- (iii) approximately LTL 20.5 million – capital investment into modern cow barns in order to significantly increase the number of cows (3 locations by 500 animals planned)
  - Building of two new and reconstruction of one existing farm (around LTL 9 million)
  - Acquisitions around 1,400 of heifers (around LTL 6 million)
  - Construction of manure storage facilities (around LTL 2.5 million)
  - Internal equipment – milking parlors, computer programs, etc. (LTL 3 million)

For the aforementioned purposes the Group plans to use not only Offering proceeds, but also cash flow generated from activities to support the planned investments.

To the extent the net proceeds of the Offering of the Offer Shares are not invested in any way described above they will be used for supporting the Group's working capital needs and optimizing cost and size of its debt obligations, for other general corporate purposes in line with our business strategy.

## 7 DIVIDENDS AND DIVIDEND POLICY

The Company does not have an approved dividend policy. The Company's and the Group's current priority was to use profits for the development of the Company, rather than for the distribution of dividends and it has not paid out dividends in the last three years. However, the Company does not rule out paying dividends in the future depending on its financial performance, cash flows and the results of the investment projects currently underway. The distribution of profits is within the scope of competence of the General Meeting.

The following general rules apply with respect to any dividends declared by the Company.

Shares give rights to dividends declared by the Company. Dividends are paid to persons who at the end of the rights record date (i.e. the tenth business day following the day on which the decision to distribute dividends was adopted by the General Meeting) were shareholders of the Company or were otherwise entitled to receive dividends. The Company must pay out the declared dividends within one month from the date when the General Meeting decides to declare dividends. The same rules for paying dividends are applied both to residents and non-residents of Lithuania with the exception of taxation requirements (see Section 24 *Taxation*). Dividends are paid to the shareholders in proportion to the aggregate sum of the nominal value of the shares held by the shareholder. Dividends can be paid only in cash. The dividends attributable to the Shares are non-cumulative.

Dividends may be declared only once per year by a decision of the annual General Meeting. The Company may only distribute dividends out of its distributable profits that consist of net profit for each financial year, as increased or reduced by any profit or loss carried forward from the previous year and/or profit or loss of the current financial year not realised in the profit and loss account, plus any amounts held in its reserves that the shareholders decide to make available for distribution (other than those reserves that are specifically required by the Lithuanian laws) and shareholders' contributions to cover loss, less any distributions for any other purposes decided by the General Meeting. Dividends may not be declared or paid out if at least one of the following conditions is met: (i) the Company is insolvent or after the payment of dividends would become insolvent; (ii) the Company's distributable result of the financial year is negative (i.e. losses were incurred); (iii) the equity capital of the Company is lower or after the payment of dividends would become lower than the aggregate amount of the share capital, the legal reserve, the revaluation reserve and the reserve for acquisition of own shares of the Company.

## 8 CAPITALISATION AND INDEBTEDNESS

### Capitalisation and Indebtedness

The tables below present the information on the consolidated capitalisation and indebtedness of the Group as at 31 March 2011. The tables below should be read in conjunction with the Consolidated Financial Statements and Consolidated Interim Information, and other financial data and information contained in Section 10 *Operating and Financial Review*.

**Table 6: Capitalisation of the Issuer (LTL'000)**

<i>Item</i>	<i>As of 31 March 2011 (unaudited)</i>
<b>Current debt:</b>	
Current portion of non-current borrowings	74,117
Current portion of non-current obligations under finance lease	7,609
Short-term borrowings from banks, legal entities and private individuals	8,128
<b>Total</b>	<b>89,854</b>
<b>Guaranteed</b>	–
<b>Secured</b>	89,854
<b>Unguaranteed/Unsecured</b>	–
<b>Non-Current debt (excluding current portion of long-term debt):</b>	
Non-current borrowings from banks, legal entities and private individuals	3,662
Obligations under finance lease	1,693
Restructured liabilities	38,173
<b>Total</b>	<b>43,528</b>
<b>Guaranteed</b>	–
<b>Secured</b>	43,528
<b>Unguaranteed/Unsecured</b>	–
<b>Shareholder's equity:</b>	
Share capital	71,552
Share premium	25,595
Revaluation Reserve	45,134
Legal Reserve	2,000
Accumulated deficit	(35,768)
Minority interest	2,580
<b>Total</b>	<b>111,093</b>
<b>Total Capitalization</b>	<b>244,475</b>

Source: Consolidated Interim Information

As of 31 March 2011 the carrying amount of property, plant and equipment in the amount of LTL 73.9 thousand (31 December 2010: 79.3 million, 31 December 2009: LTL 78.4 million) have been pledged as security for bank borrowings. The leased assets are pledged according to the finance lease agreements.

As of 31 March 2011 the carrying amount of investment property in the amount of LTL 74.4 million (as of 31 December 2010: LTL 74.8 million, 31 December 2009: LTL 77.9 million) have been pledged as security for bank borrowings.

The Group has pledged to banks and other creditors all the registered buildings and constructions, all the equipment acquired via structural funds projects and the land portfolio owned. The Group has no unsecured financial liabilities.

After the Offering of the Shares the Group's capital resources should increase by up to LTL 32,500 thousand.

**Table 7: Indebtedness of the Group (LTL'000)**

<i>Indebtedness</i>	<i>31 March 2011 (unaudited)</i>
Cash and cash equivalents	2,950
<b>Liquidity</b>	<b>2,950</b>
<b>Current Financial Receivable</b>	<b>17,907</b>
Current Bank and other financial debt	8,128

<i>Indebtedness</i>	<i>31 March 2011 (unaudited)</i>
Current portion of non-current debt	74,117
Current portion of non-current obligations under finance lease	7,609
Other current financial liabilities	
<b>Current Financial Debt</b>	<b>89,854</b>
<b>Net Current Financial Indebtedness</b>	<b>71,947</b>
Non-current borrowings from banks, legal entities and private individuals	3,662
Obligations under finance lease	1,693
Restructured liabilities	38,173
<b>Non-current Financial Indebtedness</b>	<b>43,528</b>
<b>Net Financial Indebtedness</b>	<b>115,475</b>

Source: Consolidated Interim Information

There is no indirect or contingent indebtedness considered occurring.

### Working Capital Statement

In the opinion of the Issuer, the working capital of the Group is not sufficient for its present requirements (12 upcoming months). Historical working capital as at dates of balance sheet together with relevant ratios is presented in the table below.

**Table 8: Working capital and liquidity ratios (derived from Consolidated Financial Statements)**

<i>Item</i>	<i>31 March 2011</i>	<i>31 December 2010</i>	<i>31 December 2009</i>	<i>31 December 2008</i>
Working capital	-64,658	-61,699	-136,724	-105,035
Current ratio	0.42	0.43	0.18	0.37
Quick ratio	0.32	0.32	0.13	0.25

Source: the Company

Working capital = Current assets - current liabilities

Current ratio = Current assets / Current liabilities

Quick ratio = (Current assets - Inventory) / Current liabilities

As at 31 December 2010, 2009, and 2008 the working capital of the Group was negative and equalled LTL (61,699) thousand, LTL (136,724) thousand, and LTL (105,035) thousand respectively. The liquidity ratio of the Group amounted to 0.43 (2009: 0.18, 2008: 0.37), while quick ratio was 0.32 (2009: 0.13, 2008: 0.25).

In June 2009, due to liquidity problems (current financial liabilities were much greater than current receivables) the Group publicly announced about the start of restructuring processes for Company and agricultural Subsidiaries (for more detail see Section 14.16 *Restructuring*). After announcement of restructuring processes, the Group classified all the loans and borrowings in restructured entities as short-term debt due to fact that at the 31 of December 2009 there were no restructuring plans approved and covenants of bank loans were not met, while as at 31 of December 2010 there were only 5 restructuring cases of 15 approved. This had a negative impact on working capital. As the restructuring plans are approved, the financial liabilities, and other overdue payables are classified as long term liabilities and working capital level is increasing.

As at 31 March 2011, the situation is practically similar as all three indicators (working capital, current ratio and quick ratio) are similar to 31 December 2010 indicators, as 10 Group Subsidiaries had their restructuring plans approved (remaining 5 companies are expected to be approved in the 1<sup>st</sup> half of 2011), and their payables were classified as long-term debt (repayable in 2013-2014 according to respective restructuring plans). However this positive change was offset by reclassification of long-term payable of LTL 22 million to one local bank to short-term borrowings as the loan matures at 31 March 2012. For more information on the restructuring procedures of the Group companies please see Section 14.15 *Restructuring*.

The Group is mainly financed by borrowings and share capital. As the Group is undergoing Restructuring, most of the borrowings and payables are repayable in 3 - 4 years period (loans taken by agricultural subsidiaries and bonds issued by the Issuer), while around LTL 57 million of loans are repayable according to the schedules in bank agreements which are set out practically evenly over time, except for LTL 22 million loan from one local bank. The Group expects to pay for this loan after probable sale of land portfolio, or will make actions to prolong it for additional period of time.

The Group's operating cash flow needs are financed by revenues generated from milk segment, while significant purchases of fertilizer and chemicals in autumn and spring are made from revenues generated from crop-growing harvest.

### Relative timing and shortfall

Seasonality factor has a great impact on the activities of the Group. Due to this, a major shortfall in working capital will come at the beginning of spring - summer season of 2011 along with spring sowing and other

related expenses until the harvest. The amount of working capital needed is estimated to be around LTL 20 million. The Group has agreed with the suppliers of fertilizer and chemicals regarding payment of around LTL 18 million in October – December of 2011, after the harvest will be sold.

### Action plan

The actions how the Group plans to rectify the current shortfall in the working capital are the following:

- The Company is currently undergoing the restructuring procedure. The restructuring plans of the Group companies were successfully approved by the meeting of creditors and most of them were approved by the Court as at the date of filing the Prospectus. After the plans are approved by the Court, the creditors will not be able to demand the repayment of debts earlier than it is foreseen in the restructuring plan.

Based on 31 March 2011 figures, in the opinion of the Issuer, the working capital of the Group is not sufficient for its present requirements (12 upcoming months), but Group has plans to balance current liabilities with current assets, as main source of insufficient capital are the reclassifications of long-term loans due to potentially breached covenants. Historical working capital as at dates of balance sheet together with relevant ratios is presented in the table below.

**Table 9: Debt repayment schedule in Group's entities restructuring plans**

	2011	2012	2013	2014
% of total creditors	0%	0%	15%	85%

Source: Restructuring plan of the Company, other Group's Subsidiaries

- The effect of restructuring plans being approved can not be seen in the working capital and liquidity ratios table above, yet, however, when all plans will be approved, some of the debt currently classified as current, will be classified as long-term, as the Group will no longer have the covenants breached.
- By using the advantaged of such legal status, the Company plans to earn profits, improve its working capital position and by the end of the process repay amounts due. Should the restructuring procedure be terminated, the Issuer will lose immunity against creditors' claims.
- The major share of the shortfall in working capital is due to be refinanced with proceeds from the Offer. The comprehensive description of the use of proceeds is provided in Section 6 *Capital Proceeds*. Should the Offer be unsuccessful, the Issuer will have to postpone its projected investments. This will slow down the recovery process of profitability and working capital.
- In the long turn, the Group is planning to sell the land portfolio and, by means of obtained funds, significantly reduce the borrowings level of the Group.

The Issuer is confident about the action plan which is prepared on going concern basis. The headroom between required and available funding is sufficient to cover reasonable unfavourable scenarios due to the complexity of funding sources.

## 9 SELECTED HISTORICAL FINANCIAL INFORMATION

Summary financial information is provided in the table below. The information is extracted from Consolidated Financial Statements and Consolidated Interim Information. Unless otherwise stated, this information should be read in conjunction with, and is qualified in its entirety by reference to, such financial statements and related notes.

**Table 10: Summary of financial information of the Group (LTL'000)**

Item	31 March 2011 (unaudited)	31 March 2010 (unaudited)	31 December 2010	31 December 2009 Restated	31 December 2008 Restated
<b>Selected consolidated Income Statements data</b>					
Revenues	7,402	5,885	45,165	48,277	58,712
Operating profit	2,723	-1,744	7,736	-44,487	-6,772
Profit before tax	1,467	-2,956	912	-57,366	-19,807
Net profit (loss)	1,956	-2,956	7,297	-54,072	-34,863
<b>Selected consolidated Balance Sheets data</b>					
Property, plant and equipment	138,529	-	140,442	146,960	161,103
Investment property	81,762	-	81,794	82,364	82,364
Intangible assets	2,914	-	2,916	2,961	5,246
Long term receivables	220	-	430	232	588
Financial assets	763	-	757	139	310
Deferred tax asset	4,032	-	3,543	-	-
Biological assets - livestock	13,523	-	13,009	9,981	35,480
<b>Total non-current assets</b>	<b>241,723</b>	<b>-</b>	<b>242,891</b>	<b>242,637</b>	<b>285,091</b>
Crops	12,404	-	10,384	5,124	12,772
Inventory	12,114	-	11,588	7,255	19,578
Trade receivables, advance payments and other receivables	21,083	-	22,779	13,497	26,566
Cash and cash equivalents	2,950	-	1,322	3,725	3,011
<b>Total current assets</b>	<b>48,551</b>	<b>-</b>	<b>46,073</b>	<b>29,601</b>	<b>61,927</b>
<b>Total assets</b>	<b>290,294</b>	<b>-</b>	<b>288,964</b>	<b>272,238</b>	<b>347,018</b>
Share capital	71,552	-	71,552	26,143	26,143
Share premium	25,595	-	25,595	22,130	22,130
Reserves	47,134	-	47,885	46,462	26,609
Retained earnings	-35,768	-	-38,326	-47,621	3,576
Minority interest	2,580	-	2,431	103	4,084
<b>Total equity</b>	<b>111,093</b>	<b>-</b>	<b>109,137</b>	<b>47,217</b>	<b>82,542</b>
Borrowings and financial lease	5,355	-	29,128	30,127	67,357
Grants	9,681	-	9,905	10,650	11,053
Restructured liabilities	38,173	-	22,152	-	-
Deferred tax liability	10,783	-	10,870	17,919	19,104
<b>Total non-current liabilities</b>	<b>63,992</b>	<b>-</b>	<b>72,055</b>	<b>58,696</b>	<b>97,514</b>
Current portion of non-current borrowings and financial lease	81,726	-	73,392	59,777	78,625
Current borrowings	8,128	-	6,128	64,218	45,445
Trade payables	16,687	-	16,084	17,498	24,956
Other payables and current liabilities	8,668	-	12,168	24,832	17,936
<b>Total current liabilities</b>	<b>115,209</b>	<b>-</b>	<b>107,772</b>	<b>166,325</b>	<b>166,962</b>
<b>Total liabilities</b>	<b>179,201</b>	<b>-</b>	<b>179,827</b>	<b>225,021</b>	<b>264,476</b>
<b>Total equity and liabilities</b>	<b>290,294</b>	<b>-</b>	<b>288,964</b>	<b>272,238</b>	<b>347,018</b>
Financial debt (current and non-current, including financial lease)	133,382	-	130,800	154,122	191,427
Invested capital (financial debt and equity)	244,475	-	239,937	201,339	273,969
<b>Selected consolidated Cash Flow Statements data</b>					
Cash flow from operating activities	875	6,651	133	13,543	-1,180
Cash flow from investing activities	-18	488	-990	-2,208	-103,702



Item	31 March 2011 (unaudited)	31 March 2010 (unaudited)	31 December 2010	31 December 2009 Restated	31 December 2008 Restated
Cash flow from financing activities	881	-7,948	-1,546	-10,621	103,472

Item	31 March 2011	31 March 2010	31 December 2010	31 December 2009 Restated	31 December 2008 Restated
<b>Unaudited Key ratios and indicators</b>					
EBITDA	1,876	-127	8,751	-8,186	4,600
EBITDA margin, %	0.25%	-2.16%	19.38%	-16.96%	7.83%
Current ratio	0.42	-	0.43	0.18	0.37
Quick ratio	0.32	-	0.32	0.13	0.25
ROA, %	0.94%	-	2.76%	-14.37%	-2.46%
ROE, %	0.89%	-	9.49%	-86.12%	-44.13%

Source: Consolidated Financial Statements and Consolidated Interim Information

EBITDA = Net income add interest, depreciation and reversal of all other non-cash items (as described in section1.3).

Current ratio = Current assets / Current liabilities

Quick ratio = (Current assets – Inventory) / Current liabilities

ROA = Operating profit / Average total assets

ROE = Net profit / Average total equity

In year 2010 Group's revenue amounted to LTL 45.2 million and was 6.9% lower than a year ago. Group's earnings before interest, taxes, depreciation and amortization (EBITDA) improved from LTL -8.2 million to LTL 8.8 million in 2010. In year 2010 EBITDA margin approximated to 19% and Group's net profit was LTL 7.3 million.

In 2010 Group's total equity capital was LTL 109.1 million, or 2.3 times greater compared with the year 2009. The major effects came from issuance of new share capital and conversion of some of the debt into shares.

Non-current liabilities of the Group increased by 23% and in 2010 amounted to LTL 72.1 million. This was mainly influenced by debt capitalization as well as restructuring process, when some of the Group's current liabilities were reclassified into long term liabilities. Over the year 2010 total current liabilities decreased by 35% and amounted to LTL 107.8 million. Total liabilities of the Group decreased by LTL 45.2 million (20%) and in 2010 amounted to LTL 179.8 million. The major part of decreased debt was associated with debt capitalization. Total financial debt has also decreased by 15% and in 2010 amounted to LTL 130.8 million. Group's invested capital (financial debt and equity) increased by 19% and in 2010 amounted to LTL 239.9 million.

Increase in current assets and decrease in current liabilities over the year 2010 resulted in improved current ratio which was 0.43 (2009: 0.18). Having eliminated less liquid assets (inventory), quick ratio in 2010 has also improved and was 0.32 (2009: 0.13).

Return on equity, after being negative in years 2009 and 2008, increased to 9.49%. Return on assets has also increased from -14.37% in 2009 to 2.76% in 2010.

Over the first quarter of 2011, the Group's revenues amounted to LTL 7,402 thousand as was almost 30% higher than during the same period of 2010. This was a result of some grain stocks left as at 31 December 2010 and subsequent sales in January and February.

The Group acquired a subsidiary in Moldova for possessed accounts receivable. The negative goodwill of LTL 412 thousand was calculated and released to the Income Statement.

The Group earned other income of LTL 3,055 thousand from debt extinguishment as additional 5 companies had their restructuring plans approved.

No significant changes have occurred in the balance sheet over the three months period ended 31 March 2011.

## 10 OPERATING AND FINANCIAL REVIEW

### 10.1 OVERVIEW

Agrowill 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 largest agricultural land owner in Lithuania – subsidiary land buying entities owned around 12 thousand ha of land, agricultural entities own around 1 thousand ha, and additionally around 18 thousand ha were rented from others. As of 31 December 2010 the Group controlled 47 subsidiaries: 16 Agricultural Companies (ŽŪB) and the remaining being responsible for land acquisition, rent, management and other activities. As of 31 December 2010 the Group employed 444 employees.

The Group concentrates on two main lines of business – milk production and crop growing. During the last decade, the worldwide commodities markets of these two segments developed positively, and only negative trend was experienced when global financial markets crashed in late 2008. However, during 2010 the markets started rebounding (both milk powder and crop commodities), and by the end of the year commodities prices reached pre-crisis levels. In the future, outlook for agricultural industry is bright, as many analysts in the world are projecting further increases in prices.

The global demand for dairy products has been growing very rapidly in recent years, the growth being driven mainly by the developing economies, but in 2008, together with starting worldwide financial crisis and melamine scandal in China, the demand for milk products decreased significantly. Due to abovementioned influence, the milk prices were on continued decline until May 2009, when the price bottom was reached – LTL 0.58 per kg of milk (almost half from top price in the end of 2007). Currently, the demand for milk products has increased up to 2007 levels again, with the most rapid growth in the demand for dairy products coming from China, India and Mexico, which are major importers of dairy products. In the end of 2010, the Group sold milk for a price of LTL 0.94 per kg.

In 2006 and 2007, with increasing global consumption due to growth of population and appliance of grain in biofuel production and world's grain stocks being at the smallest level in the past 34 years the grain prices soared to record highs. Due to that, there were significant increases in the areas of grain, corn, soya, and rapeseed seeded in 2008. The harvests received in whole world in 2008 and 2009 resulted in oversupply and the grain prices gradually fell until reached 2005–2006 level. In 2010, due to hazardous weather in Russia, Ukraine and some other major grain and rapeseed producers (as well as in Lithuania), the harvest in the world was lowest over the past 3 years, and grain stocks were significantly reduced. Due to this grain and rapeseed prices rose by 60–80% over the course of the year. It is forecasted that in the future, unless any extraordinary weather conditions, the worldwide grain and rapeseed market will grow slowly but steadily – the prices of the production will depend on harvests yielded in different countries, consumption patterns and world grain stocks level.

The Group's revenues from milk production, in 2010 amounting to LTL 16.8 million or 38% from total revenues of the Group (2009: LTL 25.3 million or 55%) is stable and monthly cash generating activity of the Group. Milk production activities also include the raising of heifers. As at 31 December 2010 the Group had around 2.7 thousand milking cow herd.

The main crop growing cultures grown for sales are wheat and rapeseed – there were around 11.6 thousand ha planted and harvested in 2010 (2009: 6.9 thousand ha) 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.

In the nearest future the Group plans to expand the production capacities of the two main lines of business, also focusing on making these business lines more efficient. It is planned to increase the milking cow herd to around 4 thousand in 2011 with expected increase up until 6 thousand in 3 years' time. To establish couple of "programming centres" for growing of heifers in order to specialize different companies in certain dairy activities and increase efficiency and profitability. In the crops line, the Group intends to shift most of the crop rotation to winter crops, in order to benefit from better harvest and increased profitability of land cultivation business. The Group plans to increase the working area by at least 20–25% over the next 3 years.

### 10.2 MAJOR FACTORS AND EVENTS AFFECTING ISSUER'S FINANCIAL RESULTS AND OPERATIONS

#### Foreign currency exchange rate fluctuation

The production manufactured by the Group (milk, grain, rapeseed) belongs to the raw material market, the prices for which are set in the worldwide markets, thus the Group faces main currencies (USD and EUR) exchange rate fluctuation risk. Generally, the revenues of produced crops are denominated in EUR, while produced milk revenues in LTL; major expense items of the Group are denominated in LTL. The management of the Group controls the risk by seeking that financial liabilities in different currencies would match the balance of revenues and expenses denominated in different currencies, thus the risk of foreign currency exchange rate fluctuation is limited. As of 1 February 2002, the national currency Litas is pegged to Euro at a rate 3.4528 LTL = 1 EUR. To some extent, however, changes in exchange rates, directly or indirectly may have a negative impact on Group's results.

### Current development of International and Lithuanian financial markets

The worldwide liquidity crisis which started in 2008 resulted in decrease of capital markets and banking sector financing capabilities and increases in financing costs of borrowing in certain currencies. The magnitude of the financial crisis and its effect on the world and local economies was huge and up to the date, the global economies struggle to find possible opportunities and terms of recovery. In management's opinion, the crisis influenced the Group's operation, as due to decreased financial capabilities in the end of 2008 and, in turn, inability to change the short-term bridge bonds into long-term loans the Group experienced liquidity problems. In 2009, the world markets started recovering, but it is difficult to predict when the world economies will be healthy again, as 2010 brought yet new challenges to the markets. However, the agriculture sector was influenced less than others, which, together with growing commodities prices, resulted in favourable conditions to the industry development. Lingering economic recovery and (or) worsening conditions may, to some extent, negatively affect Group's operations and results.

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

Historically, the main source of Group's financing (for acquisitions and operational needs) was generated by borrowed funds. In the beginning of 2008, the Group issued a new share capital issue and attracted around LTL 28.3 million of cash into the Group. In the same year, the Group issued several bond issues and attracted additional LTL 28 million of cash. All the proceeds were used for expansion of the Group – 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 above-mentioned financial markets collapse took place, the Group 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 Groups assets are the investment property, owned land, buildings, equipment and cattle herds – long term assets, payback of which is longer than 1–2 year term, while Group's current financial liabilities are larger than current receivables. Due to severely limited additional financing opportunities, the shareholders and management of the Group in June 2009 undertook a decision to initiate restructuring process for most of the Group's entities – for Parent 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 and the processes are ongoing (in different phases) since then.

In 2010, the processes were continuing and by the end of the year Restructuring plans were approved for 5 of the 15 entities under restructuring. As of the date of the Prospectus the Restructuring plans were approved for 14 out of the 15 entities. According to the plans, the liabilities will be paid out over 4 year term with main portion of payments falling into 4<sup>th</sup> year. Currently Group's management vision coincides with the main creditors' vision regarding the activities, future profitability of the Group and the ability to successfully pass the Restructuring process. Additionally in 2010, the Group capitalized around LTL 50 million of various debts into equity, which significantly reduced the debt level.

### 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).

### 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.

## 10.3 RESULTS OF OPERATIONS

**Table 11: Financial data from consolidated income statements (LTL'000)**

Item	31 March 2011	31 March 2010	2010	2009	2008
	(unaudited)	(unaudited)		Restated	Restated
Revenues	7,402	5,885	45,165	48,277	58,712
Cost of sales	-3,843	-4,817	-28,595	-45,838	-45,967
Gain (loss) on changes in fair values of biological assets and on initial recognition of agricultural produce	-	-	2,448	-11,732	-15,161
<b>GROSS PROFIT</b>	<b>3,559</b>	<b>1,068</b>	<b>19,018</b>	<b>-9,293</b>	<b>-2,416</b>

Item	31 March 2011 (unaudited)	31 March 2010 (unaudited)	2010	2009 Restated	2008 Restated
	Operating expenses	-4,314	-2,819	-22,028	-35,634
Investment property fair value change gain	-	-	-	-	15,927
Gain on acquisition of subsidiaries	412	-	2,843	-	-
Other income	3,066	7	7,903	440	97
<b>OPERATING PROFIT</b>	<b>2,723</b>	<b>-1,744</b>	<b>7,736</b>	<b>-44,487</b>	<b>-6,772</b>
Finance cost	-1,256	-1,212	-6,824	-12,879	-13,035
<b>PROFIT (LOSS) BEFORE INCOME TAX</b>	<b>1,467</b>	<b>-2,956</b>	<b>912</b>	<b>-57,366</b>	<b>-19,807</b>
Income tax expense / gain	489	-	6,385	3,175	-5,321
<b>NET PROFIT/ (LOSS) FROM CONTINUING ACTIVITIES</b>	<b>1,956</b>	<b>-2,956</b>	<b>7,297</b>	<b>-54,191</b>	<b>-25,128</b>
<b>NET PROFIT/ (LOSS) FROM DISCONTINUED ACTIVITIES</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>119</b>	<b>-9,735</b>
<b>NET PROFIT / (LOSS) FOR THE YEAR</b>	<b>1,956</b>	<b>-2,956</b>	<b>7,297</b>	<b>-54,072</b>	<b>-34,863</b>
Equity holders of the Parent Company	1,807	-2,895	7,087	-52,594	-34,572
Non-controlling interest	149	-61	210	-1,478	-291
	<b>1,956</b>	<b>-2,956</b>	<b>7,297</b>	<b>-54,072</b>	<b>-34,863</b>
<b>Basic and diluted earnings (loss) per share (LTL)</b>	<b>0.03</b>	<b>-0.11</b>	<b>0.17</b>	<b>-2.01</b>	<b>-1.41</b>

Source: Consolidated Interim Information and Consolidated Financial Statements

During 2010 the Group generated LTL 45.2 million in agricultural activity revenues (2009 – LTL 48.3 million), what constituted a 6.4% decrease over 2009. The decrease as compared to previous year is influenced by lower levels of production of the remaining of the Group companies, as all non-profitable production branches were cut. Additionally there were some other cuts in operational size of the Group due to liquidity problems, but the Group will receive back the land temporarily leased out before autumn seeding season of 2011.

Cost of sales decreased from LTL 45.8 million in 2009 to LTL 28.6 million, or by 37.6% as compared to 2008. Major reduction in cost of sales occurred after cut in payroll and other pay related expenses. Less was spent on fertilizer and animal feed. The latter one, to some extent, was associated with decrease in number of milk cows.

Cost of sales in 2010 accounted for 63.3% of total sales and was lowest in the last three years (2009: 94.4%; 2008: 75.3%) which shows a positive operational development.

**Table 12: Cost of sales (LTL'000)**

Item	2010	2009 Restated	2008 Restated
Payroll expenses	5,410	11,333	8,224
Social security expenses	1,677	3,474	2,524
Fertilizer	6,982	8,818	6,521
Feed for animals	6,856	8,718	19,051
Property, plant and equipment depreciation	3,456	4,092	4,003
Land rent	2,785	3,819	2,153
Services from contractors	2,718	1,624	1,254
Fuel costs	2,508	3,103	2,974
Chemicals	2,035	3,044	1,625
Spare parts and inventory	1,591	1,985	1,588
Seed	1,617	1,440	1,526
Electricity	930	1,244	882
Medicine	743	920	561
Veterinary and insemination	82	459	557
Other expenses	475	3,943	2,171
Less: direct subsidies from State	-11,270	-12,178	-9,647
<b>Total</b>	<b>28,595</b>	<b>45,838</b>	<b>45,967</b>

Source: Consolidated Financial Statements (the Company prepares such breakdown only for year-end purposes)

Cost of sales in 2008 increased substantially due to the acquisition of Group's subsidiary Grūduva UAB. It was also influenced by expansion of Group's crop area and livestock. Profitability decline in 2008 occurred due to the lower milk prices (decreased from LTL 1.05 per litre in January to LTL 0.80 per litre in December) and drop in grain prices (approximately from LTL 600–700 per metric tonne in QI 2008 to LTL 400–500 per metric tone in QIII 2008). Another factor that negatively affected Group's profitability in 2008 was that input

materials, mainly fertilizers, were purchased at peak market prices and production sold at prevailing low prices.

The charge for revaluation of biological assets in 2009 was LTL 11.7 million as Group's management conservatively re-valued milking cows herd. The Group made a write-down of LTL 4.5 million for winter crops and rapeseed as due to harsh winter weather over 2,000 ha of crops were lost and all other were severely damaged. At the point of harvest the Group's management determines the prices of crop cultures harvested by examining the market prices of particular crops at the point of sale, less the costs associated with point of sale. For year 2010 an amount of LTL 2.4 million was recognised as a gain on changes in fair value of biological assets. As at the date of signing annual report for the years ended 2010, 2009 and 2008, no significant uninsured areas affected by winterkill were registered as compared with write-off of LTL 4.5 million in 2009.

Gross profit margin from being negative in years 2009 and 2008 increased to 42.1% in 2010.

Group's operating expenses over the 3 month period ended 31 March 2011 reached LTL 4.3 million. Group made impairment provision for accounts receivable and also incurred larger consultation services expenses which are associated with approvals of restructuring plans (restructuring administrator costs), and various fees regarding preparation for IPO in Warsaw stock Exchange.

**Table 13: Operating Expenses (LTL'000)**

<i>Item</i>	<i>31 March 2011 (unaudited)</i>	<i>2010</i>	<i>2009 Restated</i>	<i>2008 Restated</i>
Payroll expenses	794	3,264	4,041	4,821
Social security expenses	246	1,012	1,253	1,494
Fines and late payments	-	3,470	4,070	341
Property, plant and equipment depreciation	629	2,890	2,704	1,198
Impairment of accounts receivable	762	2,100	3,686	1,554
Consultations and business plan preparations	823	2,082	1,548	561
Write-off of inventory	181	1,635	2,588	1,496
Insurance and tax expense	161	1,083	1,996	1,473
Selling expenses	-	741	1,011	1,573
Fuel costs	102	468	359	410
Real estate registration and notaries	-	268	173	446
Rent and utilities	46	208	200	180
Transportation costs	-	164	465	301
Write-off of property, plant and equipment	-	21	511	1,396
Impairment and loss of revaluation of PPE	-	-	8,980	-
Impairment of goodwill	-	-	824	-
Loss on sale of PPE	-	-	227	-117
Other expenses	570	2,622	998	3,253
<b>Total</b>	<b>4,314</b>	<b>22,028</b>	<b>35,634</b>	<b>20,380</b>

Source: Consolidated Financial Statements

Additionally the Group started Restructuring processes in all the agricultural subsidiaries, which also resulted in additional expenses as compared to other periods. Payments to financial creditors were minimal during the 2009 as the Group experienced liquidity problems, which in turn resulted in fines and late payment invoices.

In 2010 the Group finalized acquisition of agricultural company Gustoniai, which was started back in 2007. As the purchase was completed, gain of LTL 2.8 million was calculated and accounted as income.

Other income of LTL 7.9 million in 2010 mainly arose from extinguishment of debt (LTL 6.7 million) which was recognized as gain.

Financial expenses decreased as compared to 2009 (LTL 6.8 million compared to LTL 12.9 million in 2009) mainly due to fact that Restructuring cases were approved in most Group companies.

Over 12 month period ended 31 December 2010, the Group recognized LTL 6.4 million income tax credit, mainly as deferred tax asset regarding the accumulated tax losses was created in the subsidiaries which have their Restructuring plans approved, or are not under restructuring at all.

Loss from discontinued activities in 2008 (LTL 9.7 million) and gain in 2009 (LTL 0.1 million) occurred due to divestment of Polva Agro and Agrowill Eesti in 2010.

Net profit for the year 2010 was LTL 7.3 million and net profit margin approximated to 16.2%.

**Table 14: Consolidated capital resources of the Group (LTL'000)**

Item	31 March 2011 (unaudited)	31 December 2010	31 December 2009	31 December 2008
Cash and cash equivalents	2,950	1,322	3,725	3,011
Current financial liabilities	87,854	79,520	123,995	124,070
Non-current financial liabilities	45,528	51,280	30,127	67,357
Total equity	111,093	109,137	47,217	82,542
Share capital	71,552	71,552	26,143	26,143
Share premium	25,595	25,595	22,130	22,130
Reserves	47,134	47,885	46,462	26,609
Retained profit (loss)	-35,768	-38,326	-47,621	3,576
Minority interest	2,580	2,431	103	4,084
Long-term capital resources (non-current financial liabilities and total equity)	156,621	160,417	77,344	149,899

Source: Consolidated Financial Statements, Consolidated Interim Information

The share capital of Agrowill Group AB as at 31 March 2011 and 31 December 2010 amounted to LTL 71,552,254. The share capital is divided into 71,552,254 ordinary shares. Each issued share has a LTL 1 nominal value and fully paid.

Each share has usual material and intangible rights as per Law of the Republic of Lithuania on Companies and Company's Articles of Association.

In the end of 2008, the Company issued new share capital issue of 4,635,045 ordinary shares (with nominal value LTL 1 each), part of which – 1,545,015 ordinary shares was acquired by Finasta rizikų valdymas UAB, while the remaining part of 3,090,030 shares was supposed to be bought by the main shareholder – ŽIA valda AB. As ŽIA valda AB rejected the share purchase agreement, the Company took a decision to register the share capital increase in the amount of paid shares – 1,545,015 ordinary shares. Finasta rizikų valdymas UAB sued such action to the court, and court issued temporary security measures by forbidding any registrations of share capital increase until civil case will be solved by the court of Lithuanian Republic.

On 20 July 2010 Agrowill Group AB and the company Finance Risk Management UAB which belongs to Invalda group (formerly known as Finasta rizikų valdymas UAB), signed a Peaceful Settlement Agreement regarding the increase of Company's share capital. After finishing the procedures of share capital increase, the share capital of AB Agrowill Group increased by LTL 1,545,015 (up to 27,687,747 ordinary shares), and the new shares were acquired by Invalda group. The Capital increase was registered on 4 August 2010.

On 23 August 2010 the shareholders of the Company undertook the decision to increase the share capital by 37,572,650 shares (with nominal value of LTL 1 each) up to 65,260,397 shares (LTL 65,260,397 share capital). The shares were subscribed by Hermis Capital UAB, Volemer Holdings Limited and Vretola Holdings Limited. The issue was paid up in cash contributions (set off of claims held against the Company to newly issued shares) and the increase in share capital was registered in the Register of Legal Persons on 24 August 2010.

On 22 October 2010 the shareholders of the Company undertook the decision to increase the share capital by 6,525,603 shares (with nominal value of LTL 1 each) up to 71,786,000 shares (LTL 71,786,000 share capital). Actually, the number of shares issued amounted to 6,291,857 as some of bondholders did not sign the share purchase agreements. The issue was paid up in cash contributions (bondholders set off of claims held against the Company to newly issued shares, while 2,888,172 was paid in cash by Volemer Holdings Limited) and the increase in share capital was registered in the Register of Legal Persons on 11 November 2010.

After the Offering of the Shares the Issuer's share capital should increase by LTL 25,000,000.

The financial indicators of the Group for 2010 were better than in 2009. The main reasons for increase are the improved efficiency of Group's operations which resulted in significant improvement of gross profit. The Group made significant cost cuts as compared to previous years and, together with the start of restructuring process of the Group entities, the financing costs decreased as well.

**Table 15: Long term borrowings of the Group (LTL'000)**

Item	31 March 2011 (unaudited)	31 December 2010	31 December 2009 Restated	31 December 2008 Restated
<i>Borrowings from banks</i>				
Land management entities	60,733	60,445	40,335	21,767
Agricultural entities	37,604	38,065	37,260	14,236
Parent Company	-	-	-	59,462
Trade companies and SPV's	1,800	1,950	-	36,185
<i>Long-term payment to 3<sup>rd</sup> parties</i>				

Item	31 March 2011 (unaudited)	31 December 2010	31 December 2009 Restated	31 December 2008 Restated
Long-term payable to the State	570	459	458	-
Long-term payable to creditor	2,570	2,666	-	-
<b>Total</b>	<b>103,277</b>	<b>103,585</b>	<b>78,053</b>	<b>131,650</b>
<b>Less:</b> amounts, payable within one year (breached covenants)	-31,486	-31,267	-16,197	-
<b>Less:</b> amounts, payable within one year (companies under restructuring)	-10,564	-24,738	-35,543	-
<b>Less:</b> amounts, payable within one year (cancelled agreements)	-7,044	-7,044	-	-
<b>Less:</b> amounts, payable within one year (according to agreements)	-25,023	-3,335	-3,267	-74,765
<b>Less:</b> amounts under approved restructuring plans	-25,498	-11,155	-	-
<b>Total long term borrowings</b>	<b>3,662</b>	<b>26,046</b>	<b>23,046</b>	<b>56,885</b>

Source: Consolidated Financial Statements, Consolidated Interim Information

As of the end of 1<sup>st</sup> quarter of 2011 5 agricultural companies' loans (31 December 2010: 10 loans) were classified as amounts payable within one year because, as stipulated in the loans agreements, these loans became repayable on demand on the date when entering into restructuring lawsuit. Additionally some land management entities have breached some minor covenants, and as some of the companies are under restructuring – such situation triggers the possible payback of other loans. In addition, 4 companies have their agreements terminated, with negotiations ongoing regarding payment of the amounts. The amount of such reclassification (breached covenants, companies under restructuring and cancelled agreements) was LTL 49,094 thousand (31 December 2010: LTL 63,049 thousand). As significant number (14, as of the date of the Prospectus) of restructuring plans of the Group companies is already approved by the Court and only one of them is still pending approval, the Management believes that all amount of LTL 10,564 thousand will be accounted as restructured long term liabilities in 2011. As the Group is returning to normal operations, Management believes that the most of LTL 31,486 thousand liability will no longer have breached covenants and will be reclassified as long-term payables by the end of 2011. The loans taken by the entities which restructuring plans are approved are classified as restructured liabilities in the balance sheet. Such loans amount to LTL 25,498 thousand as at 31 March 2011 (31 December 2010: LTL 11,155 thousand).

The Group owes payable amount to the State of LTL 570 thousand for land acquisition made by Group in 2008 and 2010. The payable amount to State is over 15 year period.

The Group owes long-term payable of LTL 2,570 to the creditor – Litagros Prekyba AB which is due until 2013.

In March 2011 the Company obtained LTL 2 million from Žia Valda UAB.

**Table 16: Short term borrowings of the Group (LTL'000)**

Item	31 March 2011 (unaudited)	31 December 2010	31 December 2009 Restated	31 December 2008 Restated
<i>Borrowings from banks</i>	400	400	22,839	6,283
Land management entities	-	-	22,426	-
Agricultural entities	400	400	413	6,283
<i>Bonds issued by the Parent Company, maturity in 2009</i>	8,887	8,887	30,553	29,615
<i>Borrowings from legal entities by the Group</i>	7,728	5,728	579	4,986
<i>Borrowings from private individuals by the Group</i>	-	-	10,247	4,561
<b>Total</b>	<b>17,015</b>	<b>15,015</b>	<b>64,218</b>	<b>45,445</b>
<b>Less:</b> amounts under approved restructuring plans	-8,887	-8,887	-	-
<b>Total short term borrowings</b>	<b>8,128</b>	<b>6,128</b>	<b>64,218</b>	<b>45,445</b>

Source: Consolidated Financial Statements, Consolidated Interim Information

Property, plant and equipment and investment property of the Group were pledged to the banks as collateral to secure the loans payable.

During 2009 the Group defaulted on Bonds payments (amount payable at the year end 2009 amounted to LTL 30,553 thousand). Additionally the Group had defaulted on loan and interest payments to local banks amounting to LTL 12,383 thousand. Although the amounts overdue are large, all of them fell under restructuring and will have to be paid back over the 4 year period after the court approves the restructuring plans.

In 2009, the Group initiated 15 restructuring processes – 14 for subsidiary agricultural entities and for the Company. In 2010, first restructuring plans were approved, and the creditors agreed to be paid back the

overdue amounts in following schedule: year 2011 – 0%, year 2012 – 0%, year 2013 – 15% and year 2014 – 85%. In the balance sheet drafted as at 31 March 2011 and 31 December 2010, the Group made certain reclassifications from long term liabilities and short term liabilities in order to list restructured liabilities separately.

**Table 17: The restructured liabilities (LTL'000)**

Item	31 March 2011 (unaudited)	31 Dec 2010
Long term borrowings	25,498	11,155
Short term financial liabilities	8,887	8,887
Leasing liabilities	553	533
Trade and other payables	12,285	8,061
<b>Total before debt extinguishment</b>	<b>47,203</b>	<b>28,636</b>
<b>Less:</b> gain from debt extinguishment	(9,750)	-6,695
<b>Add:</b> interest expense	720	211
<b>Total restructured liabilities</b>	<b>38,173</b>	<b>22,152</b>

Source: Consolidated Financial Statements, Consolidated Interim Information

Additionally, the Parent Company made debt extinguishment by discounting the restructured liabilities by applicable interest rates (bank loans: by actual interest rate set, and trade and other liabilities: 10.1%). The gain on extinguished amount is presented in the profit and loss account as other income, while amortization of this gain will be included in interest expenses over the 4 year period.

The table below analyses the Group's financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balance sheet amounts payable within one year reflect fair value of the liabilities, as the influence of discounting is not significant.

**Table 18: Breakdown of borrowings of the Group as of 31 December 2010, 2009 and 2008 (LTL'000)**

Item	Payable on demand	Within one year	Within second year	Within third and fourth year	Within fifth year and later
<b>31 December 2010</b>					
Borrowings	63,049	10,351	26,405	1,069	331
Finance lease liabilities	4,871	2,400	1,645	1,691	-
Restructured amounts	-	-	-	28,637	-
Trade and other payables	-	19,325	-	-	-
<b>Total</b>	<b>67,920</b>	<b>32,076</b>	<b>28,050</b>	<b>31,397</b>	<b>331</b>
<b>31 December 2009</b>					
Borrowings	51,264	44,242	3,405	5,836	18,682
Guarantee issued	36,185	-	-	-	-
Bonds	-	34,868	-	-	-
Finance lease liabilities	-	5,254	3,104	4,754	-
Trade and other payables	-	20,916	-	-	-
<b>Total</b>	<b>87,449</b>	<b>105,280</b>	<b>6,509</b>	<b>10,590</b>	<b>18,682</b>
<b>31 December 2008</b>					
Borrowings	70,331	23,180	24,836	11,851	47,468
Bonds	-	31,203	-	-	-
Finance lease liabilities	-	4,294	3,663	5,563	1,906
Trade and other payables	-	27,725	-	-	-
<b>Total</b>	<b>70,331</b>	<b>86,402</b>	<b>28,499</b>	<b>17,414</b>	<b>49,374</b>

Source: Consolidated Financial Statements

Payable on demand includes those loans which have their covenants breached and guarantees issued by the Group. It also includes all the loans of subsidiaries which restructuring plans were not approved as at 31 December 2010. As all the plans are expected to be approved in 2011, the amount payable on demand will decrease significantly. As of the date of the Prospectus, of all the loans with breached covenants, neither one was demanded to be paid back by the creditors.

In October 2009 the Group issued guarantee for the loan of Agrowill Eesti OU to Swedbank for the amount of LTL 35.8 million. At the date of signing of these financial statements the guarantee was terminated as all the contractual clauses and obligations of Agrowill Eesti OU sale were met.

As at 31 December 2010, 2009, and 2008 the operating capital of the Group was negative and equalled LTL (61,699) thousand, LTL (136,724) thousand, and LTL (105,035) thousand respectively. The liquidity ratio of the Group amounted to 0.43 (2009: 0.18, 2008: 0.37), while quick ratio was 0.32 (2009: 0.13, 2008: 0.25).



As at 31 December 2010, 2009 and 2008 the Group had following structure of interest bearing financial liabilities (taking into account restructured amounts of bank borrowings, bonds, and financial liabilities, which are not interest rate bearing).

**Table 19: Interest rate exposure of borrowings of the Issuer as of 31 December 2010, 2009 and 2008 (LTL'000)**

<i>Item</i>	<i>Liabilities with fixed interest rate</i>	<i>Liabilities with floating interest rate</i>
<b>2010</b>		
Loans from financial institutions	22,725	66,980
Bonds	-	-
Finance lease liabilities	1,632	8,458
Other borrowings	3,125	5,728
<b>Total</b>	<b>27,482</b>	<b>81,166</b>
<b>2009</b>		
Loans from financial institutions	22,426	78,466
Other borrowings	154	10,672
Bonds	30,553	-
Finance lease liabilities	-	11,851
<b>Total</b>	<b>53,133</b>	<b>100,989</b>
<b>2008</b>		
Loans from financial institutions	17,741	120,194
Other borrowings	768	8,777
Bonds	29,615	-
Finance lease liabilities	-	14,332
<b>Total</b>	<b>48,124</b>	<b>143,303</b>

Source: Consolidated Financial Statements

The fair value of non-current borrowings with variable interest rates approximates their carrying amounts. Average effective interest rate of borrowings with variable rate as of 31 December 2010 equalled to 3.81% (2009: 4.1%, 2008: 6.11%).

Fair value of non-current borrowings with fixed interest rate could not be estimated reliably, as main companies of the Group are under Restructuring process since 2009. The Group renegotiated the loan terms with bank Snoras (the only financial institution providing fixed interest rate borrowing) in 2010 extending the loan by 2 years and reducing the fixed interest rate from 13% to 5% (Snoras loan was the last loan taken by the Group in November 2008 – January 2009, i.e. no new loans were taken subsequent to January 2009). The public bonds issued by Company had no trade volumes since 2009 so relevant market price is difficult to determine, however in spring 2010 some of bondholders sold their bonds for 28% of nominal bonds value (i.e. at a discount of 72%). These facts show that as of 31 December 2010 fair value of the Group's financial liabilities with fixed interest rates could be below their carrying amounts.

As of 31 March 2011, the Company has not yet redeemed the following bond issues:

**Table 20: Not redeemed bond issues by the Issuer as of 31 March 2011 (LTL)**

<i>ISIN</i>	<i>Current outstanding nominal value, LTL</i>	<i>Subscription date</i>	<i>Redemption date</i>	<i>Interest rate, %</i>
LT0000401549	3,823,500	26.06.2008	29.06.2009	12
LT0000401598	2,992,000	26.06.2008	29.06.2009	12
LT0000330516	466,748	24.12.2008	23.03.2009	14
LT0000330524	193,276	21.01.2009	20.04.2009	14

Source: the Company

On May 2009 the Issuer has signed bond restructuring agreements with bondholders of bond issues ISIN LT0000330516 and LT0000330524. The bonds were to be redeemed in equal payments every month for the following 3 years. After default of bond issues ISIN LT0000401549 and LT0000401598 the Issuer did not continue the abovementioned monthly payments.

As of 20 May 2010 the Vilnius Regional Court's decision for Issuer's restructuring came into effect and the restructuring plan was confirmed on 20 October 2010. The restructuring process is described in more detail in Section 14.7 *Principal Business Activities*.

During 2010 the only loan received was from Aviation asset management UAB for LTL 0.6 million.

Over 2009 the Group received loans from banks in the amount of LTL 3,112 thousand, and repaid banks and other borrowings and amounts to bondholders around LTL 11,731 thousand. The Group, as mentioned earlier, had overdue interest and incremental payments in the amount of LTL 12,383 thousand. Around LTL 9,600 thousand of accrued interest, and late payment charges were capitalized and added to the borrowings during the 2009. Group's borrowings of LTL 36,185 thousand payable to Swedbank as of 31 December 2008 (see above) were disposed of as part of discontinuing activities.

In the ordinary course of business the Issuer finances activities from cash flows from operating activities and from cash flows from financing activities. There are no restrictions on capital usage.

**Table 21: Selected financial data from consolidated cash flow statements (LTL'000)**

Item	31 March 2011	2010	2009	2008
<b>Cash and cash equivalents at the beginning of the period</b>	<b>1,322</b>	<b>3,725</b>	<b>3,011</b>	<b>4,421</b>
Net cash flows from /(to) operating activities	875	133	13,543	-1,180
Net cash flows from/(to) investing activities	-18	-990	-2,208	-103,702
Net cash flows from/(to) financing activities	771	-1,546	-10,621	103,472
<b>Cash and cash equivalents at the end of the period</b>	<b>2,950</b>	<b>1,322</b>	<b>3,725</b>	<b>3,011</b>

Source: Consolidated Financial Statements, Consolidated Interim Information

The net cash flows from operating activities has declined significantly in 2010 and amounted to LTL 0.1 million (LTL 13.5 million in 2009, LTL -1.2 million in 2008). Cash flows from investing activities have increased from LTL -2.2 million in 2009 to LTL -0.99 million in 2010 due to lower scope of investments in 2010.

The cash flows from financing activities in 2008 amounted to LTL 103.5 million due to new share issue (LTL 28.3 million) and additional borrowing (LTL 57.5 million). In 2009 the Issuer's cash flows from financing activities declined to LTL -10.6 million due to the decrease in bank debt. In 2010 the cash flows from financing activities was LTL -1.5 million, which is less than in 2009 due to lower amounts paid to banks and additional financing obtained.

Cash and cash equivalents are held in LTL and / or EUR. Treasury has a policy to synchronize the cash flows from expected sales in the future with the expected purchases and other expenses in each foreign currency including borrowings in LTL or EUR only. Group's purchase / sale contracts are also concluded in LTL and EUR. The Group companies do not have significant foreign currency concentration, thus no financial instruments were used in order to hedge against foreign currency risks.

#### 10.4 KEY FORECASTS OF FINANCIAL DATA

Agrowill Group AB has compiled the Group's financial outlook for year 2011 and 2012 in April 2011. Financial data as well as operational assumptions used to derive such data have been examined by HLB Sarnowski & Wiśniewski Sp. z o.o. (Poland). The most material factor having an effect on projected 2011 and 2012 financials is success of the Offering in Warsaw. As of the forecast compilation date, the Group had approximately 2,500 milking cows, while the forecast is based on the assumption, that the Group will increase the milking cow herd significantly over two years and the average number of cows in 2012 will reach 4,500, as well as that the Issuer will restart cultivating 2,000 ha since September 2011.

Assumptions about factors which the Group's management can influence are limited to the correct application of fertilizer and chemicals, as well as supervision that all tasks in the fields and cow barns are made in the timely and adequate manner.

Assumptions about factors which are primarily outside the Group's management influence relate to: (i) prices for agricultural commodities for 2011 and 2012, as the Group has no influence on setting or controlling such prices; (ii) harvest yields for 2011 and 2012, which depends, besides other operational factors such as fertilizer input, which could be controlled by the Group, on such factor as weather conditions, which is certainly beyond the Group's control; (iii) successful Offering and listing of Shares on WSE which would allow to start the planned investments.

The compiled forecast is based on the following assumptions that were used in order to avoid overstatement of the projected financial results:

- (i) The prices for agricultural commodities are taken as of April 2011 and benchmarked to MATIF futures;
- (ii) Moderate growth in production yields was assumed.

Key financial projections, examined by the auditors, are summarized in the table below, as well as a summary of historical financial information, which have been derived from the Consolidated Financial Statements.

#### Financial information, LTL'000

	2008	2009	2010	2011	2012
Net sales	58,712	48,277	45,165	81,360	135,028
Net profit	(34,863)	(54,072)	7,297	10,789	12,396*

\*without possible land portfolio sale result

HLB Sarnowski & Wiśniewski, has issued a report on the forecast and gave its consent to include the report in the Prospectus.

#### Independent Assurance Report on Prospective Financial Information to the Management Board of Agrowill Group AB

We have conducted attestation work covering projections of results of net sales and net profit of the Agrowill Group AB group with Agrowill Group AB being the parent company ("Company") for the financial years ending on 31 December 2011 and 31 December 2012 ("Result projections").

The result projection and the material underlying assumptions are provided in item 10.4 of the Issue Prospectus.

The Management Board of the Company is responsible for preparing assumptions to the Result Projections and for developing the Result Projections on the basis of the assumptions.

Our task was to express an opinion on the Result Projections on the basis of our work.

We have conducted our work in compliance with the National auditing standard No. 3 "General rules of reviews of financial statements / abbreviated financial statements and performance of other attestation services" issued by the National Auditor Council and in accordance with the International Standard of Attestation Services No. 3000 "Attestation services other than audit and review of historic financial information", issued by the International Federation of Accountants ("IFAC").

Our work covered a study if the Result Projections were correctly developed on the basis of the disclosed assumptions, in compliance with the accounting rules applied by the Company.

We have planned and conducted our work so that we could collect information and clarification required by us to obtain reasonable assurance that the Result Projections were - on the basis of the specified assumptions - made correctly and that the applied accounting rules are compliant with the accounting rules presented in the introduction to the historic financial data.

Since the Result Projections and the underlying assumptions, refer to the future and therefore may be subject to influence of unforeseen events, we do not make a statement if the actual results will be compliant with the Result Projections and if the differences may be material.

In our opinion, the Result Projections were made correctly on the basis of the assumptions disclosed in this Prospectus and the applied accounting rules are compliant with the accounting rules presented in the introduction to the historical financial data.

This report was issued in compliance with the provisions of the Commission Regulation (EC) No. 809/2004 of 29 April 2004 implementing Directive 2003/71/EC of the European Parliament and of the Council as regards information contained in prospectuses as well as the format, incorporation by reference and publication or such prospectuses dissemination of advertisements (OJ UE L 149 of 30 April 2004) and we issue the report in order to satisfy the requirement.

Dariusz Sarnowski

Auditor, evidence number 10200

**HLB Sarnowski & Wisniewski Sp. z o.o. 61-478 Poznan, ul. Bluszczowa 7, Poland**

The entity authorised to audit the financial statements, evidence number 2917

Poznan, May 31, 2011

## 11 INDUSTRY OVERVIEW

### Principal markets

*The overview of the principal markets covers the main areas within the Group's business environment, which Company recognizes as significant in relation to its present and future operations. Statistical data and other factual statements concerning the condition of the market and the agricultural sector discussed in this Section of the Prospectus – all have been taken from sources recognized as the most appropriate by the Group.*

*While the Company considers the following material to be a comprehensive disclosure of current state of the principal markets Company participates in, operations of the Group may be affected by other market factors that are either not known or have not occurred by the date of this Prospectus.*

*The Group could be affected by the Global market trends due to fact, that as a Country, Lithuania is a net exporter both of milk products, and grains and rapeseeds. As the Country is producing much more than it needs, the local prices generally follow the world market prices with some discount for transportation. If the situation does not change in the future, it is expected that world grain and raw milk prices will fluctuate in line with Lithuanian prices.*

### Global industry trends

Global agriculture is in a course of major changes which is driven by a number of market factors:

- Global warming and scarcity of new arable lands may result in lower production capacity and higher prices. Changing climate conditions across the globe may distort current trade framework and effectively cause uncertainty over food supply prospects.
- The world population is growing at faster pace compared to growth of food supply, what which results in higher demand and pushes the prices of food higher. The world population is expected to double to 12 billion in less than 50 years and the upwards pressure for food prices rises.
- Life expectancy is rising. According to estimates, in the long-run the average life expectancy in China, - one of the major food consumer in the world, is forecasted to increase from 70 years in 2000 to 77 years in 2050, while in India, - another one of the biggest consumer – from 62 to 75 respectively. All of these contribute to the upwards pressure for the food prices.
- Rapid growth of emerging markets resulted in increase in disposable incomes, allowing people to spend more for food. Increased demand also contributed and will contribute to higher food production prices.
- Rising global temperature together with soil erosion are very likely to constrain agricultural production yield and growth of output.
- Agricultural production prices in short and medium terms are subject to fluctuations, driven from both – demand and supply sides, weather conditions, global stocks and other factors.

### Crops

Prices in the last decade remained rather stable and started growing in 2006. Adverse weather conditions in major grain-producing regions of the world and deteriorating global grain stocks during the period of 2005–2008 caused a significant increase in crop prices. An expansion of bio fuels sector as an alternative energy also contributed to higher prices as such an expansion boosted demand for grain cultures globally. In addition, financial investors also played a major role driving up prices of commodities, mainly throughout speculation and arbitrage from demand and supply imbalances. In more recent years the world crops production increased not only in a line with expansion of harvested area but also due to the improved average yields.

Increased crops prices together with favourable weather conditions around the world contributed to the delivery of exceptionally big crops harvest in 2008. Increased supply, alongside a big role of investors participating in the market led to decrease in crop prices. In addition, world economic downturn also caused a downward pressure on the crop prices. Even if in times of recession direct food consumption of grains is generally resilient to falling household income, demand for grains from other sectors, such as bio fuel industry, is much more exposed to macroeconomic turbulences.

According to Food and Agriculture Policy Research Institute, future crop prices will mainly be determined by supply and demand factors. On the supply side, only the limited growth is expected and is mainly attributable to the yield of grains rather than increase in farmland area. The major impact on price is expected to come from demand side. The upward pressure is projected from ever-growing population and changing diets. Bio fuel sector is also expected to increase demand for crops.

Over the past decade the supply/demand balance of the global grain market has remained tight. The consumption of grain has been steadily increasing whereas the production and the level of stocks did not follow the same pattern as the production of grain fluctuated greater from year to year. World's grain consumption has been increasing at 2.1% per annum over the last five years which has mainly been driven by continuously increasing food and feed consumption throughout imports in Far East Asia.

**Table 22: World grain balance\* (Million Metric Tons)**

Item	2007– 2008	2008– 2009	2009– 2010	2010–2011**	
				Jan.	Feb.
Production	1,697	1,802	1,793	1,726	1,728
Trade	239	249	240	242	243
Consumption	1,684	1,726	1,761	1,787	1,790
Stock	296	372	404	342	341
Exports***	114	152	164	104	105

Source: International Grain Council, 2011: [www.igc.int](http://www.igc.int); The Centre of Agricultural Information and Rural Activities of Lithuania, 2011: [www.vic.lt](http://www.vic.lt)

\*wheat, barley, rye, corn, oats, sorghum and other

\*\* International Grains Council forecast

\*\*\* based on major grain exporting countries (Argentina, Australia, Canada, EU, Kazakhstan, Russia, Ukraine and USA) exports

As the table above shows, while the world grain output was subject to fluctuations, as was trade volumes, world consumption grew steadily. World grain stock, after having minor deviations from the average over the years, has a stable low slope positive trend. The growth in output should enable grain stocks to be replenished to higher levels than those observed in the recent years. Despite the abovementioned various factors and other market drivers, the world grain consumption is forecasted to increase even higher due to the greater use of grain in the bio fuel industry.

The US, EU and Australia are set to govern the global wheat supplies in the coming years thought according to the Food and Agriculture Organization of the United Nations (FAO), by the end of the forthcoming decade, countries from CIS region (starting with Ukraine) are believed to become the prevailing source of grain (firstly wheat) exports. In the meanwhile, developing countries will continue to fuel global demand for grain due to the increasing population. The major consumers are forecasted to be the countries from South and East Asia regions, as well as countries from Africa such as Egypt and Nigeria.

### **Wheat**

Global area of wheat harvested has been growing over the past five years and in 2009 reached approximately 226 million of hectares, or around 3% more compared with a year 2005. In 2010, however, Food and Agriculture Policy Research Institute (FAPRI) forecasts that the harvested area has dropped to 221 million hectares, or levels prevailing 5-6 years ago.

According to estimates of the United States Department of Agriculture (USDA), the harvest season of 2008–2009 was reported to be the first during the preceding four-year period when the global wheat production exceeded the level of world consumption. As it was mentioned above, the high wheat prices in 2008 attracted farmers to expand their areas sown, contributed by favourable weather condition, all of this resulted in record production levels in 2009 exceeding 676 million metric tons. The yield of global wheat has also improved from 2.83 metric tons per hectare in 2005 to 3.00 metric tons per hectare in 2009, an increase of 6%. According to FAPRI estimates, the global average wheat yield in 2010 is expected to be 2.97 tons per hectare or slightly lower than a year ago.

**Table 23: Summary of global wheat production**

Item	Units	2005	2006	2007	2008	2009	2010*
Area Harvested, Total	Thousand Hectares	219,264	212,213	218,043	224,958	225,710	220,901
Production	Thousand Metric Tons	619,933	595,702	610,728	682,686	676,354	656,870
Average Yield, Harvested	Metric Tons per Hectare	2.83	2.81	2.80	3.03	3.00	2.97
Ending Stocks	Thousand Metric Tons	148,483	128,431	122,299	165,140	196,006	191,092
Trade	Thousand Metric Tons	91,913	87,949	90,579	112,936	97,928	103,085
Use, Total Domestic	Thousand Metric Tons	771,398	744,185	739,160	804,985	841,493	852,876

Source: Food and Agriculture Policy Research Institute, 2011: [www.fapri.iastate.edu](http://www.fapri.iastate.edu)

\* Preliminary estimates

In EU wheat area harvested remained rather stable over the past five years. The production output peaked in 2008 at 151 million metric tons and subsequently decreased in 2009 to 138 million metric tons, what constituted a 4.5% increase compared to the year 2005. Total wheat production in EU accounted for 20.5% of total world wheat production, while area harvested accounted only for 11.3% of the world's total wheat area, proving the regions higher productivity. This reflects the higher average wheat yields, compared to the rest of the world, which was 5.44 tons per hectare in 2009. According to FAPRI forecasts, wheat output is expected to increase to approximately 140 million metric tons in 2010, and 152 million metric tons by 2015. The yield is also forecasted to increase to 5.65 tons per hectare by 2015, or 3.7% higher compared to the year 2009.

**Table 24: Summary of wheat production in European Union**

Item	Units	2005	2006	2007	2008	2009	2010*
Area Harvested, Total	Thousand Hectares	25,833	24,466	24,712	26,687	25,444	25,705
Production	Thousand Metric Tons	132,356	124,870	120,133	151,072	138,339	139,699
Average Yield, Harvested	Metric Tons per Hectare	5.12	5.1	4.86	5.66	5.44	5.43
Ending Stocks	Thousand Metric Tons	23,384	14,075	12,343	18,337	17,176	16,238
Net Exports	Thousand Metric Tons	8,943	8,679	5,329	17,578	12,500	11,288
Per Capita Consumption	Kilograms	131.68	133.03	130.42	135.15	138.06	144.42
Supply, Total Domestic	Thousand Metric Tons	159,852	148,254	134,208	163,415	156,676	156,875
Use, Ethanol Production	Thousand Metric Tons, Calendar Year	n/a	2,500	2,500	3,200	3,900	4,864
Use, Total Domestic	Thousand Metric Tons	150,909	139,575	128,879	145,837	144,176	145,587

Source: Food and Agriculture Policy Research Institute, 2011: [www.fapri.iastate.edu](http://www.fapri.iastate.edu)

\* Preliminary estimates

The wheat consumption per capita has been growing over the years and in 2009 was 138.06 kilograms or 4.8% higher compared to consumption in year 2005. Historically, even if total wheat supply within the EU was subject to fluctuations, it has always been greater than domestic use. The surplus was exported, with export volumes peaking in 2008 (17.6 million metric tons), and was 12.5 million metric tons in 2009, or 26.2% more compared to export volumes five years ago. Exports are forecasted to remain stable, ranging between 11 and 13 million metric tons, similarly to the area harvested, whereas increasing wheat yield will offset growing domestic consumption, including the rising use for ethanol production.

During the period of 2005–2010 the price of wheat was subject to notable turbulences. The price started increasing rapidly by the end of 2007 and at the beginning of 2008 peaked at USD 397 per metric ton. Supported by exceptionally big harvest in 2008 the price declined to levels that were prevailing before the peak at the beginning of 2007.

**Figure 2: Wheat price (US No.2, Soft Red Winter Wheat, US Gulf) monthly averages, USD per metric ton**

Source: International Grain Council, 2011: [www.igc.int](http://www.igc.int)

From the second half of 2008 to the second half of 2010 the price remained rather stable. In the second half of 2010, due to the unusually dry summer in the major wheat growing regions, price of wheat started rising again and at the beginning of 2011 exceeded USD 300 per metric ton, or 65% increase.

### Barley

Global area of barley harvested remained rather stable over the last five years with peak in 2007, when the area reached approximately 57 million of hectares. In 2009 world's total area of barley harvested was 55.2 million of hectares, or 1.3% less compared to the year 2005. According to FAPRI preliminary estimates, total area of barley harvested in 2010 should have dropped to 53.5 million of hectares. That is 3.2% and 4.5% less compared to years 2009 and 2005 respectively.

The world's total barley production over the last five years was subject to fluctuations, but positive trend remained. In 2009 total production exceeded 149 million metric tons and was 9.5% higher compared with year 2005, but was 3.1% lower than production in 2008. For 2010 FAPRI has forecasted a 5.7% decrease in world's total barley output to 140.6 million metric tons mainly due to the prevailing adverse weather conditions in main grain growing regions. This reflects upon the lower average yield of barley that has been forecasted to be 2.63 tons per hectare, or 2.6% lower than in year 2009 (2.70 tons per hectare). From

historical perspective, the average barley yield has been improving over the years and during the period of 2005–2009 increased by 11.1%.

Global consumption of barley has also been rising over the recent years. Followed by exceptionally good harvest in 2008, total global consumption reached its heights in 2009 and exceeded 178 million metric tons. Compared with year 2005 it was 5.7% higher. Such an increase in consumption is also associated with a much lower barley price in 2009 (USD 135 per metric ton), compared to 2008 (USD 216 per metric ton). The consumption pattern remained rather stable, with approximately 70% of the consumption of barley being used for feed. The reason for such a stable pattern is that the demand for barley rises together with growing demand for meat, which accordingly raises demand for feed. In a line with growing population and demand for food, use of barley for food and feed tends to correlate. In addition, the increasing demand in bio energy sector for barley substitutes, such as corn and sorghum, also has an effect on the barley price and demand. Having lower production in 2009 and lower production forecasts for 2010, the global barley consumption is also forecasted to decrease by 3.7% to approximately 172 million metric tons, but still remain 1.8% above levels in 2005.

Fuelled by the growing consumption and sharp increase in the production, the international trade in barley also peaked in 2008. Australia, Ukraine and the EU-27 exporters were major contributors to the trade expansion where the major importers were Asia's and North Africa's regions.

In the long-term, world's barley production is forecasted to increase slowly and constantly. According to FAPRI, after forecasted contraction in 2010 the output is expected to return to 2009 levels by 2015. It is expected to occur mainly throughout improving harvest yield rather than harvested area expansion. As FAPRI forecasts, prices as well as global consumption will be subject to minor and constant increases over the next five years.

**Table 25: Summary of global barley production**

Item	Units	2005	2006	2007	2008	2009	2010*
Area Harvested, Total	Thousand Hectares	55,984	56,966	57,099	55,690	55,246	53,452
Average Yield, Harvested	Metric Tons per Hectare	2.43	2.39	2.32	2.76	2.70	2.63
Production	Thousand Metric Tons	136,271	136,412	132,725	153,930	149,183	140,631
Ending Stocks	Thousand Metric Tons	27,552	20,762	19,170	29,297	31,261	28,754
Trade	Thousand Metric Tons	17,102	13,773	13,851	18,868	16,686	16,525
Use, Total Domestic	Thousand Metric Tons	168,799	163,964	153,487	173,100	178,480	171,892

Source: Food and Agriculture Policy Research Institute, 2011: [www.fapri.iastate.edu](http://www.fapri.iastate.edu)

\* Preliminary estimates

Area of barley harvested within the EU has also been subject only to minor fluctuations over the last five years, having peaked in 2008 at 14.6 million of hectares. In 2009 area amounted to approximately 14 million of hectares and was 1.9% higher than in year 2005 (3.5% lower compared with year 2008). Compared to world's total area of barley harvested, EU's area constituted in a range between 24% and 25% out of the world's total area. According to FAPRI preliminary estimates, total area of barley harvested within the EU in 2010 should drop to 13.1 million of hectares, or 6.8% less than in 2009.

The average yield of barley harvested in EU showed a constant growth with peak in 2008 (4.49 tons per hectare) and in 2009 was 4.41 tons per hectare, or 11.1% higher and 1.8% lower than in years 2005 and 2008 respectively. Historically, due to the better growing conditions, the yield of barley in EU has always been higher compared with world's average (approximately 67.8% higher on average over the last five years).

**Table 26: Summary of barley production in European Union**

Item	Units	2005	2006	2007	2008	2009	2010*
Area Harvested, Total	Thousand Hectares	13,790	13,833	13,797	14,574	14,058	13,097
Average Yield, Harvested	Metric Tons per Hectare	3.97	4.06	4.17	4.49	4.41	4.43
Production	Thousand Metric Tons	54,752	56,220	57,545	65,459	61,965	57,965
Ending Stocks	Thousand Metric Tons	8,535	5,824	5,705	10,366	11,481	9,758
Net Exports	Thousand Metric Tons	3,230	3,231	3,464	3,298	1,850	2,533
Per Capita Consumption	Kilograms	32.33	34.63	31.54	32.52	32.48	34.24
Supply, Total Domestic	Thousand Metric Tons	65,815	64,755	63,369	71,164	72,331	69,446
Use, Ethanol Production	Thousand Metric Tons, Calendar Year	n/a	500	300	500	500	749
Use, For Feed	Thousand Metric Tons	38,200	38,700	38,700	41,500	43,000	40,273

Item	Units	2005	2006	2007	2008	2009	2010*
Use, For Food	Thousand Metric Tons	15,850	17,000	15,500	16,000	16,000	16,880
Use, Total Domestic	Thousand Metric Tons	62,585	61,524	59,905	67,866	70,481	66,912

Source: Food and Agriculture Policy Research Institute, 2011: [www.fapri.iastate.edu](http://www.fapri.iastate.edu)

\* Preliminary estimates

As a result, higher productivity resulted in greater production volumes, thus the average EU's contribution to the world's total output over the last five years was 41.8% (24%-25% world's area of barley harvested).

Driven by increasing yields, barley production in EU region has been holding a positive trend. In 2008 output reached its heights and was 65.5 million metric tons. In 2009 production was 5.3% lower and amounted to approximately 62 million metric tons (13.2% higher than in 2005). According to FAPRI preliminary estimates, the output for 2010 is forecasted to be lower – 58 million metric tons or 6.5% decrease compared with 2009.

The supply of barley within the EU region has always exceeded domestic consumption and the surplus was exported. Net export volumes remained rather stable over the last years, except for 2009, when net exports of barley amounted only to 1.85 million metric tons. For 2010 FAPRI has forecasted the exports to recover to 2.5 million metric tons (36.9% growth).

Per capita consumption in 2009 was 32.48 kilograms or only 0.5% higher compared with the year 2005. For 2010 FAPRI has forecasted a more robust increase to 34.24 kilograms, or 5.4% more compared with the year 2009. The use for ethanol production is also forecasted to increase by up to 50% in 2010 reaching 749 thousand tons.

In the long-term, barley production within the EU will be subject to stable and slow growth, mainly throughout improving forecasted yield. According to FAPRI, the net exports will remain rather stable whereas increasing domestic supply will be utilised by growing use for food throughout growing consumption per capita and increasing use for ethanol production.

The price of barley has been subject to changes over the recent years. By the second half of 2008 the price peaked at USD 248 per metric ton. After exceptionally big harvest in 2008, price dropped to approximately USD 120 per metric ton and fluctuated in a range of USD 100–150 per metric ton. By the second half of 2010, adverse weather conditions and declining yields triggered an increase in prices.

**Figure 3: Barley price (Canadian no.1 Western Barley, spot price) monthly averages, USD per metric ton**



Source: International Monetary Fund, 2011: [www.imf.org](http://www.imf.org)

At the beginning of year 2011 barley price was USD 196 per metric ton – 33.9% higher than at the beginning of 2010 and 20.9% lower compared to the peak price.

### Rapeseed

The global area of rapeseed harvested has been growing over the last years. In 2009 the area amounted to 30.9 million hectares – 0.6% less than a year ago and 13.4% higher compared to the year 2005. According to FAPRI preliminary estimates, in year 2010 the area of rapeseed harvested should have increased by 2.5% to 31.7 million hectares.

Production of rapeseed has also been increasing in a line with both – expanding area and improving yield. In 2009 world's rapeseed harvest amounted to 59.4 million metric tons – 1.9% increase compared to a year ago and 22.4% increase compared with 2005. For year 2010 FAPRI has estimated the total rapeseed output to increase by 0.8% to 59.8 million metric tons. Average yield was highest in year 2009 – 1.92 metric tons per hectare. It was 2.6% higher than a year ago and 8% higher compared with year 2005. For year 2010 the average yield is estimated to be 1.89 metric tons per hectare, or 1.7% lower.

In year 2009 global domestic use of rapeseed amounted to 66.4 million metric tons and was 7.5% higher than in year 2008 (24.7% higher than in year 2005). For year 2010 FAPRI estimates a minor 0.7% increase in domestic use of rapeseed which should reach 66.9 million metric tons.



**Table 27: Summary of global rapeseed production**

Item	Units	2005	2006	2007	2008	2009	2010*
Area Harvested, Total	Thousand Hectares	27,261	26,491	28,293	31,097	30,906	31,684
Average Yield, Harvested	Metric Tons per Hectare	1.78	1.70	1.71	1.87	1.92	1.89
Production	Thousand Metric Tons	48,504	45,093	48,516	58,242	59,372	59,820
Ending Stocks	Thousand Metric Tons	5,506	4,660	3,547	7,050	7,077	7,093
Trade	Thousand Metric Tons	6,348	6,403	7,156	11,976	9,282	9,621
Use, Total Domestic	Thousand Metric Tons	53,250	50,599	53,176	61,789	66,422	66,897

Source: Food and Agriculture Policy Research Institute, 2011: [www.fapri.iastate.edu](http://www.fapri.iastate.edu)

\* Preliminary estimates

Rapeseed growing activity in EU has been improving over the years. The share of global area harvested increased from 17.8% in 2005 to 21.4% in 2009. Area of rapeseed harvested in EU in 2009 was 6.6 million hectares – 5.7% higher than in 2008 and 36.2% higher than in 2005. According to FAPRI preliminary estimates, in 2010 the area should have expanded by 3.3% to 6.8 million hectares.

Rapeseed output in EU contribution to the world's total output increased from 32% in 2005 to 36% in 2009 and amounted to 21.3 million metric tons – 12% increase compared with year 2008 and 37.4% more than in year 2005. For year 2010 FAPRI estimates the output of rapeseed in EU should have decreased by 0.5% to 21.2 million metric tons.

Rising domestic consumption (from 17.3 million metric tons in 2005 to 24.8 million metric tons in 2009, or 43.7% increase) has always been higher than output, which resulted in increased net imports. In year 2009 1.6 million metric tons was imported in the EU – 19.6 times more than in year 2005, but 2.1 times less than in year 2008, when the imports peaked at 3.2 million metric tons. The majority of rapeseed production in EU was used for crush.

**Table 28: Summary of rapeseed production in European Union**

Item	Units	2005	2006	2007	2008	2009	2010*
Area Harvested, Total	Thousand Hectares	4,846	5,408	6,554	6,244	6,600	6,816
Average Yield, Harvested	Metric Tons per Hectare	3.20	2.98	2.80	3.05	3.23	3.11
Production	Thousand Metric Tons	15,523	16,092	18,358	19,043	21,325	21,214
Ending Stocks	Thousand Metric Tons	1,600	1,441	961	1,974	1,949	1,963
Net Imports	Thousand Metric Tons	79	357	291	3,244	1,550	1,977
Supply, Total Domestic	Thousand Metric Tons	17,214	17,692	19,799	20,004	23,299	23,163
Use, Crush	Thousand Metric Tons	14,690	15,720	18,250	20,300	21,850	22,111
Use, Other	Thousand Metric Tons	1,003	888	879	974	1,050	1,066
Use, Total Domestic	Thousand Metric Tons	17,293	18,049	20,090	23,248	24,849	25,140

Source: Food and Agriculture Policy Research Institute, 2011: [www.fapri.iastate.edu](http://www.fapri.iastate.edu)

\* Preliminary estimates

The price of rapeseed has been following similar pattern to all crop prices. By the end of the first quarter of 2008 rapeseed price reached its peak at USD 754 per metric ton and was 2.9 times greater compared to the price at the beginning of 2006. In the second half 2008 price decreased and remained stable up until the second half of year 2010.

**Figure 4: Rapeseed price (Europe, CIF Hamburg) monthly averages, USD per metric ton**

Source: International Grain Council, 2011: [www.igc.int](http://www.igc.int)

Adverse weather conditions and decreased rapeseed growing yields in 2010 had an upwards pressure on rapeseed price: from USD 378 per metric ton in May 2010 price increased by 77% and in February 2011 was USD 669 per metric ton (11.3% lower than last peak price).

#### **Dairy market**

Fluid milk production in EU remained rather stable over the recent years and in 2009 amounted to 133.8 million metric tons – 0.6% lower than in year 2005. According to FAPRI estimates, in year 2010 production increased by 1% and was 135.1 million metric tons – the highest in more than five years. Fluid milk consumption experienced minor fluctuations and for year 2010 it was accounted to be 33 million metric tons – 2.3% and 5.5% less compared to years 2009 and 2005 respectively.

The majority of fluid milk production was used for milk products manufacturing and during the period of 2005–2010 the portion remained in the range of 75–76% out of total use. Per capita consumption in 2009 was 69 kilograms – the same as in year 2008 and 3.7% lower than in year 2005. For year FAPRI has forecasted a further decrease of 3.6% in per capita consumption to 67 kilograms.

Growing population in EU has been creating additional demand for milk and milk products even though per capita consumption has decreased. Increases in fluid milk production have mainly been influenced by rising livestock productivity. Yield per livestock head in year 2009 was 3.9% higher (5.5 tons) compared to the year 2005 (5.3 tons). According to FAPRI estimates, in year 2010 the yield should have increased by 1.7% to 5.6 tons.

**Table 29: Summary of fluid milk production in the EU**

Item	Units	2005	2006	2007	2008	2009	2010*
Production	Thousand Metric Tons	134,672	132,206	132,604	133,848	133,800	135,132
Use, Fluid Consumption	Thousand Metric Tons	34,932	34,084	33,334	33,744	33,800	33,013
Use, For Manufactured Products	Thousand Metric Tons	104,593	102,063	103,396	103,945	103,872	106,014
Per Capita Consumption	Kilograms	71	69	68	69	69	67
Yield Per Livestock Head	Kilograms	5,311	5,300	5,484	5,536	5,518	5,609

Source: Food and Agriculture Policy Research Institute, 2011: [www.fapri.iastate.edu](http://www.fapri.iastate.edu)

\* Preliminary estimates

With reference to the major milk products, productions levels were firmer. For year 2010 FAPRI forecasted butter production to be 2 million metric tons – 3.3% and 6.2% lower than in years 2009 and 2005 respectively. Domestic consumption of butter was estimated to be 1.9 million metric tons – 0.4% and 0.7% lower compared to years 2009 and 2005 respectively. Lower production output and rather stable domestic consumption reduced export of butter outside the EU. In year 2010 estimated exports were 34.3% higher than in year 2009, but 61.1% lower compared with 2005. Export volumes itself were not substantial.

Cheese production has been fluctuating from year to year, but positive low slope trend has remained. For year 2010 FAPRI estimated the production to exceed 6.8 million metric tons – 1.2% and 2.8% higher than in years 2009 and 2005 respectively.

**Table 30: Summary of selected milk products' statistics in European Union**

Item	Units	2005	2006	2007	2008	2009	2010*
<b>Butter</b>							
Production	Thousand Metric Tons	2,155	2,035	2,053	2,040	2,090	2,021
Use, Domestic Consumption	Thousand Metric Tons	1,943	1,934	2,006	1,946	1,938	1,929

Item	Units	2005	2006	2007	2008	2009	2010*
Net Exports	Thousand Metric Tons	259	164	123	87	75	101
<b>Cheese</b>							
Production	Thousand Metric Tons	6,625	6,801	6,760	6,800	6,730	6,813
Use, Domestic Consumption	Thousand Metric Tons	6,219	6,339	6,309	6,393	6,345	6,422
Net Exports	Thousand Metric Tons	406	462	451	407	385	391

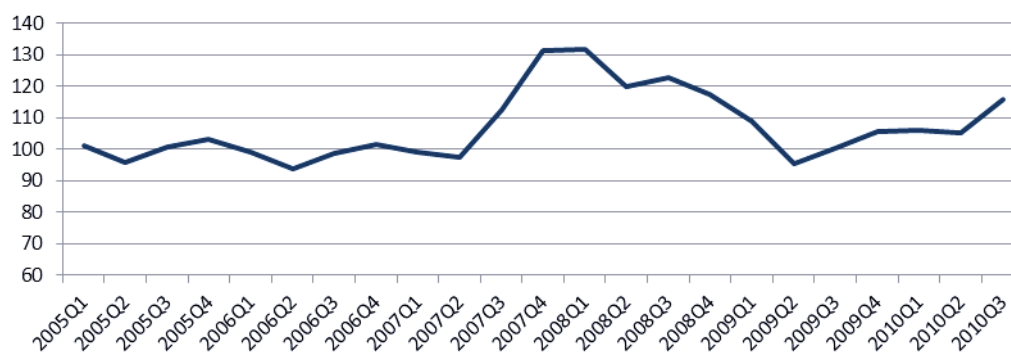
Source: Food and Agriculture Policy Research Institute, 2011: [www.fapri.iastate.edu](http://www.fapri.iastate.edu)

\* Preliminary estimates

Domestic consumption of cheese in EU has been increasing at faster pace than production output. For year 2010 FAPRI estimated the consumption of cheese to exceed 6.4 million metric tons – 1.2% and 3.3% higher than in years 2009 and 2005 respectively. Faster growing consumption resulted in reduction of cheese exports – in year 2010 they were estimated to be 1.6% higher, but 3.6% lower than in years 2009 and 2005 respectively.

Milk price in EU was subject to fluctuations in recent years. During the period from the beginning of 2005 to the second quarter of 2007 milk price was stable and started increasing in the third quarter in 2007. The highest price was recorded in the first quarter of 2008 and was 31.7% higher compared with price at the beginning of 2005. After reaching its peak, price started to decline until the second half of 2009.

**Figure 5: Price index of cows' milk in the EU (27 countries, Q1 2005 = 100)**



Source: Eurostat, 2011: <http://epp.eurostat.ec.europa.eu>

After the last bottom, milk price has been rising and in third quarter of 2010 was 15.7% higher than at the beginning of year 2005. Latest milk price developments are revised below in 'Lithuania's agricultural sector overview' under 'Dairy market' subheading.

#### Lithuania's agricultural sector overview

The main feature of agricultural sector in Lithuania is small and separate farms. Due to the high fragmentation, the majority of farms are financially weak and underdeveloped compared to modern agricultural practices. Country's integration into EU and new regulations for agriculture sector opened new export and modernisation opportunities.

According to the Department of Statistics of Lithuania (Statistics Lithuania), in 2009 gross value added by agricultural sector amounted to 3.7% of total gross value added (or 3% of Lithuania's GDP) and was less compared to 4.2% in year 2005. In absolute terms, gross value added by agricultural sector over the same period increased by 10% to LTL 3.03 bn. The impact of agriculture on the whole economy becomes considerably greater when other related items are taken into account, including manufacturing of agricultural machinery and equipment, agricultural products transportation and trade and fertilizers manufacturing. Agricultural sector employs about 2.7% of Lithuania's workforce. The importance of the sector is also defined by more complex factors, for example, making provision for a food as a primary resource.

**Table 31: Lithuania's agricultural output at prevailing prices, million LTL**

Item	2005	2006	2007	2008	2009	2010
General agricultural production	5,117	4,913	6,912	7,340	5,707	6,188
Crop production	2,572	2,279	3,980	4,126	3,240	n/a
Grain	830	705	1,864	1,876	1,328	n/a
Wheat	401	325	887	1,025	832	n/a
Barley	302	274	646	502	272	n/a
Rapeseed	126	143	297	419	348	n/a
Milk	1,258	1,314	1,620	1,624	1,105	n/a

Source: Department of Statistics of Lithuania, 2011: [www.stat.gov.lt](http://www.stat.gov.lt)

The most important agricultural production components in terms of value in 2009 were crop (22.2% of total production), milk production (18.8%) and livestock with poultry farming (14.4%). This agricultural sector

overview focuses on the first two areas outlined above as Group's operations have the greatest exposure to these segments. Rapeseed market overview is also provided as the rapeseed production share amounted to 8% of total Group's revenue in 2009. Rapeseed production in Lithuania's market was 5.3% out of total agricultural products and was 2.8 times greater than 5 years ago.

Lithuania's agricultural sector overview is based on statistical information and publications from the Department of Statistics of Lithuania, Eurostat, The Centre of Agricultural Information and Rural Activities of Lithuania, Lithuanian Institute of Agrarian Economics and Ministry of Agriculture.

### **Crop market**

The total crops area harvested in Lithuania has been increasing over the years and in year 2009 was 1,104 thousand hectares, or 15.4% increase over 2005. According to preliminary estimates of Department of Statistics of Lithuania, total area of crops harvested in year 2010 decreased by 6.1% compared to a year ago and it was first decrease in more than five years.

**Table 32: Crop growing statistics in Lithuania**

Item	2005	2006	2007	2008	2009	2010*
Area harvested, (Thousand Hectares)	956	963	1,003	1,022	1,104	1,036
Production, (Thousand Metric Tons)	2,811	1,858	3,017	3,422	3,807	2,768
Yield, (Metric Tons per Hectare)	2.94	1.93	3.01	3.35	3.45	2.67

Source: Department of Statistics of Lithuania, 2011: [www.stat.gov.lt](http://www.stat.gov.lt)

\*Preliminary estimates

Crop production has also been following similar pattern. In year 2009 crop production output peaked at 3.8 million metric tons, and was 35.4% higher than five years ago. As preliminary estimates indicate, in the year 2010 total crop production decreased by 27.3% to the levels that were prevailing 5-6 years ago. Such a decrease was influenced by both – smaller area harvested and much lower yield. The yield has been improving over the last years and peaked at 3.45 metric tons per hectare in 2009 due to the favourable weather conditions in summer 2009. In year 2010, however, the average yields of all crops declined by 22.6% due to the extensive drought all over the region. This was the major factor affecting the harvest of all main crops.

Lithuania has always been crop exporting country and the volumes exported have been rising over the years. In year 2009 the exports of crop production increased by 74.7% compared to the year 2005. Even if there is no data yet available for year 2010, the major decrease in crop output should have negatively affected export volumes.

**Table 33: Crop trade statistics in Lithuania (thousand metric tons)**

Item	2005	2006	2007	2008	2009	2010
Total production	2,811	1,858	3,017	3,422	3,807	n/a
Import	185	268	291	413	197	n/a
Export	1,178	836	904	1,834	2,058	n/a
Total domestic consumption	2,297	1,554	2,083	1,785	1,982	n/a
Net effect on balance	-479	-264	322	216	-37	n/a

Source: Department of Statistics of Lithuania, 2011: [www.stat.gov.lt](http://www.stat.gov.lt)

Total domestic consumption of crop production was subject to fluctuations and was rather seasonal, depending on harvest and prevailing market prices.

The net effect on crop balance in Lithuania has also fluctuated, however the accumulated net effect for the period from 2005 to 2009 remained negative.

**Table 34: Average annual crop prices (LTL per metric ton)**

Item	2005	2006	2007	2008	2009	2010
Crop prices	297	386	625	561	362	n/a

Source: Department of Statistics of Lithuania, 2011: [www.stat.gov.lt](http://www.stat.gov.lt)

Average annual crop prices have been volatile and peaked at LTL 625 per metric ton in year 2007. In year 2009 the price stabilized at LTL 362 per metric ton due to the major increase in total output given the favourable weather conditions. Even if there is no data yet available for year 2010, the component prices (wheat, barley, and rapeseed) indicate that the average crop production prices have increased considerably in year 2010.

In 2009, similarly to several recent years, wheat accounted for major share of total crop purchased and was 67.4%. Barley, triticale and rye accounted for 17.3 %, 10% and 4.5% respectively.

### **Wheat**

Winter wheat is one of the most popular cultures in Lithuania. Area harvested of winter wheat has been increasing over the last years and peaked at 397 thousand hectares in 2009. According to early estimates of the Department of Statistics of Lithuania, area of winter wheat harvested decreased by 6.2% in 2010, but was 24.8% higher compared to the year 2005.

Winter wheat production was more sensitive to yield fluctuations, rather than area harvested, except for year 2009, when the area increased by 37%. Winter wheat output peaked in year 2009 at 1.7 million metric tons. In 2010 total production decreased substantially and was 1.2 million metric tons, or 28.6% decrease.

**Table 35: Winter wheat growing statistics in Lithuania**

Item	2005	2006	2007	2008	2009	2010*
Area harvested, (Thousand Hectares)	298	253	277	290	397	372
Production, (Thousand Metric Tons)	1,149	620	1,151	1,381	1,749	1,249
Yield, (Metric Tons per Hectare)	3.85	2.46	4.16	4.76	4.40	3.35

Source: Department of Statistics of Lithuania, 2011: [www.stat.gov.lt](http://www.stat.gov.lt)

\*Preliminary estimates

The yield of winter wheat peaked at 4.76 metric tons per hectare in 2008, and in 2010 decreased to 3.35 due to the adverse weather conditions. The decline was the main cause of the abovementioned fall in output.

Summer wheat is less popular grown culture in Lithuania, however the area harvested has also been rising over the years. In 2010 152 thousand hectares were harvested – 48.1% more compared to the year 2009 and 2.1 times more than in year 2005.

**Table 36: Summer wheat growing statistics in Lithuania**

Item	2005	2006	2007	2008	2009	2010*
Area harvested, (Thousand Hectares)	71	91	78	114	103	152
Production, (Thousand Metric Tons)	231	189	240	341	351	460
Yield, (Metric Tons per Hectare)	3.24	2.08	3.07	3.01	3.41	3.02

Source: Department of Statistics of Lithuania, 2011: [www.stat.gov.lt](http://www.stat.gov.lt)

\*Preliminary estimates

Total output of summer wheat has also reached the highest value in year 2010 and was 460 thousand metric tons – 31% more compared to the year 2009 and 2 times more than in year 2005. The share of summer wheat production out of total wheat production has increased from 16.7% in 2005 to 26.9% in 2010, showing that summer wheat popularity is increasing.

The yield of summer wheat has been rather stable in recent years, except for year 2009 when it peaked at 3.41 metric tons per hectare. The unusually high yield may have encouraged farmers to expand their summer wheat areas in 2010.

Historically, Lithuania has been wheat exporting country. The exports of wheat have been rising in recent years and in year 2009 amounted to 1.5 million metric tons – 15.9% increase compared to the year 2008 and 79.8% increase compared to the year 2005. In year 2009 70.7% of total wheat production was exported compared to 60% in year 2005 which represents the focus on export markets.

**Table 37: Wheat trade statistics in Lithuania, (thousand metric tons)**

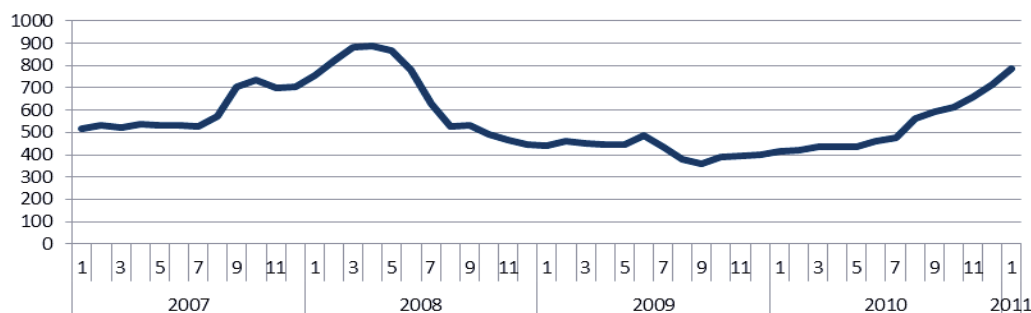
Item	2005	2006	2007	2008	2009	2010
Total production	1,379	810	1,391	1,723	2,100	n/a
Import	42	117	74	140	89	n/a
Export	826	445	548	1,282	1,485	n/a
Total domestic consumption	749	578	788	532	628	n/a
Net effect on balance	-154	-96	129	50	76	n/a

Source: Department of Statistics of Lithuania, 2011: [www.stat.gov.lt](http://www.stat.gov.lt)

Domestic consumption has not changed substantially and in year 2009 stood at 0.6 million metric tons.

The price of wheat in Lithuania was volatile over the last several years. The last peak occurred in early 2008 (LTL 890 per metric ton) which led to an increase in area harvested, higher production volumes and increase in exports over the following years. Increased wheat output had a downwards pressure on wheat price during years 2008–2009.

**Figure 6: Average monthly wheat price (LTL per Metric Ton)**



Source: The Centre of Agricultural Information and Rural Activities of Lithuania, 2011: [www.vic.lt](http://www.vic.lt)

In year 2010, the adverse weather conditions resulted in a substantial fall of wheat yield. From the supply perspective, lower wheat output initiated the continuous increases in wheat prices, especially in the second half of 2010. At the beginning of the year 2011 the price of wheat was LTL 789 per metric ton – 2.2 times higher than at the last trough and 89.1% higher than at the beginning of year 2010.

According to the Centre of Agricultural Information and Rural Activities of Lithuania, prices in the first quarter of 2011 appear to be stabilizing. As the Centre concludes, this might be due to the European Commission's initiative to temporarily exempt the grain trade from duties. At the beginning of the year 2011 the price of wheat was LTL 789 per metric ton.

For further price developments, International Grains Council forecasts a higher wheat harvest for years 2011-2012 so that supply and demand of wheat should be balanced. As Council concludes, the recent wheat price highs should encourage farmers to increase the wheat areas sown to the highest levels since 1998.

### Barley

Barley is less popular culture compared to wheat. Winter barley forms a minor fraction out of total barley production in Lithuania (2005: 2.7%; 2010: 6.8%) and the remaining is summer barley.

The area of winter barley harvested in year 2010 amounted to 16 thousand hectares – 8 thousand hectares more than in year 2005.

Production of winter barley peaked in year 2009 and was 89 thousand metric tons and in year 2010 decreased by 57.9% to 37 thousand metric tons. This was caused by lower area harvested and low yield due to the adverse weather conditions.

**Table 38: Winter barley growing statistics in Lithuania**

Item	2005	2006	2007	2008	2009	2010*
Area harvested, (Thousand Hectares)	8	6	12	12	23	16
Production, (Thousand Metric Tons)	26	14	38	49	89	37
Yield, (Metric Tons per Hectare)	3.24	2.31	3.15	3.94	3.84	2.38

Source: Department of Statistics of Lithuania, 2011: [www.stat.gov.lt](http://www.stat.gov.lt)

\*Preliminary estimates

The yield of winter barley peaked at 3.94 metric tons per hectare, and in year 2010 decreased by 39.8% to 2.38 metric tons per hectare.

Summer barley formed a major part in total barley output. The area harvested has been decreasing in recent years. According to preliminary estimates, in year 2010 it was 224 thousand hectares – 12% less than a year ago and 34.4% less than in year 2005. The highest area of summer barley sown was 377 thousand hectares in 2006, but the production was relatively low due to the unusually low yield in the same year.

The highest production volumes were reached in year 2007 and amounted to 976 thousand metric tons. In the year 2010 it was 511 thousand metric tons – 33.7% less compared to the year 2009 and 44.7% less than in the year 2005.

**Table 39: Summer barley growing statistics in Lithuania**

Item	2005	2006	2007	2008	2009	2010*
Area harvested, (Thousand Hectares)	342	377	369	320	254	224
Production, (Thousand Metric Tons)	923	730	976	922	770	511
Yield, (Metric Tons per Hectare)	2.70	1.93	2.64	2.88	3.03	2.28

Source: Department of Statistics of Lithuania, 2011: [www.stat.gov.lt](http://www.stat.gov.lt)

\*Preliminary estimates

The highest yield of summer barley over the last years was 3.03 metric tons per hectare in 2009. In year 2010 the yield fell by 24.6% to 2.28 metric tons per hectare mainly due to the adverse weather conditions.

The exports of barley in year 2009 amounted to 237 thousand metric tons – 36.2% less compared to the year 2008. In year 2009 27.7% of barley production was exported, compared to 33.6% in year 2005.

**Table 40: Barley trade statistics in Lithuania (Thousand Metric Tons)**

Item	2005	2006	2007	2008	2009	2010
Total production	948	744	1,014	970	858	548
Import	54	37	74	47	19	n/a
Export	319	343	284	372	237	n/a
Total domestic consumption	877	535	717	559	741	n/a
Net effect on balance	-193	-97	86	86	-101	n/a

Source: Department of Statistics of Lithuania, 2011: [www.stat.gov.lt](http://www.stat.gov.lt)

Domestic consumption of barley was rather seasonal and in year 2009 amounted to 741 thousand metric tons. Unlike the wheat, at all times the majority of barley production was used for domestic consumption. The net accumulated effect on barley balance in Lithuania over the last five years was negative.

Barley price over the last several years peaked at LTL 806 per metric ton in late 2007 and remained at close levels for more than a half of year. By the second half of 2008 the price started to decline and remained below LTL 400 level for over a year. Even if the total barley output was declining, improving yields at the time had a downwards pressure on global barley prices.

**Figure 7: Average monthly barley price (LTL per metric ton)**



Source: The Centre of Agricultural Information and Rural Activities of Lithuania, 2011: [www.vic.lt](http://www.vic.lt)

Adverse weather conditions in year 2010 negatively affected the yield not only in Lithuania but in the whole region. Lower yield and low barley output had an upwards pressure for barley prices: from the last trough the price increased by 2.4 times and by 63.2% from the beginning of year 2010. At the beginning of the year 2011 the price of barley was LTL 617 per metric ton.

### Rapeseed

Rapeseed, in terms of area, is one of the fastest growing and developing agricultures in Lithuania. During the period of 2005-2010 the area of rapeseed harvested expanded by 2.3 times and, according to preliminary estimates by the Department of Statistics of Lithuania, in 2010 it amounted to 256 thousand hectares (33.4% increase compared to the year 2009). Such a fast expansion occurred mainly due to the intensifying application in bio fuel manufacturing. The growth of bio fuel industry has been influenced by EU subsidies and growth of mineral fuel prices. In a line with growth of bio fuel sector, the demand for rapeseed has been created.

Current market conditions for rapeseed are favourable: the practice of binding contracts between rapeseed growers and bio fuel producers is intensifying; rapeseed purchase price is reasonable and demand for bio fuel is rising.

**Table 41: Rapeseed growing statistics in Lithuania**

Item	2005	2006	2007	2008	2009	2010*
Area harvested, (thousand hectares)	109	151	174	162	192	256
Production, (thousand metric tons)	201	170	312	330	416	415
Yield, (metric tons per hectare)	1.84	1.12	1.79	2.04	2.17	1.62

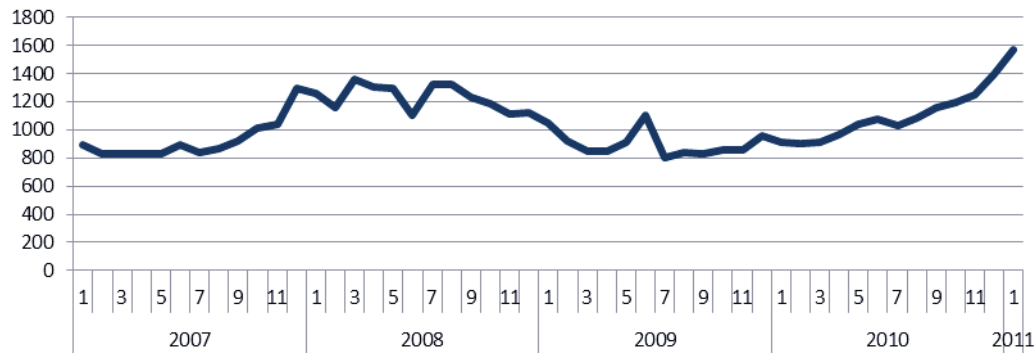
Source: Department of Statistics of Lithuania, 2011: [www.stat.gov.lt](http://www.stat.gov.lt)

\*Preliminary estimates

The output of rapeseed has also been rising over the recent years. From 201 thousand metric tons in 2005 the production of rapeseed increased by 2.1 times to 415 thousand metric tons in 2010. The highest volume of production was reached in year 2009 – 416 thousand metric tons and was associated with expansion of area harvested and rising yield.

Rapeseed is one of the most cost-effective compared with other cultures. This influenced the most recent rapeseed area expansion with an intention to increase harvest as well as yield. The yield has been increasing over recent years and peaked in 2009 at 2.17 metric tons per hectare. In year 2010, the yield decreased by 25.1% to 1.62 metric tons per hectare due to the unfavourable weather conditions. Vast expansion of area harvested in 2010 did offset the declining yield and total rapeseed output decreased only by 0.1%.

Due to the continuous increase in demand for rapeseed, the price over the period of 2007-2011 rose from LTL 892 to its height of LTL 1,574 per tonne (January prices), or 76.5% increase. Price volatility was also high due to the prevailing different tendencies every year. At the beginning of the year 2011 rapeseed price was 73.2% higher compared to price at the beginning of year 2010. According to Lithuanian Institute of Agrarian Economics, rapeseed price is expected to remain at relatively high levels due to the growing ES subsidies for bio fuel industry and rising capacity of bio fuel producers.

**Figure 8: Average monthly rapeseed price (LTL per metric ton)**

Source: The Centre of Agricultural Information and Rural Activities of Lithuania, 2011: [www.vic.lt](http://www.vic.lt)

The tendency of country's farms' amalgamation and expansion of farmland is noticeable, with an increasing number of farmers growing rapeseed in areas greater than 50 ha. According to Institute, the average arable area per farm increases by 3.5% every year. This creates a potential for the application of new technologies, allowing an improvement for the yield and, effectively, for an overall harvest.

During the year 2009 Lithuanian companies processed 197.5 thousand metric tons of rapeseed or 52.9 thousand tonnes (21.1%) less than a year ago. Companies produced 3.38 thousand metric tons of rape-oil with the rest being processed to methyl ester. The capacity of manufacturing companies has increased in recent years in a tandem with rising demand. As at year 2009, at least 540 thousand metric tons of rapeseed harvest was needed to ensure a full utilisation of spare capacity of manufacturing companies and this capacity is growing. In order to achieve such a volume and stimulate growth, EU is subsidizing related activities. For declared crop matching requirements, the direct pay-out in 2009 was LTL 291.35 per hectare and additional direct pay-out, coherent with manufacturing and funded from Lithuania's national budget, was LTL 99 per hectare. High yield and manufacturing profitability is achieved by following the progressive agrarian rapeseed growing requirements.

Demand for rapeseed is expected to grow. In EU directives it is appointed that by this time the proportion of bio fuel within mineral fuel should be no less than 5%. This proportion is expected to increase further given the fact that EU has decided to rank bio fuel as one of the top priorities which should form a part of energy strategy. Currently there are 8 companies in Lithuania directly involved in Bio fuel manufacturing. Their capacity is growing together with bio fuel consumption in Lithuania, which is forecasted to reach 60 thousand metric tons per year.

#### **Dairy market**

In Lithuania, as in the whole EU-27 region, there is a tendency of cattle decline while milk yield is growing along with increasing cattle productivity. According to the Department of Statistics of Lithuania, in the year 2010 the average number of cows (2 years old and older) was 375 thousand – 5.1% less than a year ago and 13.7% less compared to the year 2005.

Total milk production fluctuated over the last years. In the year 2010 it was 1.75 million metric tons – 2.3% less compared to the year 2009 and 6.0% less than in the year 2005.

The yield, however, has been rising over the recent years. During the same period, average yield peaked in 2009 at 4,811 kilograms per cow – 0,7% higher compared to the year 2008 and 11.6% higher than in year 2005.

**Table 42: Milk production statistics in Lithuania**

Item	2005	2006	2007	2008	2009	2010*
Total production, (thousand metric tons)	1,862	1,891	1,937	1,884	1,791	1,750
Average yield, (kilograms per cow)	4,312	4,484	4,708	4,778	4,811	n/a
Average number of cows (2 years and older), (thousand)	434	417	399	405	395	375

Source: Department of Statistics of Lithuania, 2011: [www.stat.gov.lt](http://www.stat.gov.lt)

\*Preliminary estimates

Notwithstanding the rapid growth in productivity, the average yield from one cow in Lithuania is still lower compared to other developed EU economies. Due to the size of farms (very small), the average yield in Lithuania accounted to only 78% of EU-27 average in year 2008.

While the total milk production has been decreasing, the imports were increasing. In the year 2009 239 thousand metric tons of milk was imported – 20.6% less compared to the year 2008 and 2.6 times more than in the year 2005. The exports have also been increasing and in year 2009 1,031 thousand metric tons was exported – 3.2% less than in the year 2008 and 38.9% more compared to the year 2005. 57.6% out of total production was exported in the year 2009 compared to 39.9% in 2005. Milk trade in Lithuania was balanced by importing milk at lower prices from adjacent regions and local production was exported to higher paying regions.



**Table 43: Milk trade statistics in Lithuania, (thousand metric tons)**

Item	2005	2006	2007	2008	2009	2010
Total production	1,862	1,891	1,937	1,884	1,791	1,750
Import	92	171	226	302	239	n/a
Export	742	935	1,101	1,065	1,031	n/a
Total domestic consumption	1,198	1,123	1,047	1,086	1,133	n/a
Net effect on balance	14	5	15	35	-133	n/a

Source: Department of Statistics of Lithuania, 2011: [www.stat.gov.lt](http://www.stat.gov.lt)

Total domestic consumption has been rather stable over the recent years and in year 2009 amounted to 1,1 million metric tons – 4.3% more than in year 2008 and 5.4% less compared to the year 2005.

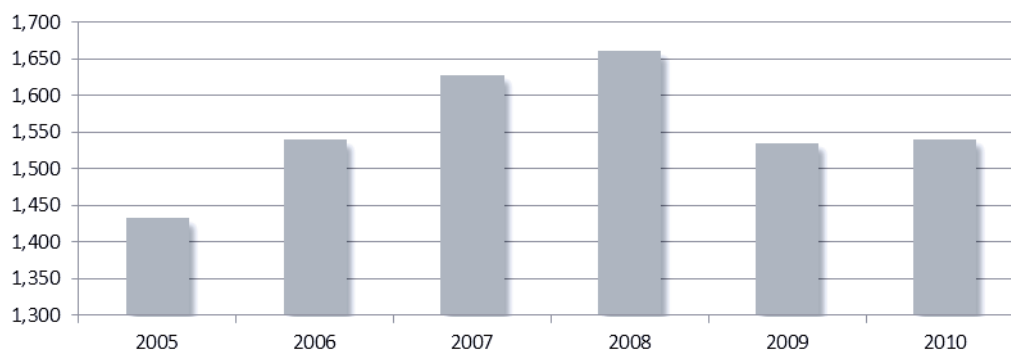
Per capita consumption followed similar pattern. In the year 2009 a peak of per capita consumption was reached – 289 kilograms of milk and milk products and was 7.8% more compared to the year 2008 and 2.1% more compared to the year 2005.

**Table 44: Per capita consumption of milk and milk products in Lithuania (kilograms)**

Item	2005	2006	2007	2008	2009	2010
Milk and milk products	283	273	259	268	289	n/a

Source: Department of Statistics of Lithuania, 2011: [www.stat.gov.lt](http://www.stat.gov.lt)

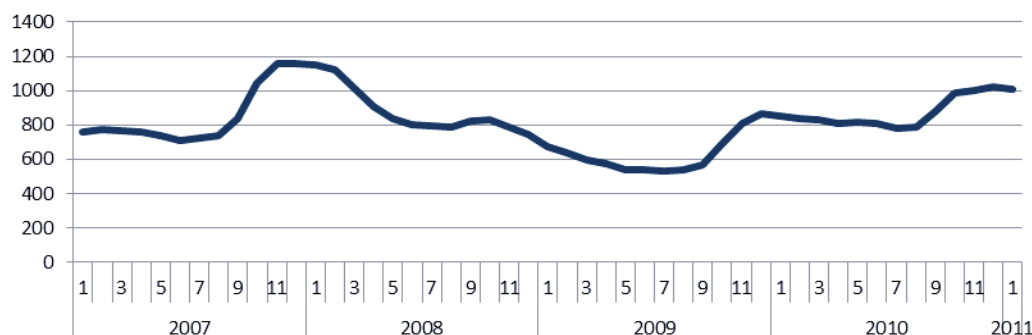
Purchase volumes of milk were rising up until 2008 and peaked at 1.7 million metric tons. In year 2010 1.5 million metric tons of milk was purchased – 0.3% increase compared to the year 2009, but 7.2% less compared to peak in 2008.

**Figure 9: Purchase volumes of milk (converted into natural fatness), thousand metric tons**

Source: Department of Statistics of Lithuania, 2011: [www.stat.gov.lt](http://www.stat.gov.lt)

The majority of milk is purchased and processed internally by around 20 Lithuanian milk-processing companies. Žemaitijos pienas AB, Rokiškio sūris AB, Pieno žvaigždės AB and Vilkyškių pieninė AB are the biggest and have the major influence on milk purchase price in country.

From 2005 to 2008 average annualized milk price increased by 26% to LTL 714 per metric ton. From the beginning of 2008 to the mid-2009 there was a substantial 50% fall in price from LTL 923 to LTL 462 per metric ton. By the end of 2009 the price of milk recovered and was 49% higher from the previous low. Such volatility was influenced by a world-wide fall in demand of milk production and changes in export prices.

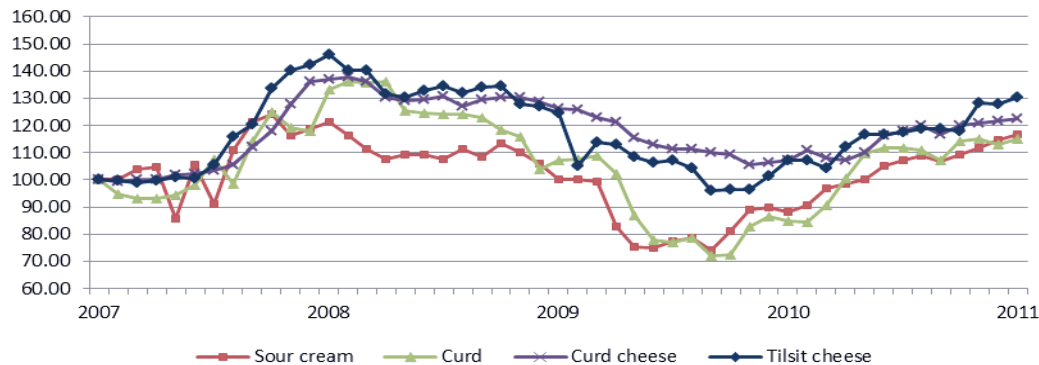
**Figure 10: Average price of natural fatness milk (LTL per tonne)**

Source: The Centre of Agricultural Information and Rural Activities of Lithuania, 2011: [www.vic.lt](http://www.vic.lt)

After very volatile period of 2007-2009 and price recovery in the second half of 2009, milk price during first three quarters of 2010 remained stable. In autumn the price of milk started growing again and at the beginning of year 2011 it was LTL 1,007 per metric ton – 18.1% higher than at the beginning of 2010 and 13.0% lower compared to last peak in 2007.

Prices of main milk products followed similar pattern to raw milk price, but were more volatile and the time lag have existed. After peaking at the beginning of 2008, prices were declining until the second half of 2009. Price recovery has started by the end of 2009 and prices are still rising. From the beginning of year 2010 prices of sour cream, curd, curd cheese and Tilsit cheese increased by 32.4%, 35.7%, 14.3% and 21.7% respectively.

**Figure 11: Price indices of selected milk products in Lithuania (01 2007 = 100)**



Source: The Centre of Agricultural Information and Rural Activities of Lithuania, 2011: [www.vic.lt](http://www.vic.lt)

Prices of milk products are mainly dictated by major dairy companies. Increased production prices contribute to higher profit margins. After earning higher profits, dairy companies can afford paying higher prices for raw milk to farmers and the price change effect is passed to suppliers.

In coming years milk price is expected to stabilize. In long-term, however, due to the global factors, including growing milk production consumption in emerging markets, milk price in Lithuania is expected to stay above historical levels.

#### EU subsidies

There are three main sources of the support to the Lithuanian agriculture sector: The Rural Development Programme (EAFRD), the support of the Direct Payments and the National Support Schemes.

The current Rural Development Programme has been established for the period 2007–2013 and aims at encouraging diversification and competitiveness of the agriculture sector in Lithuania. This support is aimed at strengthening the competitiveness of agriculture, improving the quality of life in rural areas, farms modernisation, expanding small and non-agricultural business sectors, and creating local capacity for the employment of the rural population. Over the past 7 years, representatives of the agricultural sector have received support amounting to approximately LTL 7.8 billion (EUR 2.3 billion). On the average, 77.13% of the support is derived from the European Agricultural Fund for Rural Development (EAFRD). The remaining funds come from the Lithuanian budget.

**Table 45: Annual available funds from Rural Development Programme 2007–2013 (EUR million)**

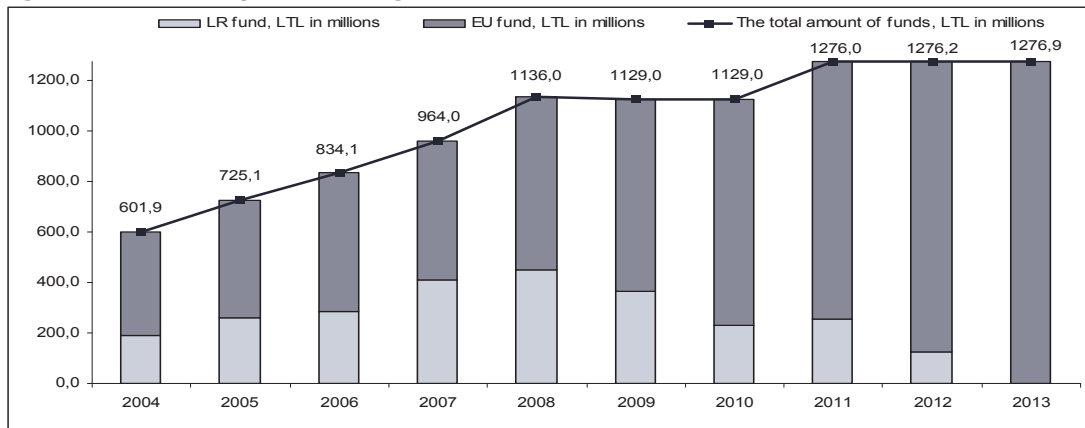
Item	2007	2008	2009	2010	2011	2012	2013	Total
<b>EAFRD contribution</b>	261	249	237	245	248	250	254	1,743
<b>Total RDP available funds*</b>	338	323	307	317	322	324	329	2,260

Source: the National Paying Agency, 2010: [www.nma.lt](http://www.nma.lt)

\*based on the assumption of the average 77.18% financing from EAFRD

The direct payments are another important support to Lithuanian agriculture sector. The majority of such Direct Payments are allocated for crop areas. In addition to that, there are certain Direct Payments for farmers in the areas less suitable for farming and for farmers engaged in the energy crop production. Lithuania chose a single direct payment scheme (SAPS – Single Area Payment Scheme) which provides availability without benefits granted by the EU budget, to pay the complementary national direct payments from the state budget (in agreement with EU till 2013).

**Figure 12: Direct Payments changes and forecasts 2004–2013**



Source: Ministry of Agriculture, 2010: [www.zum.lt](http://www.zum.lt)

The part of EU funds should increase and reach LTL 1,276.9 million. Compared with 2004, the total amount of Direct Payments should more than doubled in 2013.

## 12 GENERAL INFORMATION ON THE ISSUER

### 12.1 THE ISSUER

Founded in 2003, the Issuer is an investment company focusing on investments in and development of Lithuanian agricultural sector. The Issuer directs its investments into three directions:

- Acquisition of agricultural entities;
- Purchase of land for controlled agricultural entities;
- Modernization of agricultural entities.

The Issuer is the largest primary agricultural production producer in Lithuania and manages the largest agricultural land portfolio in the country. The main areas of activity are production of raw milk, crop-growing and land rent.

**Table 46: Key information about the Issuer**

Legal and commercial name of the Issuer	AB Agrowill Group
Legal form	Public limited liability company
Head office (place of registration)	Smolensko str. 10, LT-03201 Vilnius
Registration number	AB 2003 – 926
Country of registration	Republic of Lithuania
Legal person code	1262 64360
Legislation under which it operates	The laws of the Republic of Lithuania
Date of incorporation	25 June 2003
Operating period	Indefinite
Phone number	+370 (5) 2335340
Fax	+370 (5) 2335345
E-mail	info@agrowill.lt
Website	http://www.agrowill.lt

Source: The Company

### 12.2 HISTORY AND DEVELOPMENT OF THE ISSUER

On 25 June 2003 Galuvė UAB was established and in the same year, the Company changed its name to Agrovaldymo grupė UAB. On 26 January 2006 Agrovaldymo Grupė UAB was transformed from a limited liability company (UAB) into a public limited company (AB). On 5 December 2007 the Company registered a new company name – Agrowill Group AB.

In January – March of 2007 the Issuer acquired group of land management companies Žemės vystymo fondas. Žemės vystymo fondas business activities are closely connected with the Issuer. The land management companies lease part of their owned agricultural land to the Group agricultural entities. The rest of land is leased to third parties (farmers and other third party agricultural entities).

By the end of 2007 the Group established 7 new land management companies. The Group owned 12,100 ha of land and cultivated in total 26,000 ha of land (own and rented land).

In March of 2008 the Group has successfully completed the Initial Public Offering and listed its shares on Vilnius Stock Exchange (currently OMX). During the IPO in total 6,777,777 shares were sold at LTL 5 per share. Institutional investors subscribed for 6,594,193 shares (approximately 97.3% of the total offering).

In July of 2008 the Issuer acquired the Estonian milk production company Polva Agro AS with 2200 cattle and 2300 ha cultivated land and in September of 2008 Issuer acquired Lithuanian agricultural company Grūduva UAB with 1,900 cattle and 4,000 ha cultivated land.

At the end of 2008 the global economic crisis adversely affected activities and results of the Issuer – a decrease in grain prices resulted in net loss of LTL 16.4 million in 2008. Due to the turmoil in commodity market and frozen credit markets the Issuer in June 2009 was unable to redeem LTL 27 million bond issue. As of 20 May 2010 the Issuer has entered into the restructuring process.

On 3 October 2009, Polva Agro AS was sold to Estonian investors.

As of 31 December 2010 Group's subsidiary land buying entities owned around 13,5 thousand ha of land, agricultural entities owned around 1 thousand ha, and additionally around 18 thousand ha were rented from others.

As of 31 December 2010 the Group controlled 51 subsidiaries: 16 Agricultural Companies (ŽŪB) and the remaining being responsible for land management and for the Group's acquisitions. Most of the agricultural companies were established in 1991–1993 and have been intensively modernized by the Group. The full list of subsidiaries is provided in Section 13 *Group Structure*.

As of 31 December 2010 Group's subsidiary land buying entities owned around 13.5 thousand ha of land, agricultural entities owned around 1 thousand ha, and additionally around 17.5 thousand ha were rented from others.

### 12.3 CORPORATE PURPOSE

#### The purposes and the object of activities of the Issuer

Pursuant to Article 2 of the Articles of Association:

- The purpose of the activities of the Company is satisfaction of all interests of the Company's shareholders by ensuring constant augmentation of the equity value of the Company's shareholders, earning of profit by way of efficient and productive development of commercial and business activities, the character of which is:
  - o farming of animals;
  - o growing of crops combined with farming of animals;
  - o buying and selling of land;
  - o service activities;
  - o trade and other operations with real estate;
  - o wholesale and retail trade;
  - o construction;
  - o intermediation (including financial intermediation);
  - o manufacture of various products;
  - o advertising;
  - o lease of own property, vehicles, various machinery and equipment;
  - o other business activities not prohibited by legal acts of the Republic of Lithuania.
- The Company may engage in licensed activities only after obtaining all necessary permits and licenses.
- The Company's products, goods and services may be sold (provided) or transferred otherwise both in the Republic of Lithuania and abroad.
- The Company, for the achievement of the purposes provided for in the Articles of Association, may execute the following in accordance with the effective laws of the Republic of Lithuania:
  - o to enter into contracts, to assume obligations;
  - o to lend and borrow money, however, the Company, when borrowing from shareholders of the Company, may not pledge its assets to the shareholders, also the Company's borrowing from its shareholders under a loan agreement must meet other requirements of the Law on Companies and other legal acts of the Republic of Lithuania;
  - o to become an incorporator, member of other legal entities;
  - o to establish branches and representative offices in the Republic of Lithuania and abroad;
  - o to have other rights and obligations that are not contrary to the laws of the Republic of Lithuania.
- Article 2.1 of the Articles of Association contains no provision restricting the Company's right to provide charity or support and to engage in other non-commercial activities, or the Company's right to modify, suspend or terminate its activities.

#### Governing bodies of the Issuer

Pursuant to Article 5 of the Articles of Association:

Governing bodies of the Company are:

- the supreme governing body of the Company – the General Meeting of Shareholders (General Meeting);
- the collegial supervisory body – the Supervisory Council;
- the collegial management body – the Management Board;
- the single-person management body – the manager of the Company.

The General Meeting has the exclusive right to:

- amend the Articles of Association, unless otherwise provided for by laws;
- change the address of the registered office of the Company;
- elect the members of the Supervisory Council;
- remove the Supervisory Council or its members;
- select and remove the firm of auditors for the carrying out of the audit of annual financial statements, set the conditions for auditor remuneration;
- determine the class, number, nominal value and the minimum issue price of the shares issued by the Company;

- adopt a decision regarding conversion of the Company's shares of one class into shares of another class, approve the share conversion procedure;
- approve the set of annual financial statements;
- adopt a decision on profit/loss appropriation;
- adopt a decision on the formation, use, reduction and liquidation of reserves;
- adopt a decision on the issue of convertible debentures;
- adopt a decision on withdrawal for all the shareholders the right of pre-emption in acquiring the Company's shares or convertible debentures of a specific issue;
- adopt a decision on increase of the authorised capital;
- adopt a decision on reduction of the authorised capital, except where otherwise provided for by laws;
- adopt a decision for the Company to purchase own shares;
- adopt a decision on the reorganization or split-off of the Company and approve the terms of reorganization or split-off;
- adopt a decision on transformation of the Company;
- adopt a decision on restructuring of the Company;
- adopt a decision on liquidation of the Company, cancellation of the liquidation of the Company, except where otherwise provided for by laws;
- elect and remove from office the liquidator of the Company, except where otherwise provided for by laws.

The Supervisory Council shall:

- elect the members of the Management Board and remove them from office. If the Company is operating at a loss, the Supervisory Council must consider the suitability of the Management Board members for their office;
- supervise and control the activities of the Management Board and the manager of the Company;
- regularly give recommendations to the Management Board and the manager of the Company regarding the management of the Company;
- submit its comments and proposals to the General Meeting on the Company's operating strategy, sets of annual financial statements, draft of profit/loss appropriation and the annual report of the Company as well as the activities of the Management Board and the manager of the company;
- submit proposals to the Management Board and the manager of the company to revoke their decisions which are in conflict with laws and other legal acts of the Republic of Lithuania, the Articles of Association or the decisions of the General Meeting;
- present candidate firms of auditors to the General Meeting;
- address other issues assigned to the scope of powers of the Supervisory Council by the Articles of Association as well as by the decisions of the General Meeting regarding the supervision of the activities of the Company and its management bodies, also adopt decisions that according to their essence are assigned to the scope of powers of the Supervisory Council;
- ensure that shareholders are informed in the General Meeting about the affairs of the Company, its strategy, risk management and dealing with conflicts of interest;
- ensure the integrity and transparency of the accounting and control system in the Company;
- following the established procedure approve transactions (except for transactions that are insignificant due to their small value or made on standard conditions in performance of typical activities of the Company), conducted between the Company and its shareholders, members of supervisory or management bodies or other natural or legal persons who exercise or may exercise impact on the management of the Company;
- be responsible for efficient, objective and impartial supervision over the activities of the management bodies of the Company and proper representation of minority shareholders' interests.

The Management Board:

- The Management Board shall consider and approve:
  - o the operating strategy of the Company. The Management Board shall be responsible for drawing up of the operating strategy of the Company. The operating strategy and purposes of the Company shall be made public. Shareholders shall be informed about the implementation of the strategy in the Annual General Meeting;
  - o the annual report of the Company;
  - o the management structure of the Company and the positions of the employees;
  - o the positions to which employees are recruited through competition;
  - o regulations of branches and representative offices of the Company.
- The Management Board shall elect and remove from office the manager of the Company, fix his salary and set other terms of the employment contract, approve his job description, provide incentives for and impose penalties on him.
- The Management Board shall determine which information shall be considered to be the Company's commercial (industrial) secret, confidential information. Any information which must be publicly available under the Law on Companies and other laws of the Republic of Lithuania may not be considered to be a commercial (industrial) secret, confidential information.
- The Management Board shall adopt the following decisions:
  - o decisions for the Company to become an incorporator or a member of other legal entities;

- decisions on the establishment of branches and representative offices of the Company;
  - decisions on the investment, disposal or lease of the fixed assets the book value whereof exceeds 1/20 of the authorised capital of the Company (calculated individually for every type of transaction);
  - decisions on the pledge or mortgage of the fixed assets the book value whereof exceeds 1/20 of the authorised capital of the Company (calculated for the total amount of transactions);
  - decisions on offering of surety or guarantee for the discharge of obligations of third parties the amount whereof exceeds 1/20 of the authorised capital of the Company;
  - decisions on the acquisition of the fixed assets the price whereof exceeds 1/20 of the authorised capital of the Company;
  - decisions on transactions of the Company, the value of which exceeds LTL 3,000,000;
  - decisions on taking of loans, the value of which exceeds LTL 3,000,000;
  - decisions on restructuring of the Company in the cases laid down by the Law on Restructuring of Enterprises of the Republic of Lithuania;
  - decisions on issue of debentures;
  - other decisions assigned to the scope of powers of the Management Board by the Articles of Association and the decisions of the General Meeting.
- Before adopting a decision on investment of funds or other assets in another legal entity, the Management Board must notify thereof the creditors wherewith the Company failed to settle accounts within the prescribed time limit, if the aggregate amount in arrears to these creditors exceeds 1/20 of the authorised capital of the Company.
  - In order to ensure uninterrupted solution of essential Company management issues, the Management Board meetings must be convened at least once per month, according to the schedule approved in advance.
  - The Management Board shall analyse and evaluate the information submitted by the manager of the Company on:
    - the implementation of the operating strategy of the Company;
    - the organisation of the activities of the Company;
    - the financial condition of the Company;
    - the results of business activities, income and expenditure estimates, the stocktaking and other accounting data of changes in the assets.
  - The Management Board shall analyse and assess a draft sets of annual financial statements of the Company and a draft of profit/loss appropriation and shall submit them to the Supervisory Council and to the General Meeting together with the annual report of the Company. The Management Board shall determine the methods used by the Company to calculate the depreciation of tangible assets and the amortisation of intangible assets.
  - The Management Board shall be responsible for the convening and holding of the General Meetings in due time.
  - The Management Board must submit to the Supervisory Council the documents as requested by it and related to the activities of the Company.

The scope of powers of the manager of the Company, the procedure of appointing and removing the manager of the Company shall not be different from those set out in the Law on Companies.

The manager of the Company:

The manager of the Company shall organise daily activities of the Company, hire and dismiss employees, conclude and terminate employment contracts therewith, provide incentives and impose penalties. The manager of the Company shall be responsible for:

- organisation of activities and implementation of purposes of the Company;
- drawing up of the set of annual financial statements and drafting of the annual report of the Company;
- conclusion of a contract with a firm of auditors;
- submission of information and documents to the General Meeting, the Supervisory Council and the Management Board in the cases laid down in laws or at their request;
- submission of documents and particulars of the Company to the manager of the Register of Legal Entities;
- submission of the documents to the Securities Commission and the Central Securities Depository of Lithuania;
- publication of the information referred to in laws in the daily indicated in the Articles of Association;
- submission of information to shareholders;
- submission of all necessary information to the Management Board and the Supervisory Council needed by these collegial bodies for proper fulfilment of their respective duties;
- performance of other duties laid down in laws and other legal acts as well as in the Articles of Association and in the job description of the manager of the Company.

The manager of the Company must obtain a written approval of the Management Board for transactions conducted on behalf of the Company with third persons if the value of such transactions exceeds LTL 200,000. The Management Board's approval shall not release the manager of the Company from liability for conduction of such transactions.

**Rights conferred by the shares of the Company**

Pursuant to Article 4 of the Articles of Association, rights conferred by the shares of the Company are as follows:

- to receive a part of the Company's profit (dividend);
- to receive the Company's funds when the authorised capital of the Company is reduced with a view to paying out the Company's funds to the shareholders;
- to receive a part of assets of the Company in liquidation;
- to receive shares of the Company without payment if the authorised capital of the Company is increased out of the Company's funds, except in cases specified in the Law on Companies;
- to have the pre-emption right in acquiring the shares or convertible debentures issued by the Company, except in the case when the General Meeting (by a  $\frac{3}{4}$  majority vote of shareholders present at the General Meeting) decides to withdraw the pre-emption right for all the shareholders according to the procedure specified by the Law on Companies;
- to transfer all or some of the shares to the ownership of other persons under the procedure set in the Articles of Association and legal acts of the Republic of Lithuania. Shareholders have the right to transfer to other persons only those shares that are paid up in full;
- to lend to the Company in the ways and manner prescribed by laws of the Republic of Lithuania; however, when borrowing from its shareholders, the Company may not pledge its assets to the shareholders. When the Company borrows from a shareholder, the interest may not be higher than the average interest rate offered by commercial banks of the locality where the lender has his place of residence or business, which was in effect on the day of conclusion of the loan agreement. In such a case, the Company and shareholders shall be prohibited from negotiating a higher interest rate;
- other property rights established by laws and the Articles of Association;
- to attend General Meetings with the right to vote and to vote at General Meetings according to voting rights carried by their shares;
- to provide the questions to the Company in advance relating to the items on the agenda of the General Meetings;
- to receive information on the Company specified in the Law on Companies;
- to file a claim with the court for reparation of damage to the Company resulting from nonfeasance or malfeasance by the manager of the Company and Management Board members of their duties prescribed by laws of the Republic of Lithuania and the Articles of Association as well as in other cases laid down by laws of the Republic of Lithuania;
- other non-property rights established by laws and the Articles of Association.

All shares confer equal rights to all the shareholders.

**Procedure of amending the Articles of Association**

Pursuant to Article 13 of the Articles of Association:

- the Articles of Association shall be amended under the procedure provided for in the laws of the Republic of Lithuania and the Articles of Association. The decision to amend the Articles of Association is adopted by the General Meeting by a  $\frac{2}{3}$  qualified majority vote of shareholders present at the General Meeting, save for the exceptions provided for in the Law on Companies;
- after the General Meeting decides to amend the Articles of Association, the entire text of the amended Articles of Association shall be drawn up and signed by a person authorised by the General Meeting;
- all amendments and additions to the Articles of Association shall come into effect only after they are registered with the Register of Legal Persons under the procedure set by laws and regulations of the Republic of Lithuania.

**Convocation of the General Meeting, participation in the General Meeting**

Pursuant to Article 6.7 of the Articles of Association, the procedure of convocation, holding of the General Meetings and taking of decisions in the General Meeting is established in the Law on Companies. The main rules of convocation of and attending the General Meeting are as follows:

The right of initiative to convene the General Meeting shall be vested in the Supervisory Council, the Management Board and the shareholders who have at least  $\frac{1}{10}$  of all votes. As a rule, the General Meetings are convened by a decision of the Management Board.

General Meetings are annual and extraordinary. An Annual General Meeting must be held every year within four months after the close of the financial year. The Law on Companies indicates that an extraordinary General Meeting must be convened if: (i) the Company's equity capital falls below  $\frac{1}{2}$  of the share capital and this matter has not been discussed at an annual General Meeting; (ii) the number of the Management Board members falls below the  $\frac{2}{3}$  of the total number specified in the Articles of Association or below the minimum number indicated in the Law on Companies (i.e. three); (iii) the audit firm terminates the contract with the Company or is unable to audit the set of annual financial statements of the Company due to other reasons; (iv) the convocation of the General Meeting is requested by the shareholders who have the right to initiate such convocation or by the Management Board or the Supervisory Council, or this is required under the provisions of Lithuanian law or the Articles of Association.



A notice of convocation of the General Meeting is to be made public no later than 21 days before the date of the General Meeting through the stock exchange information system of AB NASDAQ OMX Vilnius as a material event, and is also to be published on the Company's website <http://www.agrowill.lt>.

Additional matters to be included into the agenda of the General Meeting may be proposed by the Management Board and one or several shareholders holding shares that carry at least 1/20 of all votes no later than 14 days prior to the meeting. In addition, they may propose new draft decisions on the matters in the agenda prior to and during the General Meeting.

If the General Meeting is not held, a repeated General Meeting must be convened. It shall be convened after the lapse of at least 5 days and not later than after the lapse of 21 days following the day of the General Meeting which was not held. The shareholders must be notified of the repeat General Meeting no later than 5 days before the date of the repeated General Meeting.

The persons who were shareholders of the Company at the close of the accounting day of the General Meeting (i.e. the fifth business day prior the date of the General Meeting) shall have the right to attend and vote at the General Meeting. The shareholder's right to attend the General Meeting shall also cover the right to speak and to enquire. The shareholder's right to attend the General Meeting also includes the right to speak and to ask questions regarding the items on the agenda of the meeting. The questions given to the Company by the shareholder regarding the items on the agenda of the General Meeting must be answered before the General Meeting, if such questions were received not later than 3 business days before the General Meeting.

Shareholders or persons authorised by them or persons with whom an agreement is concluded on assignment of voting rights may attend and vote at the General Meeting.

A person attending the General Meeting and entitled to vote shall produce a document which is a proof of his identity. A person who is not a shareholder shall additionally produce a document attesting to his right to vote at the General Meeting.

A shareholder or his proxy has the right to vote in advance in writing, by filling in a general ballot paper. If the shareholder requests so, the Company, no later than 10 days before the General Meeting, shall dispatch a general ballot paper by registered mail free of charge or delivered by hand. The general ballot paper shall also be available on the Company's website <http://www.agrowill.lt> no later than 21 days before the General Meeting. The filled-in general ballot paper and the document attesting to the right to vote must be submitted to the Company in writing prior to the General Meeting (it may be delivered by sending to the Company at the address Smolensko str. 10, Vilnius, the Republic of Lithuania, by registered mail, or delivered by hand). If the general ballot paper is signed by a person, who is not a shareholder of the Company, a document attesting to his right to vote at the General Meeting must be additionally presented.

The Company does not provide a possibility to attend the General Meeting and to vote by means of electronic communications.

Not later than within 7 days following the General Meeting the Company must post the voting results of the General Meeting on its website.

## 12.4 CORPORATE RESOLUTIONS AND THE SHARE CAPITAL

**Table 47: Registered share capital of the Issuer**

Name of the securities	Number of shares	Nominal value, LTL	Total nominal value, LTL	Percentage in share capital
Ordinary registered shares	71,552,254	1	71,552,254	100%

Source: The Company

All the ordinary registered shares of the Company (71,552,254) are fully paid.

As of 17 May 2011 the free float of Issuer's shares amounted to 19,805,537 shares (27.68%). Free float shares are considered as shares which are owned by the shareholders, who own less than 5% of the Issuer's share capital and are not connected with other shareholders that own more than 5% of Issuer's share capital.

**Table 48: Changes of share capital of the Issuer**

Registered with the Register of Legal Persons	Share capital before the change, LTL	Change, LTL	Change	Share capital after the change, LTL
31.08.2007	200,000	+6,000	Increase (new issue)	206,000
12.10.2007	206,000	+19,794,000	Increase (from retained earnings)	20,000,000
15.05.2008	20,000,000	+6,142,732	Increase (new issue)	26,142,732
04.08.2010	26,142,732	+1,545,015	Increase (new issue)	27,687,747
24.08.2010	27,687,747	+37,572,650	Increase (converted debt)	65,260,397
11.11.2010	65,260,397	+6,291,857	Increase (converted debt, additionally new issue)	71,552,254

Source: The Company

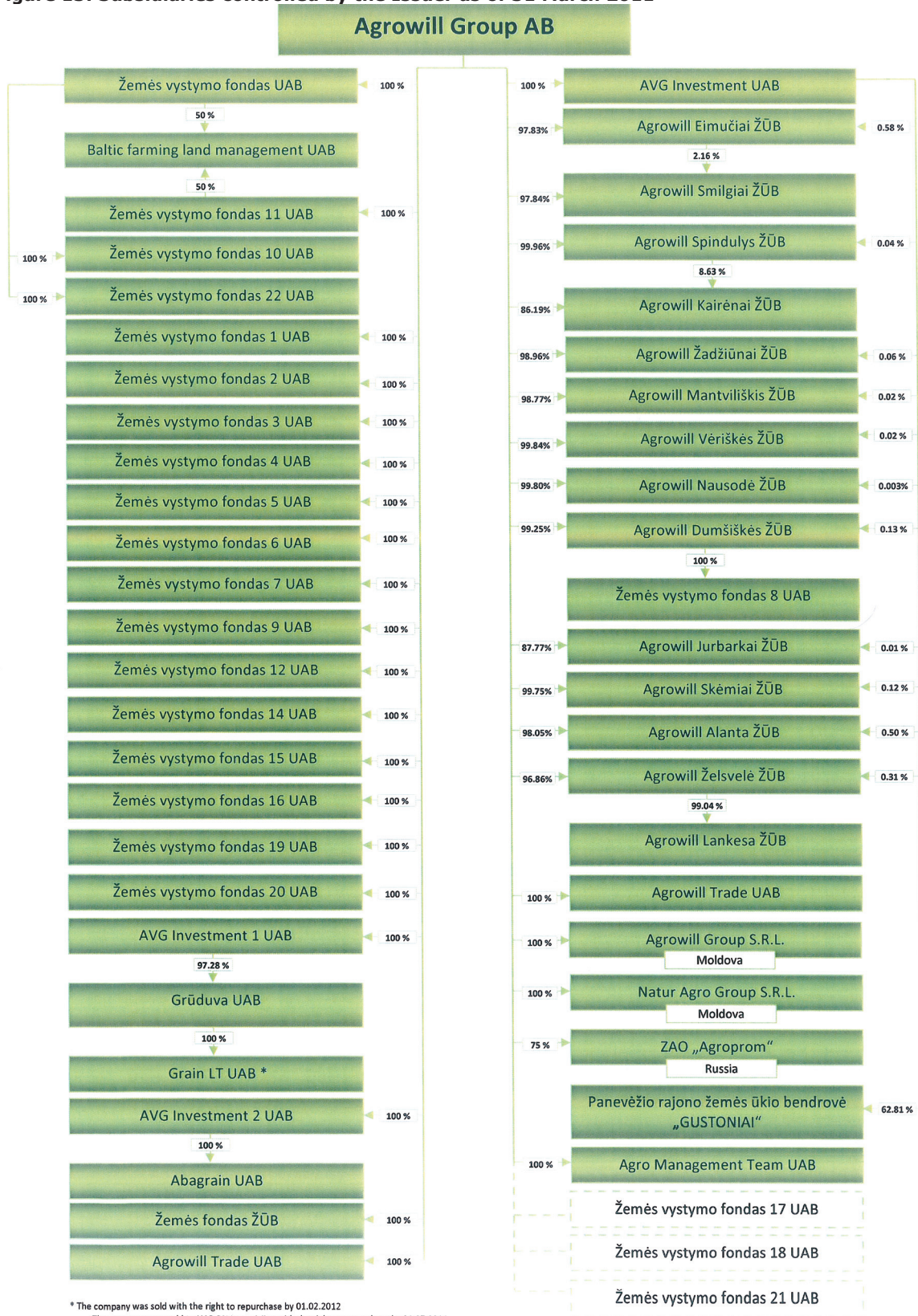
The Issuer has not issued any shares that do not represent participation in share capital. No shares in the Issuer are held by or on behalf of the Issuer or by Subsidiaries of the Issuer. The Issuer has not issued any convertible shares or bonds, exchangeable shares or shares with warrants. The Issuer has not issued any acquisition rights or obligations over authorized but unissued capital or an undertaking to increase the capital. The Issuer has not issued any share options.

Furthermore, there are no provisions of the Issuer's Articles of Association or other documentation that would have an effect of delaying, deferring or preventing a change in control of the Issuer, also governing the ownership threshold above which shareholder ownership must be disclosed. Moreover, there are no conditions imposed by the Articles of Association governing changes in the capital, where such conditions are more stringent than is required by law.

### 13 GROUP STRUCTURE

Graphical structure of the Issuer is provided in the figure below.

**Figure 13: Subsidiaries controlled by the Issuer as of 31 March 2011**



\* The company was sold with the right to repurchase by 01.02.2012  
 - - The Company was sold to UAB RN Investicijos with the right to repurchase by 31.07.2011

### 13.1 DESCRIPTION OF THE GROUP

The Issuer is not part of any group as it is defined in the applicable legal acts i.e. the Issuer is not controlled by any persons as it is defined in the Law on Companies or the Law on Securities (none of the shareholders of the Company holds shares, constituting more than 1/2 votes in the General Meeting).

As of 31 March 2010 the Group controlled 47 subsidiaries: 16 Agricultural Companies (ŽŪB) and the remaining being responsible for land acquisition, rent, management and other activities. The detailed list of subsidiaries is provided in the table below.

**Table 49: Subsidiaries controlled by the Issues as of 31 March 2011 and 31 December 2010, 2009 and 2008**

Subsidiary	Country	Group ownership interest, %				Profile
		31 Mar 2011	31 Dec 2010	31 Dec 2009	31 Dec 2008	
AVG Investment UAB	Lithuania	100.00	100.00	100.00	100.00	Management company
AWG Investment 1 UAB	Lithuania	100.00	100.00	100.00	100.00	Management company
AWG Investment 2 UAB	Lithuania	100.00	100.00	100.00	100.00	Management company
Agrowill Trade UAB	Lithuania	100.00	100.00	100.00	100.00	Management company
Abagrain UAB	Lithuania	100.00	100.00	-	-	Trade activities
Grain Lt UAB*	Lithuania	100.00	100.00	-	-	Trade activities
AWG Trade UAB	Lithuania	100.00	-	-	-	Trade and logistics
Baltic Farming Land Management UAB	Lithuania	100.00	100.00	100.00	100.00	Acquisitions and rent of land
Žemės fondas ŽŪB	Lithuania	100.00	100.00	100.00	-	Rent of land
Agrowill Eesti OU	Estonia	-	-	-	100.00	Management company
ZAO Agroprom	Russia	75.00	75.00	75.00	75.00	Management of subsidiaries
Natur Agro Group, S.R.L	Moldova	100.00	-	-	-	Acquisitions and rent of land
Agrowill group S.R.L.	Moldova	100.00	100.00	100.00	100.00	Acquisitions and rent of land
Žemės vystymo fondas UAB	Lithuania	100.00	100.00	100.00	100.00	Acquisitions and rent of land
Žemės vystymo fondas 1 UAB	Lithuania	100.00	100.00	100.00	100.00	Acquisitions and rent of land
Žemės vystymo fondas 2 UAB	Lithuania	100.00	100.00	100.00	100.00	Acquisitions and rent of land
Žemės vystymo fondas 3 UAB	Lithuania	100.00	100.00	100.00	100.00	Acquisitions and rent of land
Žemės vystymo fondas 4 UAB	Lithuania	100.00	100.00	100.00	100.00	Acquisitions and rent of land
Žemės vystymo fondas 5 UAB	Lithuania	100.00	100.00	100.00	100.00	Acquisitions and rent of land
Žemės vystymo fondas 6 UAB	Lithuania	100.00	100.00	100.00	100.00	
Žemės vystymo fondas 7 UAB	Lithuania	100.00	100.00	100.00	100.00	Acquisitions and rent of land
Žemės vystymo fondas 8 UAB	Lithuania	100.00	100.00	100.00	100.00	Acquisitions and rent of land
Žemės vystymo fondas 9 UAB	Lithuania	100.00	100.00	100.00	100.00	Acquisitions and rent of land
Žemės vystymo fondas 10 UAB	Lithuania	100.00	100.00	100.00	100.00	Acquisitions and rent of land
Žemės vystymo fondas 11 UAB	Lithuania	100.00	100.00	100.00	100.00	Acquisitions and rent of land
Žemės vystymo fondas 12 UAB	Lithuania	100.00	100.00	100.00	100.00	Acquisitions and rent of land
Žemės vystymo fondas 14 UAB	Lithuania	100.00	100.00	100.00	100.00	Acquisitions and rent of land
Žemės vystymo fondas 15 UAB	Lithuania	100.00	100.00	100.00	100.00	Acquisitions and rent of land
Žemės vystymo fondas 16 UAB	Lithuania	100.00	100.00	100.00	100.00	Acquisitions and rent of land

Subsidiary	Country	Group ownership interest, %				Profile
		31 Mar 2011	31 Dec 2010	31 Dec 2009	31 Dec 2008	
Žemės vystymo fondas 17 UAB**	Lithuania	100.00	100.00	100.00	100.00	Acquisitions and rent of land
Žemės vystymo fondas 18 UAB**	Lithuania	100.00	100.00	100.00	100.00	Acquisitions and rent of land
Žemės vystymo fondas 19 UAB	Lithuania	100.00	100.00	100.00	100.00	Acquisitions and rent of land
Žemės vystymo fondas 20 UAB	Lithuania	100.00	100.00	100.00	100.00	Acquisitions and rent of land
Žemės vystymo fondas 21 UAB**	Lithuania	100.00	100.00	100.00	100.00	Acquisitions and rent of land
Žemės vystymo fondas 22 UAB	Lithuania	100.00	100.00	100.00	100.00	Acquisitions and rent of land
Agricultural company Agrowill Spindulys	Lithuania	99.96	99.96	99.96	99.96	Agricultural operations
Agricultural company Agrowill Smilgiai	Lithuania	99.95	99.95	99.95	99.95	Agricultural operations
Agricultural company Agrowill Skėmiai	Lithuania	99.87	99.87	99.87	99.87	Agricultural operations
Agricultural company Agrowill Nausodė	Lithuania	99.81	99.81	99.81	99.81	Agricultural operations
Agricultural company Agrowill Dumšiškės	Lithuania	99.36	99.36	99.36	99.36	Agricultural operations
Agricultural company Agrowill Žadžiūnai	Lithuania	99.02	99.02	99.02	99.02	Agricultural operations
Agricultural company Agrowill Mantviliškis	Lithuania	98.79	98.79	98.79	98.79	Agricultural operations
Agricultural company Agrowill Alanta	Lithuania	98.56	98.56	98.56	98.56	Agricultural operations
Agricultural company Agrowill Eimučiai	Lithuania	98.41	98.41	98.41	98.41	Agricultural operations
Agricultural company Agrowill Vėriškės	Lithuania	98.41	98.41	98.41	98.41	Agricultural operations
Grūduva UAB	Lithuania	97.28	97.28	97.28	97.28	Agricultural operations
Agricultural company Agrowill Želsvelė	Lithuania	97.17	97.17	97.17	97.17	Agricultural operations
OU Polva agro	Estonia	-	-	-	96.45	Agricultural operations
Agricultural company Agrowill Lankesa	Lithuania	95.93	95.93	95.93	95.93	Agricultural operations
Agricultural company Agrowill Kairėnai	Lithuania	94.82	94.82	94.82	94.82	Agricultural operations
Agricultural company Agrowill Jurbarkai	Lithuania	87.78	87.78	87.78	87.78	Agricultural operations
Agricultural company Agrowill Gustoniai	Lithuania	62.81	62.81	-	-	Agricultural operations

Source: Consolidated Financial Statements, and Interim Financial Information

\*the Group consolidates Grain Lt UAB as it exercises full control over this subsidiary

\*\* the Group sold this entity with the repurchase right valid till 2011.07.31

### 13.2 SUBSIDIARIES OF THE COMPANY

All Group's agricultural entities are located in the north-south fertile land strip that stretches in the centre of Lithuania. Geographical distribution of subsidiaries of the Issuer is provided in the figure below.

**Figure 14: The location map of Group's owned agricultural entities**



Source: The Company

Further more detailed information, concerning declared land plots, crop production, number of livestock and employees, revenue and profits earned for each of the agricultural companies is provided in the table below.

**Table 50: Detailed information of subsidiaries of the Issuer**

Item	Grūduva	Želvelė	Smilgiai + Gustonys	Nausodė	Alanta	Lankesa	Mantvilėškis	Skėmiai
Crop growing	x	x	x	x		x	x	x
Milk	x	x	x	x		x		
Stock breeding					x			
Cattle offspring	x	x						x
<i>Declared hectares</i>								
2008	4,190	2,591	1,445	1,115	606	1,298	1,105	1,440
2009	4,065	2,254	1,312	1,071	507	1,489	1,105	1,470
2010	3,955	2,240	2,414	1,004	504	1,711	1,007	1,456
<i>Grains and rapeseeds, t</i>								
2008	17,294	5,193	4,447	1,414	217	4,810	3,252	4,470
2009	17,210	3,865	2,863	1,361	0	4,076	2,972	3,783
2010	9,751	4,110	4,717	1,200	0	3,657	2,877	4,189
<i>Number of livestock</i>								
2008	1,815	1,320	1,113	660	485	471	375	1,001
2009	1,786	623	2,439	0	0	0	0	0
2010	1,668	667	1,043	304	0	302	0	496
<i>Number of employees</i>								
2008	115	107	66	44	39	47	44	87
2009	90	68	102	16	16	31	24	33
2010	76	42	78	27	6	27	20	33
<i>Revenues, thsd. LTL</i>								
2008	15,341	10,118	8,522	3,258	2,116	6,119	4,604	7,402
2009	25,781	8,952	16,178	4,292	2,293	4,941	3,733	8,622
2010	30,368	9,974	18,752	2,393	537	6,316	4,237	5,360
<i>Net. Profit, thsd. LTL</i>								
2008	-731	26	-463	-1,260	-263	-1,081	-519	-505
2009	-5,621	-4,986	-6,560	-2,101	-910	-2,625	-2,315	-4,505
2010	1,127	408	1,700	-168	29	69	-27	526

Item	Vėriškės	Kairėnai	Spindulys	Dumšiskės	Jurbarkai	Žadžiūnai	Eimučiai	Total
Crop growing	x		x	x	x	Leased	Leased	11
Milk	x	x			x			8
Stock breeding								1
Cattle offspring								3
<i>Declared hectares</i>								
2008	1,007	637	1,902	1,068	1,261	453	995	21,113
2009	582	460	1,865	3	1,012	0	0	17,195
2010	454	333	1,486	1,067	915	0	0	18,546
<i>Grains and rapeseeds, t</i>								
2008	2,030	802	5,672	3,043	775	1,739	2,420	57,578
2009	1,609	797	3,975	0	606	0	0	43,117
2010	410	129	4,503	3,615	1,426	0	0	40,584
<i>Number of livestock</i>								
2008	721	396	327	227	595	463	141	10,110
2009	0	0	0	0	0	0	0	4,848
2010	396	230	0	0	282	0	0	5,388
<i>Number of employees</i>								
2008	53	38	60	43	41	43	21	848
2009	14	10	31	11	32	8	8	494
2010	24	18	26	11	26	7	7	428
<i>Revenues, thsd. LTL</i>								
2008	4,252	2,523	6,535	3,602	3,983	3,943	264	82,582
2009	4,182	2,745	5,243	2,864	4,472	3,120	1,187	98,605
2010	3,100	2,202	7,076	2,958	3,598	512	468	97,851
<i>Net. Profit, thsd. LTL</i>								
2008	-1,499	-1,346	-582	-928	-2,132	-559	-980	-12,822
2009	-2,500	-1,526	-2,651	-1,587	-2,448	-1,794	-1,198	-43,327
2010	967	226	1,211	732	-192	-362	-319	5,927

Source: The Company

#### Most recent significant acquisitions: Grūduva UAB

In September 2008, Agrowill Group AB via the subsidiary company AWG Investment 1 UAB acquired controlling stake in subsidiary Grūduva UAB.

Goodwill, arising at acquisition of subsidiaries is accounted for as intangible assets in the Group's consolidated financial statements. The acquired goodwill is attributable to the acquired company's technological know-how, staff expertise, and economies of scale expected from combining the operations of the Group and Grūduva UAB.

**Table 51: Financials of acquisitions of Grūduva UAB in September 2008**

Item	September 2008	Carrying amount of assets, where different from fair values
<i>Non-current assets</i>		
Tangible and intangible assets	31,206	21,700
Biological assets	5,972	5,776
<i>Current assets</i>		
Cash and cash equivalents	244	
Trade receivables and other current assets	4,434	
Inventory	14,193	
<i>Long term liabilities</i>		
Borrowing and obligations under financial lease	-8,123	
Grants	-3,100	
Deferred tax	-1,901	
<i>Short term liabilities</i>		
Borrowing and obligations under financial lease	-1,526	
Other financial liabilities	-573	
Trade payables and other current liabilities	-7,093	
Net assets at acquisition date	<b>33,733</b>	
Acquired share capital, %	97.28	

<i>Item</i>	<i>September 2008</i>	<i>Carrying amount of assets, where different from fair values</i>
Net assets acquired	32,816	
Cash paid upon acquisition acquired	34,500	
Direct costs relating to acquisition	134	
<b>Total purchase consideration</b>	<b>-34,634</b>	
<b>Total goodwill</b>	<b>1,818</b>	

Source: Consolidated Financial Statements

The effect of the acquisition to the profit and loss account of the Group since the day of acquisitions till the 2008 year end amounts to loss of LTL 3,637 thousand. The effect of Grūduva UAB acquisition to revenues of the Group since the acquisition day till the 2008 year end amounted to LTL 6,146 thousand.

Had the acquisitions occurred at the 1 January 2008, the effect to the Group's annual revenues in 2008 would have amounted to LTL 15,042 thousand of total revenues in 2008, of which LTL 8,896 thousand is revenues in 2008 before the acquisition, and LTL 6,146 thousand is revenues in 2008 after acquisition.

Had the acquisitions occurred at the 1 January 2008, the effect to the Group's annual net loss for 2008 from continuing activities would have amounted to LTL 535 thousand total net loss in 2008, of which net profit of LTL 3,102 thousand was earned in 2008 before the acquisition, and net loss of LTL 3,637 thousand was incurred in 2008 after acquisition.



## 14 BUSINESS

### 14.1 INTRODUCTION

The Group is the largest agricultural activity and land management company in Lithuania. The Group carries out its activities in Lithuania managing 16 agricultural companies in the stock-breeding and crop growing sectors, as well as 22 subsidiaries in land management, which controls around 13,500 ha of arable land, which is leased for farmers and other businesses.

The number of employees as of 31 December 2010 amounted to 444: 42 worked at central office, 32 were responsible for agricultural entities management and 370 were agricultural entities workers.

As of 31 March 2011 the carrying amount of investment property in the amount of LTL 74.4 million (as of 31 December 2010: LTL 74.8 million, 31 December 2009: LTL 77.9 million) have been pledged as security for bank borrowings.

### 14.2 OVERVIEW

The Group divides its operations into following segments:

- 1. Stock-breeding.** This activity is the most stable and one of most profitable among all segments. Stock-breeding is one of the two main activities of the Group (the other is crop growing), which historically generates between 35 to 55% of total Group revenues. Stock-breeding activities are particularly important for the Group, as revenues received from stock-breeding covers expenses for other sectors, while the main commercial crops – rapeseeds and wheat – are being grown. The Group concentrated its managed herds in eight companies, as at 31 March 2011 holds 2,440 dairy cows, 2,400 heifers of all ages (31 December 2010: 2,600 dairy cows, 2,300 heifers of all ages), and sells around 37 tons of milk every day. Revenues from production of milk and cattle-meat in 2010 amounted to LTL 18.7 million.
- 2. Crop-growing.** Crop growing constitutes another important part – historically from 40 to 50% of the total Group revenues. Winter and summer wheat and rapeseeds are mainly grown by the Group. Grain for cattle feed is grown from barley and triticale, while green feed is grown from corns and a variety of perennial grasses. The Group currently operates and declares about 18,500 ha, additional 2,000 ha is temporarily leased, but is planned to be worked by the Group from August 2011. In 2010 the Group's revenues from crop growing amounted to LTL 20.8 million.
- 3. Other segments.** The Group currently owns 13.5 thousand ha of land, of which 3.2 thousand ha is leased to the Group's agricultural companies, 9.7 thousand ha for other agricultural subjects, 0.6 thousand ha is temporarily not leased. In 2010 revenues from land rent and other activities amounted to LTL 2.6 million. As of 31 March 2011 around 17.5 thousand ha were rented from third parties.

**Table 52: Revenue breakdown (LTL'000)**

Item	31 March 2011 (unaudited)	2010	2009	2008
			Restated	Restated
<b>Stock-breeding</b>	<b>5,024</b>	<b>18,654</b>	<b>27,198</b>	<b>32,078</b>
Milk	4,570	16,802	20,609	28,028
Cattle meat	451	1,852	6,589	4,050
<b>Crop growing</b>	<b>1,627</b>	<b>20,812</b>	<b>15,748</b>	<b>23,188</b>
Wheat	1,627	11,905	8,110	11,838
Barley	-	740	563	3,214
Rapeseed	-	6,717	3,934	7,462
Other crops	-	1,450	3,141	674
<b>Trade</b>	<b>-</b>	<b>2,285</b>	<b>394</b>	<b>0</b>
<b>Other segments</b>	<b>754</b>	<b>3,414</b>	<b>4,937</b>	<b>3,446</b>
<b>Total revenues</b>	<b>7,402</b>	<b>45,165</b>	<b>48,277</b>	<b>58,712</b>

Source: Consolidated Financial Statements and Consolidated Interim Information

### 14.3 INVESTMENTS

The investment history of the Issuer can be divided into two periods: 1) acquisition of agricultural entities and 2) development and modernization of agricultural entities. During years 2004–2005 the Issuer has focused all its resources and capital for acquisition of new agricultural entities. Meanwhile in the 2006–2009 the majority of investments were directed into the modernization of acquired agricultural entities: building reconstruction, acquisition of livestock, investments into machinery and vehicles. After reconstruction and refitting of majority of farms, with expanded capacity the Group has directed investments into acquisition of livestock. The table below provides investments (additions) by category for financial years 2008–2010.

**Table 53: Additions of tangible assets and livestock by the Group (LTL'000)**

<i>Item</i>	<i>2010</i>	<i>2009</i>	<i>2008</i>	<i>Total</i>
Land	19	113	584	<b>716</b>
Buildings	206	269	656	<b>1,131</b>
Constructions and machinery	940	503	13,739	<b>15,182</b>
Vehicles, equipment and other property, plant and equipment	367	1,108	939	<b>2,414</b>
Construction in progress	345	1,373	11,574	<b>13,292</b>
Livestock	663	102	4,737	<b>5,502</b>
<b>Total</b>	<b>2,540</b>	<b>3,468</b>	<b>32,229</b>	<b>38,237</b>

Source: Consolidated Financial Statements

During the period of 2008 – 2010 the Issuer continued acquiring good quality and undervalued agricultural land. In more recent years, however, the amount spent on additions of land was subject to decreases.

Investments in constructions and machinery during the period of 2008–2010 have been made for upgrading agricultural machinery for land cultivation. The investments were partly financed by EU funds and lease. Such investments for years 2008, 2009 and 2010 amounted to LTL 13.7 million, LTL 0.5 million and LTL 0.9 million respectively.

In 2008 the major livestock investment was made to acquire 1,129 additional heifers. Total amounts spent for additions of tangible assets and livestock have been decreasing over the most recent years.

In 2008 the Group acquired a large number of new and used equipment using lease purchase method. The most significant investments were 4 new John Deere WTS combines, 13 used different power tractors, more than 10 different size trailers, manure spreaders and other equipment, as well as tillage implements. The total investments reached LTL 8 million.

In the same year, the Group started investing in the manure removal and storage of equipment arrangement in various farms. The major part of the work is already completed and ready for commissioning and use: slurry aggregators in Vėriškių agricultural company, liquid manure lagoon in Nausodės, Kairėnų, Jurbarkų agricultural companies, solid manure storage in Žadžiūnų, Alantos and Žėlsvelės agricultural companies. Virtually all livestock companies have designed and built new silo sides to store own-produced green fodder. The Group spent approximately LTL 11.5 million for these construction works.

In 2008, the Group completed two National Paying Agency projects in Grūduvos and Žėlsvelės agricultural companies, and bought machinery into Lankesos agricultural company. New tractors, seeders, soil tillage implements, green material crusher, grain harvester. Investments were estimated at LTL 5.2 million.

During the period of 2009–2010, the Group made minimal investments in technical updating and farm equipment due to the difficult financial position. Acquired equipment includes a few drills, a harrow, and a number of other implements.

Each investment led to significantly improvements in machinery fleet and production work in 2009, and subsequent harvest in suitable agronomic terms, as well as to lower costs. The observed results from crop production improvements suggest that equipment was necessary to Group companies.

Within four months of 2011, the following Group companies made such investments:

- Grūduva
  - Trailer, universal seeder MSC – 1 pc.
  - Trailer, sprayer PHOENIX B40 – 2 pcs.
- Dumšiškės
  - Trailer, harrow soil CTC – 1 pc.
- Lankesa
  - Trailer, universal drill MSC – 1 pc.
  - Trailer, harrow soil CTC – 1 pc.
  - Trailer, sprayer IKARUS S38 – 2 pcs.
- Skėmiai
  - Trailer, universal drill MSC – 1 pc.
  - Trailer, harrow soil CTC – 1 pc.
  - Trailer, sprayer IKARUS S38 – 3 pcs.
  - Fertilizer sprayer Bogballe – 1 pc.
  - Semi-trailer, self-loader minced herbs Kverneland Taarup 11055C – 1 pc.
- Gustonys
  - Trailer, universal drill MSC – 1 pc.
  - Trailer, harrow soil CTC – 1 pc.
- Smilgiai
  - Mowing-machine Taarup 3.5m – 1 pc.
- Spindulyš

- Trailer, universal drill MSC – 1 pc.
- Želsvelė
  - Trailer, universal drill MSC – 1 pc.
  - Semi-trailer, self-loader minced herbs Kverneland Taarup 11055C – 1 pc.
  - Vegetable remains shredder – 1 pc.

The Investments were financed by a financial loan, with 40% amounts to be provided by State Payment Agency as EU support.

New equipment purchase:

Sprayers: This technique is very versatile and can work in agriculture for a long season. The acquisition of additional sprayers allows the Group to increase its production capacity.

Seeders: The majority of old and worn seeders were of low efficiency (working floor area – 4 meters). This reduces the reliability of sowing quality, thus resulting in a higher consumption of seeds (up to 10%) and longer sowing time (up to 50%). The use of additional universal seeder trailers allows the Group to increase production capacity – this equipment provides a possibility to sow up to 10 thousand ha during one year period, as well as to reduce the costs of soil preparation (up to 40%).

Soil harrow: majority of the Group's agricultural companies are engaged in livestock. After corn harvest, straws from the fields are collected (30%), and new universal seeders (with tillage) allow crops to be sown directly into stubble. Approximately 45% of the remaining fields will be subject to tillage technology. The technology that does not require fields to be plowed lowers the cost of one ha of cultivation (up to 40% of mechanical work costs).

Fertilizer sprayer: The Group decided to move to 30 m spray technology, and it is very important to match it with fertilizer technology. Currently, the maximum spreading area of fertilizer sprayers is 24 m, thus, not all the area will be covered. The Group could add additional tracks to cover all the area, however it would not be rational to do so, as additional area would be tread down. Therefore, the Group decided to acquire a new and efficient (30 m) fertilizer sprayer, which will be in line with spray technology.

Mower: In order to produce good quality fodder, grass should be cut on time (within 3–5 days). The Group has carried out the investigation and found that the majority of the mowers had low efficiency. Thus, to speed up the work of grass cutting, additional efficient mower trailer was acquired.

Vegetable remains shredder: A wide variety of grasses and weeds grow at the edges of fields and roadsides. These grasses shed adjacent to crop, and therefore the Group has to spend more resources on the monitoring of crop. To prevent weed seeds mature the Group decided to purchase a vegetable remains shredder.

Semi-trailer, self-loader minced herbs: most of our grasslands are not more than 5 km radius away from the feed storage areas. Also, feed corns are grown in small plots that have an average of 60 hectares per farm. The grass area is about 100 ha per farm, and it should be cut from 3 to 4 times per year. It is estimated that 65% of all feed is produced from grass. In order to serve one-propelled forage grinder at least 3–4 tractors with trailers are required, hence, in order to reduce production costs the Group decided to acquire two minced herbs self-loader semi-trailers. New equipment will be sufficient to serve two tractors.

At current moment the Management Board of the Company has approved the investment program in the cow farms – internal improvements of cow keeping conditions, manure storages and acquisitions of pregnant heifers in order to a) replace old and unproductive cows, b) fill the current cow barns to it's full potential.

The preliminary investment forecast is calculated and approved at around LTL 9 million. The investment will be carried out from the proceeds of the Offering in June 2011, or, either, from the cash flow generated from sale of agricultural products in autumn 2011.

No other investments are currently approved by the Management Board of the Company.

#### 14.4 BUSINESS STRATEGY

##### Strategy

The Group's business strategy is to become one of the leading primary agricultural producers in Lithuania. Group strategy can be summarized below.

##### **Improve financial results and operational performance**

The Group has continually improved financial and operational margins and it intends to continue improving its margins by implementing more efficient activities and it has raised an aim to reach one of the highest amounts of milk per cow, grain harvested from one hectare and motto hours of techniques' unit in the region. At the same time by implementing significant decreases in labour and operational costs compared to other agricultural producers in Lithuania.

##### **Expansion of its harvested land bank**

The Company intends to further expand its harvested land bank by continuing to increase its land-lease rights in Lithuania, particularly in areas near its agricultural subsidiaries. The Group's management intends to consequently expand its crop farming capacities through concluding new land-lease agreements. In 2010

the land bank was additionally expanded by a few hundred hectares. Approximately the same expansion is expected in each of the subsequent years.

#### ***Expansion of milking cows herd and expand bank***

Since the prices for raw milk increased from its lows of 2009 and there are signs for stabilization at the current level, the Company intends to further sharply expand its milking cows herd, since the Company currently has around 1,200 empty places for milking cows.

Expansion also includes planned building of two new and reconstruction of one existing farm to achieve maximum capacity.

#### ***Expansion of self-sufficiency in storage facilities***

The Group maintains some of its own treatment and storage facilities. As of the date of the Prospectus, the Group controlled total grain storage facilities capacity of 32,000 tonnes, which enables to store appr. 60% of its current crop production and thereby achieve better pricing terms. The Group also has long term agreements with external elevators to store remaining part of the harvest at favourable prices. Crop prices tend to fluctuate with weather conditions, and they also tend to be at their lowest during the harvest when farms without access to storage facilities must sell their crops, or to face storage expenses using external elevator services. This provides producers with a strong incentive to store their harvest until a better price can be obtained. The Group has grounds to enjoy higher prices due to its ability to sell stored stocks at high season prices compared with selling prices during or immediately after the harvest. All of the Group's storage facilities lie in the areas of agricultural subsidiaries' operations, thus this allows to save the fuel and logistic expenses.

The Group intends to further expand its storage facilities located straight at the premises of its agricultural subsidiaries.

#### ***Expansion of vertically integrated operations, which reduce costs and enhance quality control***

The Group owns and operates a partially vertically integrated business model in the raw milk production subdivision, whilst producing the feed for the cows. Subsidiary Grūduva UAB buys minerals, soy, other inputs from the market, uses own produced grain and provides combined feed for all of the Group's cow farms.

### **14.5 COMPETITIVE STRENGTHS AND ADVANTAGES**

The Group is the largest primary agricultural products' producer in Lithuania. However, the profitability of the Group depends on the global price trends of grain and milk as well as global price trends of main inputs (e.g. fertilizers) and weather conditions. Thus Group's competitive position is limited.

The Group is well placed to exploit its existing assets and deliver strong, consistent financial growth due to the competitive strengths outlined below. The Group believes that the key competitive strengths that allow the Group to pursue its strategy include:

- Long-standing relationships with customers and well diversified customer base (the Group operates in the market for over 5 years already)
- Good track record of growth in a multi-billion market
- Convenient geographical location (sea transportation availability, as well as favourable nature conditions for growth of crops and production of milk)
- Efficient cost structure (benefit of being in EU with lower than average salaries, other costs)
- Ability to explore the synergy effects (due to diversified revenue mix)

#### **Diversified revenue mix**

For 2010, sales from the Group's crop production and raw milk production segments accounted for approximately 46% and 37% of revenue from sales to external customers respectively. Because prices for crops are more cyclical (even with a strong recent growth) and the prices for milk are relatively stable and the revenue from the land rental is quite constant, management believes that this diversified revenue structure helps to optimize the Group's revenue stream.

In Lithuania, as in other countries of Middle and East Europe, agriculture is still a rather stagnant sector, in which mostly traditional and old methods are utilized. Besides, the cultivated plots of land are relatively small in EU countries, so there is no possibility to reach the indicators of industrial agriculture. A team, organized by professional agricultural specialists, was one of the first to start to work under a new, progressive model of a big centralized farm, which has already answered the purpose in many Western Europe countries.

### **14.6 TREND INFORMATION**

After reaching a peak by the end of 2007 – the beginning of 2008, raw milk prices have been decreasing over the year 2008 and 2009. During 2010 raw milk prices were recovering and by the end of 2010 increased sharply. At the beginning of 2011 raw milk purchase price was close to level that was prevailing by the beginning of 2008 and appeared to be stabilising.

Due to very unfavourable climate conditions in northern hemisphere the supply of agricultural products have dropped sharply. This led to significant increase in grain prices in 2010. At the beginning of 2011 grain prices still had an upwards trend.

The Issuer is not aware of any other known trends, uncertainties, demands, commitments or events that are reasonably likely to have a material effect on the Issuer's prospects for at least the current financial year.

## 14.7 PRINCIPAL BUSINESS ACTIVITIES

### Stock-breeding

The main stock-breeding activity of the Group is production of raw milk. The amount of milk sold directly correlates with the size of a herd of dairy cows.

**Table 54: Milk production\***

Item	2007	2008	2009	2010
Milk, metric tons*	18,892	25,731	26,079	15,825

Source: The Company

\*Excluding A/S Polva Agro

In 2007–2009 the Group increased the amount of milk sold due to acquisition of new companies. In 2010, the price of milk decreased substantially, and therefore, the Group decided to keep cows only in economically feasible way (loose-farm), thus, the number of cows, started decreasing, thus sales of milk in 2009 did not change as compared to previous year, and the amount of milk sold decreased.

In September 2008, the Group acquired Grūduva UAB, which resulted in a significant increase in both the number of dairy cows and other cattle. In the spring of 2009, the lack of funding forced the Group to sell the majority of breeding progeny. At the end of 2009, the Group moved heifers to one of few Group's companies, which were specialized in this area.

Majority of cattle breeds held by the Group companies are Holsteins, Red Holsteins, Estonian Red, Ayrshire, Lithuanian Red, Lithuanian Black-and-white, German Black-and-white, Sweden Red, Danish Red.

**Table 55: Livestock\***

Item	01 Jan 2008	01 Jan 2009	01 Jan 2010	01 Jan 2011
Cows	4,116	5,324	3,636	2,665
Heifers	3,984	4,466	1,196	2,298
Bulls	350	508	166	653
<b>Livestock, total</b>	<b>8,450</b>	<b>10,298</b>	<b>4,998</b>	<b>5,616</b>

Source: The Company

\*Excluding A/S Polva Agro

The number of dairy cows is decreasing already from the beginning of 2009, when it was decided to keep cows only in a loose-farm way. The organization of dairy cows also changed: the number of companies where cows were held decreased from 14 to 8. Nevertheless, the number of dairy cows is expected to decline steady until June, 2011 due to the fact that company sold cattle offspring. The decline should reverse after that date, when heifers will join dairy cow herds. The herd is also expected to increase as a result of the investments to be made using the IPO proceeds.

Starting from the end of 2010, the Group decided to increase the efficiency in the use of cattle feed, and decided to take advantage of rising meat prices, and started growing steers.

**Table 56: Average daily milk production sold\***

Item	2007	2008	2009	2010
Average amount of milk sold per cow per day, litres	13.81	14.94	15.95	13.76

Source: The Company

\*Excluding A/S Polva Agro

The targeted investments into efficiency improvements (farm reconstruction, new farms construction supported by National Paying Agency, and acquisitions of companies) increased the amount of milk sold per cow per day. However, the beginning of 2009 was very difficult for the company due to the liquidity problems. As the price of milk declined it became economically unfeasible to keep animals tethered to the storage farm and the Group decided to keep the cattle only in loose-farms.

At the end of 2009 the amount of milk sold per one cow started to decline as the re-organizing process of dairy cows changed and cows experienced stress during the transportation of herd and the lower amount of feeding received (lack of funding). Also, in some farms the amount of milk sold declined even more than expected, mainly due to the unqualified workers.

The situation stabilized in the end of 2010, when the movement of cows between farms was completed. The production of combined feed has started being manufactured in Grūduva UAB, which led to the increase in the amount of milk sold per one cow per one day. At the moment, the amount of milk sold per day per one cow exceeds 2009 level.

**Table 57: Milk production statistics\***

Item	2007	2008	2009	2010
Milk sales, thousand metric tons	18,892	25,731	26,079	15,825
Milk sales, thousand LTL	18,98	28,028	20,609	16,802
Average selling price, LTL/kg**	1.00	1.09	0.79	1.06
Milk production costs, thousand LTL	13,557	22,913	18,053	15,655
Average milk production costs, Lt/kg	0.72	0.89	0.69	0.99
Gross profitability, %	28.6	18.2	12.4	6.8

Source: The Company

\*Excluding A/S Polva Agro

\*\*Average selling price is presented with adjustment factor

The profitability of dairy activities is directly affected by the sale price and milk production costs. The selling price of milk is directly affected by dairy products (milk powder, cream and cheese) prices in the global market. At the end of 2008, the price of milk started to decline and in the middle of 2009 reached 0.58 LTL/kg (without adjustment factor). This led to a sharp decline in dairy sector profitability as compared with 2007 or 2008.

Dairy profitability declined further as a result of declining number of cows and lower milk yield. Milk production costs dependence on various factors is explained in the following paragraphs.

The main indicator and factor affecting milk production cost is cows' productivity. The following factors can be influenced in order increase cow productivity:

- intelligent management of herd genetics (via insemination),
- cow comfort (through investments in farms),
- diet and veterinary instruments (through labour quality).

Overall it should be stated that systematic increase in cows' productivity leads to reduction of production cost - the amount of fixed costs is shared on higher production volume.

The productivity of cows is determined by genetic potential (genetics), green feed quality and herds' management. Genetics determines approximately 50% of cows' productivity, the remaining part depends on the cattle feeding and working with them. The Group pays great attention to cow insemination programs, uses the finest Lithuanian breeding centre staff consultation to select the right insemination substance for stock-breeding. The majority of the Group's cattle belong to Holstein breed.

Genetic potential would not be used without a good quality of feed, which counts for approximately 45 – 60% of total costs in milk price. The green fodder includes haulage, corn silage, and other corn products. If properly produced, the cattle receive the required amount of protein and energy from them, thus, there is lower need for combined feed, which is generally more expensive. Hence, feeding cattle with the right feed has overlapping benefits – the productivity of cattle increases and cost savings appears.

The comfort of cow (water, air, seedbed, etc.) is very important for cows' productivity and their health. Otherwise, a cow might experience stress, which would lead to the lower amount of milk produced. The other important aspect is the longevity of cows; milk producers around the world are currently working towards a cow giving more than 50,000 kg of milk during its lifetime.

A human is involved in every economic decision, thus human resource management is crucially important for successful operations, and the Group provides its employees with trainings, seminars and other activities that increase the qualification of workers. In 2010 the Group introduced a reward system, which rewards employees with salary, which depends on results and quality of his work.

The Group plans to continue keeping animals in 8 companies, and since 2011, one company has begun the production of fattening steers.

At the beginning of 2011, the Management of the Group created essential investment plan for its farms, which will become effective from June 2011. It includes the improvement of inner well-being of farm work, external investment (slurry tank and feed trench construction), as well as acquisition of pregnant heifers in order to increase the herd. It is planned that the investments will significantly increase the Group revenue, by increasing the amount of milk sold per cow per day, and reducing the costs of milk per 1 kg.

### Crop-growing

The exact type of crop is chosen according to soil type and livestock requirements. Winter rapeseed is an efficient rotation crop that positively influences quality of agricultural land. Rapeseeds allow to efficiently use available resources in harvest as it ripens much earlier than other crops (approximately on 20–25 of July).

**Table 58: Cultivated land and crop areas according to crop types**

Item	2008–2009	2009–2010	2010–2011
Winter rapeseed, ha	1,621	1,486	2,516
Winter wheat, ha	6,086	6,190	5,613
Winter triticale, ha	2,030	361	587

Item	2008–2009	2009–2010	2010–2011
Summer rapeseed, ha	0	2,711	2,804
Summer wheat, ha	200	1,297	2,775
Corn, ha	1,327	1,196	777

Source: The Company

Currently the Company maintains optimal ratio in winter crops between rapeseed and wheat which is 30% of rapeseed and 70% of other crops.

Winter wheat is main crop cultivated in Lithuania due to quality of soil, climate and local consumption demand.

Winter triticale is mainly grown in infertile and light soil. Winter triticale is used for feeds, bio-energy and alcohol. The Company cultivates winter triticale in the subsidiaries where the land is relatively infertile and where wheat does not produce sufficient harvest (according to Lithuanian standards).

Summer rapeseed, similar to winter rapeseed, is great technical crop that is essential in crop rotation. Summer rapeseed yields slightly lower harvest than winter rapeseed; however, this culture is not affected by risks posed by winter and allows good resource efficiency both in preparation activities in spring and in harvesting in autumn.

Summer wheat is one of the main trade crops in Lithuania. Usually summer wheat, like summer rapeseed, constitutes approximately 40–45% of total summer crops (if there are no other technical crops or malting barleys). In the last several years the Company has successfully balanced it's ratio of technical crops and cereals.

Corn is cultivated in order to produce silage for cattle feeding. It is mono-crop that does not require crop rotation and can be cultivated for several years in a row in the same land areas. In Lithuania corn was historically cultivated for silos, however during recent years with new technologies the corn is used to produce preserved corn grain which is very efficient feed for cattle.

During 2008–2009 due to the lack of working capital the Company did not sow approximately 4,500 ha of land which was left fallow. In 2009–2010 and 2010–2011 the Company sowed all its cultivated land. The Company is increasing rapeseed and wheat areas while decreasing amount of less profitable crops (barley and triticale). Barley and triticale are still cultivated mainly for feeds and in those subsidiaries, where other crops would not produce high enough harvest. The amount of cultivated corn is directly dependent on the size of cattle herd. Currently the Company has decreased corn growing due to smaller cattle herd.

**Table 59: Average yield for crops (tons per hectare)**

Item	2007	2008	2009	2010
Winter wheat	4,14	5,97	5,41	3,59
Winter triticale	4,09	6,67	4,40	2,40
Summer barley	2,30	3,46	3,98	3,17
Summer wheat	3,38	4,23	5,08	4,52
Winter rapeseed	2,02	3,20	3,66	2,10
Summer rapeseed	1,66	1,99	–	1,91

Source: The Company

Agricultural crop yield depends mainly on farming techniques and climatic conditions. The structure of the Group's crops is in accordance with traditional region structure, conditioned by climatic and soil conditions. Winter crops account for about 60%, summer crops – 40% of production. Lithuania has achieved the highest harvest in 2008–2009, the same as Group. During that period crop sector stood out due to:

- a) favourable weather conditions that allowed plants to grow,
- b) lack of significant rain or hail during the harvesting season, which would have slowed down all the work.

Meanwhile, in 2010, despite strict technological discipline, the natural disasters of the winter cold, spring floods and summer droughts reduced crop yields by a minimum amount of 30%, while persistent rain during the harvesting period also negatively affected the quality of harvest.

Winter crops yield clearly indicates that the Lithuanian agricultural crops, despite the Group's geographic situation, are almost equally affected by climate disasters.

Optimal seed timing for winter rapeseed is August 10–25, winter wheat and triticale – September 10–25. Summer crops are planted in early spring as soon as it is possible to enter the fields and soil temperature reaches 7–10 °C. Corns are planted at late spring when soil temperature reaches 10–12 °C. The Group extensively uses various fertilizers and pesticides (herbicides and fungicides) to increase the crop yield. The crops are mainly fertilized before planting (August and September for winter crops) with further fertilizing in early spring.

**Table 60: Revenues, cost of sales and gross profit according to crop types**

Item	Wheat	Barley	Rapeseed	Other crops
<b>2008</b>				
External sales	11,838	3,214	7,462	674
Cost of sales	-11,665	-4,369	-6,166	-500
Gross profit (w/o State subsidies)	173	-1,155	1,296	174
<b>2009</b>				
External sales	8,11	563	3,934	3,141
Cost of sales	-10,087	-869	-3,292	-3,842
Gross profit (w/o State subsidies)	-1,977	-306	642	-701
<b>2010</b>				
External sales	11,905	740	6,717	1,450
Cost of sales	-7,926	-997	-4,228	-1,892
Gross profit (w/o State subsidies)	3,979	-257	2,489	-442

Source: The Company

During the spring of 2008, grain prices were at record high level, but at the beginning of summer prices started to decline, and in the winter of 2009, prices were already at a record lows. High wheat and rapeseeds yields around the world (as well as in Lithuania) resulted in grain surpluses, and global reserves grew. Year 2010 will remain in history as year of the various natural cataclysms (harsh winter in Eastern Europe and Russia, spring floods in Eastern Europe, droughts in Russia, Australia, and Argentina). As a result, grain and rapeseed yields were the lowest in the last few years, thus, global reserves declined, and naturally, grain and rapeseed prices increased. In January – February 2011, prices almost reached the same level as in 2008.

Year 2008. The Group had not made any pre-harvest contracts and sold all harvest during the harvesting season. Due to the fact that rapeseeds were sold in July, the Group managed to fix higher prices; however, the Group could not sell wheat at the same profitability level. The production of barley was extremely unprofitable due to the fact that the Group did not manage to harvest all barley and approximately 200 ha of barley were left in the fields.

Year 2009. The Group compiled preliminary contracts for the sale of the harvest, and contracts for all harvest had been agreed already by the middle of the year. Due to smaller quantities in processing (around 4.5 ha was left for fallow), the cost of crop production increased and parallel declining prices led to the loss from crop sector. Only rapeseed cultivation was profitable, as rapeseed yield was rather high and rising oil price set a rapeseed price floor, as it is an imperfect substitute for oil.

Year 2010. The Group failed to fully benefit from improved prices, because most of the harvest has been agreed to be sold by pre-harvest contracts already in summer. Nevertheless, due to improved management and increased total crop area, crop cultivation costs per ton were significantly lower than in previous years, thus the Group earned a profit.

**Table 61: Total hectares**

Item	2009	2010	2011
Total, ha	18,354	18,461	18,506

Source: The Company

The Group's agricultural companies during the last years retained stable amount of land area despite strong competition from other farmers and agricultural companies. At the end of 2011, the Group will regain 2,000 ha, which were temporarily subleased due to financial difficulties encountered by the Group. Other changes are related to crop yields are discussed above.

### Other segments

Notwithstanding Issuer's core business activities of stock breeding and crop growing, other revenue is generated from land rent activities. Over the years the Issuer continued acquiring good quality agricultural land and by the end of year 2008 Group owned around 14 thousand hectares. In recent years, the expansion of land portfolio has slowed down and in year 2010 the land portfolio consisted of 14.1 thousand hectares. The land portfolio has an average agricultural land productivity grade of 44.32, whereas Lithuania's average was estimated to be 39.1.

The majority of land (2010: 68%; 2009: 58%) has been rented to third parties, including agricultural companies and private individuals. Other major portion of land was used by Group's agricultural companies.

**Table 62: Issuer's land renting activities**

Item	2008	2009	2010
Land owned (Hectares)	14,275	14,275	14,358
Including land owned by agricultural entities	905	905	905
Revenue from external land rent (million LTL)	1.5	2.2	2.5
Approx. land rented to Group companies (Hectares)	3,772	2,947	3,052



Item	2008	2009	2010
Approx. land rented to 3 <sup>rd</sup> parties (Hectares)	5,700	8,200	9,791
Land for capital appreciation	3,898	2,223	610
Average rent rate (LTL per Hectare)	264	268	255

Source: The Company

As the size of land portfolio remained rather stable over the recent years, and the portion of land rented to third parties increased only slightly, revenue generated from land rent was mainly influenced by rent rate. Revenue is growing steadily as the currently almost land is rented out, as opposed to 4,000 ha left for appreciation in 2008. The rent yield stayed at the same level during last three years due to financial crisis and the fact that grain prices have decreased significantly in 2009 and 2010.

Increasing agricultural subsidies from EU has an upwards pressure on land rent rate in Lithuania. This is favourable for the Group as land rent agreements signed with third parties foresee continuous annual increases in rent rate. The rate is revised in the first quarter of every year, keeping the client informed before any changes in the agreement. With reference to the already approved pay-outs and subsidies by EU and their plans proposed, Group anticipates further increases in subsidies as well as land rent rate.

The reason why the Issuer has rented land to third parties was that most of the acquired land was not consolidated in large-enough parcels of land (at least 500 ha) for the Issuer to start operating the land itself.

**Table 63: Land renting from private individuals**

Item	2008	2009	2010
Land plots rented from private individuals (Hectares)	15,876	15,850	15,926
Amounts paid for land rent (million LTL)	3.43	3.23	3.34
Average rent rate (LTL per Hectare)	216	204	209
Number of contracts	n/a	2,335	3,418

Source: The Company

In 2008 the Issuer rented around 15.9 thousand hectares and in more recent years the area remained similar. The average rent paid in the year 2008 was LTL 216 per hectare and has also remained rather stable, in year 2010 being 3% lower – LTL 209 per hectare. Issuer's long-term agreements (with maturity of at least until 2015) for land rent from third parties account for 80% of land rented from third parties. The rent rates of those contracts are fixed.

In March 2011 the Issuer established agricultural asset management company Agro management team UAB and owns 100% of share capital. By the middle of the year 2011 the company is about to introduce professional intermediation services in real estate, as well as land sale and rent sectors. The scope of services provided will include: client search, land administration and rent collection. Target clients of new subsidiary are largest Lithuanian farmers and foreign funds, seeking investments into Lithuanian agricultural sector. New subsidiary is already in several contracts regarding the intermediation in the sale of land and administration of the land thereafter.

#### 14.8 CUSTOMERS AND SUPPLIERS

The Issuer is an industrial seller thus the number of clients is very limited.

Due its nature raw milk purchasers are local companies and loss of one customer could greatly impact Issuer's operations. However, there is constant shortage of raw milk supply in Lithuania, so Issuer has a good competitive position. During the recent years, raw milk was sold for several major clients – Pieno Žvaigždės AB, Vilkyškių Pieninė AB and Marijampolės Pieno Konservai UAB. The contracts with these operators are usually signed for one year and milk prices are adjusted every 15 or 30 days. The largest clients with regard to cattle for meat are Utenos Mėsa UAB and Samsonas UAB.

The major buyers of grains until 2010 were largest grain traders in Lithuanian – Linas Agro AB, Agrokoncernas UAB, Kauno Grūdai AB, Amilina AB and Malsena UAB.

In 2008 27% of Group's revenues were from one customer – Marijampolės Pieno Konservai UAB (buyer of milk), also 12% was received from buyer of grain Agrochema UAB. In 2009 17.3% of total revenues were received from Pieno Žvaigždės AB (buyer of milk) and 10% was received from Linas Agro AB (buyer of grain). In 2010, 16.7% of total revenues were received from Pieno Žvaigždės AB, 14.5% – from Linas Agro AB, 14.4% from Vilkyškių pieninė AB (buyer of milk), and 13.7% from Kauno Grūdai AB (buyer of grain).

In 2010 the Issuer established own grain trade company and sells majority of grains directly to clients in Lithuania and foreign countries. The Issuer plans that in 2011 all grains will be sold directly through subsidiary to final clients (in 2011, around 1/3 of the grain was sold to final clients Kauno Grūdai AB, and Amilina AB).

For the period of last consecutive 12 months (2010 April – 2011 March) the ten biggest buyers of the Company were:

**Table 64: Ten biggest buyers of production for the period of last consecutive 12 months (April 2010 – March 2011)**

<i>Buyer</i>	<i>Turnover, LTL</i>
Client A	8,606,699
Client B	7,932,000
Client C	6,481,759
Client D	5,167,198
Client E	2,840,687
Client F	1,700,019
Client G	1,699,506
Client H	1,585,870
Client I	905,937
Client J	845,530

Source: The Company

The Group is an industrial buyer thus the number of suppliers are flexible.

Executing daily business operation based on the centralised farming model, the Group aims to achieve the lowest price for buying items. The suppliers are mainly the biggest local companies available to propose the lowest prices for industrial scale supplies.

For the period of last consecutive 12 months (April 2010 – March 2011) the ten biggest suppliers of the Company were:

**Table 65: Ten biggest suppliers of for the period of last consecutive 12 months (April 2010 – March 2011)**

<i>Supplier</i>	<i>Turnover, LTL</i>
Supplier A	8,482,955
Supplier B	4,878,849
Supplier C	4,189,367
Supplier D	3,360,214
Supplier E	1,028,960
Supplier F	926,847
Supplier G	695,871
Supplier H	456,738
Supplier I	436,957
Supplier J	396,967

Source: The Company

The land is rented for various third-party farmers and agricultural entities. Total amount of renters is approximately 300.

**Table 66: Top land tenants of the Group**

<i>No.</i>	<i>Legal persons</i>		<i>Private individuals</i>	
	<i>Client</i>	<i>Area rented, (Hectares)</i>	<i>Client</i>	<i>Area rented, (Hectares)</i>
1	Client A	760.60	Client K	266.31
2	Client B	703.33	Client L	139.88
3	Client C	693.48	Client M	121.36
4	Client D	450.01	Client N	113.05
5	Client E	278.22	Client O	110.74
6	Client F	67.60	Client P	109.37
7	Client G	64.14	Client Q	94.80
8	Client H	38.27	Client R	90.04
9	Client I	35.22	Client S	77.06
10	Client J	32.36	Client T	72.80
	<b>Total:</b>	<b>3,123.23</b>	<b>Total:</b>	<b>1,195.41</b>

Source: The Company

In year 2010, top ten clients as legal persons and top ten clients as private individuals accounted for approximately 53% of total area rented which presents rather wide diversification of land portfolio.

## 14.9 PROPERTY AND EQUIPMENT

**Table 67: Fixed assets of the Group (LTL'000)**

Item	Land	Buildings	Constructi ons and machinery	Vehicles, equipment and other property, plant and equipment	Constructi on in progress	Total
Carrying amount as of 31 December 2008	42,452	49,183	54,389	3,897	11,182	161,103
Carrying amount as of 31 December 2009	39,549	57,039	40,824	2,565	6,983	146,960
Carrying amount as of 31 December 2010	39,949	60,308	30,320	2,543	7,322	140,442
Carrying amount as of 31 December 2011 (unaudited)	40,451	59,494	28,870	2,367	7,347	138,529

Source: Consolidated Financial Statements and Consolidated Interim Information (For detailed movement please see attachments to Prospectus)

As of 31 December 2010 the carrying amount of property, plant and equipment in the amount of LTL 79,285 thousand (2009: LTL 78,447 thousand, 2008: LTL 67,528 thousand) have been pledged as security for bank borrowings. The leased assets are pledged according to the finance lease agreements.

As the majority of Group's companies are undergoing restructuring processes, there were certain items with restricted title. As at 31 December 2009, almost all the PPE of all agricultural entities (except for the ones pledged to the Banks) of the Group was arrested based on claims from various creditors. Total amount of such assets amounts to around LTL 68 million. The Group carries on using the PPE which title is restricted, however it can not be sold or its title transferred otherwise. As soon as the initiation of restructuring case is approved in the court, the sanctions are lifted by the court. As at 31 December 2010 all arrests were lifted as the initiation of restructuring cases were approved by the court and recovery processes were banned.

As of the date of the Prospectus, the Issuers farming machinery fleet consisted of 271 tractors, 38 combines and 445 trailers and similar equipment.

**Table 68: Machinery fleet of the Group as of the date of Prospectus**

Tractors	Units	Combines	Units	Trailers	Units
John Deere	18	John Deere	16	Tillage implements	154
Case	10	Claas	7	Seeders	66
New Holland	15	New Holland	2	Crop care equipment	85
Valtra Valmet	9	DON	2	Forage equipment	140
Belarus	115	Case	2		
Other (Western)	10	Laverda	1		
Other (Russian)	94				

Source: The Company

**Table 69: Livestock value of the Group (LTL'000)**

Item	Milk cows	Heifers	Other livestock	Total
As of 31 December 2007	15,149	10,490	172	25,811
As of 31 December 2008	20,848	13,793	839	35,480
As of 31 December 2009	9,085	847	49	9,981
As of 31 December 2010	9,233	3,297	479	13,009
As of 31 March 2011	8,561	4,073	889	13,523

Source: Consolidated Financial Statements

The biological assets of the Group in 2010 increased due to increase in the value of the cows and larger area seeded in autumn. Furthermore, as at the date of signing of this Prospectus, no areas effected by winterkill were registered as compared with LTL 4.5 million write-off in 2009.

The Group rents certain property, plant and equipment for operational needs. As at the date of this Prospectus, the rented items included 6 tractors. The Group also plans to rent up to 7 combine harvesters in August in order to finish harvesting as early as possible and not to suffer losses due to weather.

All rent agreements are short-term (up to 6 months) and are cancellable only in case of missed payments.

## 14.10 INVESTMENT PROPERTY

**Table 70: Investment property of the Issuer (LTL'000)**

<i>Item</i>	<i>Agricultural land</i>
<b>Fair value</b>	
<b>as at 31 December 2007</b>	<b>57,646</b>
- acquisition cost of assets	8,791
- increase in fair value of assets	15,927
<b>as at 31 December 2008</b>	<b>82,364</b>
<b>as at 31 December 2009</b>	<b>82,364</b>
- sales of land	-570
<b>as at 31 December 2010</b>	<b>81,794</b>
- sales of land	-32
<b>as at 31 March 2011 (unaudited)</b>	<b>81,762</b>

Source: Consolidated Financial Statements

As of 31 March 2011 the carrying amount of investment property in the amount of LTL 74.4 million (as of 31 December 2010: LTL 74.8 million, 31 December 2009: LTL 77.9 million) have been pledged as security for bank borrowings.

The investment property of the Group consists of agricultural land plots. As at 31 December 2010, the Group had ownership rights to 13,453 ha of land (2009: 13,370 ha, 2008: 13,370 ha). Approximately 2,940 ha of them was used by the Group and therefore accounted for as PPE and around 9,893 ha is rented out to third persons and companies, and approximately 610 ha were held for capital appreciation as at 31 December 2010.

As at 14 May 2010, the Group sold 3 land management entities (Žemės vystymo fondas 17 UAB, Žemės vystymo fondas 18 UAB, and Žemės vystymo fondas 21 UAB) to RN Investicijos UAB with a buy-back right until 28 February 2011. The Group then prolonged the buy-back period until 29 July 2011. As the term for buy-back option was not expired on 31 December 2010 and the date of signing these financial statements, the Group consolidates these three companies.

Additionally, in July – September 2010, the Group sold 63 ha of land to farmers.

The total value of Investment property leased out to third parties amounted to around LTL 64.4 million as at 31 December 2010 (2009: LTL 74 million, 2008: LTL 74 million).

The total value of all land portfolio held by land management entities (both own used and leased to others) equals to LTL 115 million.

## 14.11 ENVIRONMENTAL MATTERS

There are no environmental issues that may affect Issuer's utilization of the tangible fixed assets.

## 14.12 REGULATORY MATTERS

### General

The Group operates its facilities in compliance with the requirements of all applicable sanitary and epidemiological regulations and also observes all applicable safety rules. The Group has not been subject to any material claims relating to the safety of its products, compliance with veterinary, sanitary, health and safety, use of genetically modified materials, agrochemicals etc. in the last three years.

### Competition Regulation

The Group has not incurred any liabilities related to competition legislation, and has not been subject to any material investigations by the competition authorities in the past.

### Environmental and Other Licenses and Permits

The Group is subject to laws, regulations and other legal requirements relating to environmental protection, including those governing the discharge of substances into the air and water. The Group operates its facilities in sound compliance with the requirements of all applicable environmental regulations and also observes all applicable rules. Nevertheless, it should be noted that some facilities are not in compliance with requirements and need to satisfy such requirements till 2012 that is the deadline for execution of such requirements. Such improvements take place at a given moment and they are expected to be accomplished on time. The Group has not been subject to any material claims relating to environmental issues, except for several minor violations (with damage below 1.000 EUR) within last three years.

#### 14.13 LEGAL AND ADMINISTRATIVE PROCEEDINGS

At the time of preparation of this Prospectus the Issuer as a defendant (the debtor), as the plaintiff (the creditor; the applicant) or as a third party participates in the cases where value of claim is greater than LTL 50,000 described below.

**The Issuer** (defendant) vs. Issuer's bondholders (plaintiffs):

- a. Ž. Jaskelevičius. Vilnius Regional Court. Civil case No. 2-2747-232/2010. Claim amount – LTL 211,819.44. The case is suspended and assigned for the court arbitrating restructuring case.
- b. D. Bunevičiūtė. Vilnius Regional Court. Civil case No. 2-1174-392/2010. Claim amount – LTL 224,881. The case is suspended and assigned for the court arbitrating restructuring case.

**Agrowill Vėriškės ŽŪB** (defendant), **the Issuer** (third party) vs. UAB Wolf System (plaintiff). Šiauliai Regional Court. Civil case No. 2-959-372/09. Court has ruled that defendant should pay the plaintiff LTL 555,946.01 debt, LTL 30,517.72 due fees and LTL 1,000 legal fees. The claim will be paid according to schedule in restructuring plan, i.e. until year 2014.

**Agrowill Mantvilėškis ŽŪB** (defendant) vs. AB Rokiškio grūdai (plaintiff). Kėdainiai district court. Civil case No. 2-621-550/2009. The court reached preliminary decision that defendant should pay LTL 68,203.10 debt, LTL 2,637.16 interest and legal fees. The case is over and the sum confirmed in the restructuring plan is LTL 78,517.65. The amount will need be paid until January 2015.

**Subsidiaries Agrowill Laukesa ŽŪB, Agrowill Smilgiai ŽŪB, Agrowill Skėmiai ŽŪB, Agrowill Mantvilėškis ŽŪB, Agrowill Spindulys ŽŪB, Grūduva UAB** (plaintiffs) vs. UAB Swedbank lizingas (defendant). Vilnius Regional Court. Civil case No. 2-6817-798/2010. The plaintiffs filed a claim to annul unfair contract clauses and to annul and reinstate the written off due fines. In the case of favourable hearing the plaintiffs will have rights to LTL 347,018 due fines and legal fees. On the date of the Prospectus the claim is still trialled at court.

**Subsidiary Abagrain UAB** (defendant) vs. Bohnhorst Agrarhandel GmbH (plaintiff). Arbitration heard in the Grain and Feed Trade Association (GAFTA). The case No. is 14-375. The amount of claim is EUR 357,200. The plaintiff has delivered submissions and the defendant now has the duty to provide the response, reply submissions and supporting documents. Abagrain UAB is preparing to provide counterclaim for the same amount. Defendant (as a Seller) and the plaintiff (as a Buyer) has provided that delivery of the goods shall occur on November – December 2010 and the plaintiff shall nominate the vessel into loading port and to inform about it defendant. This has not been done in due manner and plaintiff only reconciled the prolongation of the contract (till February 2011) by email with non-authorized employee of defendant. Thus, the Claim is based only on the alleged extension of the delivery period till February 2011 as well as on the alleged consequent non-delivery of the Goods by the Defendant. The Plaintiff is seeking award of 357'200 EUR as difference between contract price and default price as well as compound interest and all arbitration fees and charges. The Plaintiff confirmed that the delivery period provided in the Contract itself has expired and the Plaintiff hasn't performed its obligations – hasn't nominated the vessel during the period prescribed in the Contract. Afterwards the value of the goods decreased. Abagrain UAB will provide counterclaim for losses because of this situation.

There also exists Vilnius regional court's decree (Civil case No. 2-5296-232/11) of interim measures in the total amount of EUR 357,200. Abagrain UAB is preparing to appeal it.

**Subsidiary Abagrain UAB** (the claimant) vs. Emmelev A/S and TPKB Kotas (the defendants). Vilnius Regional court. Civil case No. 2-612-258/2011. The amount of claim is LTL 2,038,571.12 plus 6% annual interest. The claimant has delivered goods to TPKB Kotas and was not paid for it. TPKB Kotas further transferred those goods to Emmelev A/S and shipped them to Denmark. The claimant is seeking recovery of transferred goods or full compensation of its value. The parties have provided their statements of claim and defence and the court should either set a date for the hearing or ask the parties to provide additional written submissions.

#### 14.14 RESTRUCTURING

The Court has approved Issuer's restructuring plan on 17 November 2010 and the Issuer entered restructuring process during 2010 for most of the Group's entities – for Company and 14 agricultural Subsidiaries.

In a restructuring process the Issuer and the relevant Subsidiaries are given protection from creditors to accumulate enough resources for a complete pay off of overdue debts. Restructuring enables the Issuer and the relevant Subsidiaries to avoid bankruptcy and all related negative consequences. The restructuring is beneficial to businesses that have a regular stable cash flow from operating activities but encounter temporary financial difficulties. The purpose of this process is to retain all assets of the Issuer and the relevant Subsidiaries, survive negative movements in production prices and further develop the company's activities rather than liquidate it. During the restructuring process, creditors, including administrators of mandatory payments, have the right to make concessions on payment of debts that have accrued prior to the initiation of business restructuring proceedings. Upon the process of Issuer's and the relevant Subsidiaries' restructuring, economic and commercial activities will not be terminated, and it will become possible to regulate cash flows, pay debts, restore the Company's and the Subsidiaries' solvency and further develop their activities. The process will last up to 4 years with a possibility to extend it for another year.

The Restructuring process is regulated by the Law of Republic of Lithuania on Restructuring. According to the law, the whole process has following steps (in order of occurrence):

- (a) approval of a draft of the Restructuring Plan by shareholders of the company;
- (b) application to the Court for opening of restructuring procedure;
- (c) the Court adopts a decision to open restructuring procedure and appoints restructuring administrator;
- (d) preparation and approval of a draft of the Restructuring Plan and revision of it by administrator;
- (e) administrator summons a meeting of creditors and presents the Restructuring Plan for approval;
- (f) the Restructuring Plan is approved by 2/3 votes of Creditors;
- (g) submission of the Restructuring Plan for court's approval. Such submission must be lodged with the court no later than 6 months as of adoption of court's decision to open restructuring procedure;
- (h) upon courts approval for Restructuring Plan, the restructuring procedure is instituted. The company has the term established in Restructuring Plan (usually 4 years) to earn funds and repay the creditors.

There are the following restructuring cases for the Issuer and Issuer's Subsidiaries:

1. AB Agrowill Group: restructuring case was initiated on 26.02.2010 (came into effect on 20.05.2010). The restructuring plan has been approved by the court on 17.11.2010 (came into effect 07.04.2011).
2. ŽŪB Agrowill Skėmiai: a restructuring case was initiated on 24.02.2010 (came into effect on 19.08.2010). The restructuring plan has been approved by the court on 19.12.2010 (came into effect 26.12.2010).
3. ŽŪB Agrowill Želsvelė: a restructuring case was initiated on 27.09.2010 (came into effect 07.10.2010). The restructuring plan has been approved by the court on 18.04.2011 (came into effect 25.04.2011).
4. ŽŪB Agrowill Mantviliškis: a restructuring case was initiated on 24.05.2010 (came into effect 23.09.2010). The restructuring plan has been approved by the court on 31.01.2011 (came into effect 07.02.2011).
5. ŽŪB Agrowill Spindulys: a restructuring case was initiated on 06.11.2009 (came into effect on 25.02.2010). The restructuring plan has been approved by the court on 12.10.2010 (came into effect 19.10.2010).
6. ŽŪB Agrowill Lankesa: a restructuring case was initiated on 15.09.2009 (came into effect on 17.12.2009). The restructuring plan has been approved by the court on 09.02.2011 (came into effect 16.02.2011).
7. ŽŪB Agrowill Dumšiškės: a restructuring case was initiated on 08.03.2010 (came into effect on 09.09.2010). The restructuring plan has been approved by the court on 10.02.2011 (came into effect 17.02.2011).
8. ŽŪB Agrowill Kairėnai: a restructuring case was initiated on 26.06.2009 (came into effect on 30.04.2010). The restructuring plan has been approved by the court on 10.07.2010 (came into effect 17.07.2010).
9. ŽŪB Agrowill Žadžiūnai: a restructuring case was initiated on 15.10.2010 (came into effect on 25.10.2010). The restructuring plan has been approved by the court on 29.03.2011 (came into effect 04.04.2011).
10. ŽŪB Agrowill Nausodė: a restructuring case was initiated on 26.11.2010 (came into effect on 06.12.2010). The restructuring plan has been approved by the court on 12.04.2011 (came into effect 19.04.2011).
11. ŽŪB Agrowill Jurbarkai: a restructuring case was initiated on 16.09.2010 (came into effect 26.09.2010). The restructuring plan has been approved by the court on 01.03.2011 (came into effect 08.03.2011).
12. ŽŪB Agrowill Eimučiai: a restructuring case was initiated on 08.10.2010 (came into effect 18.10.2010). The restructuring plan has been approved by the court on 29.03.2011 (came into effect 04.04.2011).
13. ŽŪB Agrowill Smilgiai: a restructuring case was initiated on 15.04.2010 (came into effect on 05.08.2010). The restructuring plan has been approved by the court on 12.01.2011 (came into effect 19.01.2011).
14. ŽŪB Agrowill Vėriškės: a restructuring case was initiated on 11.08.2009 (came into effect on 08.04.2010). The restructuring plan has been approved by the court on 16.09.2010 (came into effect 23.09.2010).
15. ŽŪB Agrowill Alanta: a restructuring case was initiated on 15.11.2010 (came into effect on 25.11.2010). The restructuring plan is still trialled on court.

Thus, the respective Group companies are in following phases of Restructuring process (according to the aforementioned steps of the procedure of the restructuring):

Group entity	Current phase	Phase as at the date of this Prospectus
Agrowill Group AB	Phase (h);	Phase (h);
Agrowill Zelsvele ŽŪB	Phase (h);	Phase (h);
Agrowill Jurbarkai ŽŪB	Phase (h);	Phase (h);
Agrowill Dumšiškės ŽŪB	Phase (h);	Phase (h);
Agrowill Spindulys ŽŪB	Phase (h);	Phase (h);
Agrowill Eimučiai ŽŪB	Phase (h);	Phase (h);
Agrowill Žadžiūnai ŽŪB	Phase (h);	Phase (h);
Agrowill Smilgiai ŽŪB	Phase (h);	Phase (h);
Agrowill Kairėnai ŽŪB	Phase (h);	Phase (h);
Agrowill Vėriškės ŽŪB	Phase (h);	Phase (h);
Agrowill Skėmiai ŽŪB	Phase (h);	Phase (h);
Agrowill Mantviliškis ŽŪB	Phase (h);	Phase (h);
Agrowill Lankesa ŽŪB	Phase (h);	Phase (h);
Agrowill Nausodė ŽŪB	Phase (h);	Phase (h);
Agrowill Alanta ŽŪB	Phase (g);	Phase (g).

The are no other Group entities engaged in Restructuring procedure. Group entities have courts approval for Restructuring Plans, except Agrowill Alanta ŽŪB. The court decision on approval of Agrowill Alanta ŽŪB restructuring plan is expected to be adopted within 1st half of year 2011.

Although some of the loans had their covenants breached as at 31 December 2008, 2009, and 2010, no major loan terminations were initiated by the banks, as they are in favour of Management's taken approach, i.e. initiation of restructuring processes.

On 24 August 2010 owners of LTL 37,572,650 debt capitalized their debt into share capital at 1:1 ratio. On 11 November 2010 Issuer's bondholders capitalized additional LTL 3,403,685 of liabilities into share capital. Furthermore, on 23 October 2010 cash injection was made in order to increase share capital by additional LTL 2,888,172. Issuer's Subsidiaries as creditors holding 50.7% of total credits granted to the Issuer will make concessions on payment of debts by accepting to be the last from creditors list to be repaid and by extending the repayment date to more than 4 years or up to 2 years after restructuring is over.

During the restructuring process, Issuer plans to repay its creditors by the schedule as follows:

**Table 71: Debt repayment schedule**

	2011	2012	2013	2014
% of total creditors	0%	0%	15%	85%

Source: Restructuring plan of the Company

During the first two years no repayments will be made in order to: i) increase Company's working capital which is needed to maintain operations effective; ii) finance the modernisation of machinery, vehicles and equipment.

#### 14.15 PENALTIES, FINES OR INTEREST CHARGES

Penalties, fines and interest charges paid by the Issuer are presented in the table below.

**Table 72: Fines and late payments**

Item	2010	2009	2008
Bonds related charges	-	1,689,385	-
Litagros prekyba UAB late payment charges	-	750,315	-
Bank, lease and State related charges	1,669,744	1,630,484	341,000
Fines for breach of contracts	1,800,000	-	-
<b>Total:</b>	<b>3,469,744</b>	<b>4,070,184</b>	<b>341,000</b>

Source: The Company

Bonds related charges in year 2009 arose as the Issuer did not redeem several bond issues. Amounts due were calculated for the period from the redemption date to the date of approval of restructuring plan.

Late payment to Litagros prekyba UAB charges arose from the delayed payments.

Bank and lease late payment charges arose due to the delayed repayments of bank loans and lease obligations. State late payment charges arose due to the delayed payments of VAT and income tax.

Fines for breach of contracts in 2010 amounted to LTL 1.8 million. Contracts of grain sale were breached as the Issuer's management decided to sell the grains in Lithuania rather than in external markets. It was estimated to be more profitable than carrying with contracts.

#### 14.16 INTELLECTUAL PROPERTY

The Issuer does not follow strict research and development policy which would be material for the operations of the Issuer. Issuer's operations are not dependant on any patents or licences, industrial, commercial or financial contracts or new manufacturing processes.

#### 14.17 EMPLOYEES

**Table 73: Employees' distribution between management, administration and subsidiaries workforce**

Item	3 months ended 31 March 2011		2010		2009		2008	
	Number of employees	Average monthly salary, LTL	Number of employees	Average monthly salary, LTL	Number of employees	Average monthly salary, LTL	Number of employees	Average monthly salary, LTL
Central office	41	4.146	42	4,043	39	3,950	49	4,394
Agricultural entities management	32	1.522	32	3,279	24	1,804	24	2,436
Agricultural entities workers	441	1.199	370	1,515	375	1,588	843	1,238
<b>Total:</b>	<b>514</b>		<b>444</b>		<b>438</b>		<b>916</b>	

Source: The Company

The main reasons for decrease in number of employees of the Group are 1) divestment of OU Polva Agro (70 employees); 2) concentration of stock breeding activity to 8 farms instead of 15 in 2008; 3) decrease in cultivated land plots in 2009 (4500 ha land was left uncultivated); 4) increase in Group's efficiency. Group's Management made decisions to downsize by removing unnecessary positions and merging existing positions to increase efficiency of available workforce. This influenced both decreased in number of employees and reduction of payroll related expenses.

Each year, the Group hires around 110 of temporary workers in the period between April and September.

On the date of this Prospectus there are no agreements or any other arrangements with regard of participation of employees' in the capital of the Company.

#### 14.18 RETIREMENT BENEFITS

Neither the Issuer nor its Subsidiaries have established any pension, retirement or similar benefits neither for the Management of the company, nor to any other employees.



## 15 MATERIAL CONTRACTS

The Issuer has not entered any material contracts, other than contracts and agreements that are entered as ordinary course of business, except contracts and agreements described below (*Subsection Contracts in the scope out of ordinary course of business*).

### Material contracts and agreements that are entered as ordinary course of business

1. The Issuer (through its subsidiary company) has entered into material contract for purchase of fertilisers, agrochemical products and veterinary medicines with Kauno grūdai AB on 3 March 2011. The amount of this contract is approximately LTL 15,094,976 (VAT included). Material contract with Kauno grūdai AB is valid until 1 December 2011.

2. The Issuer (through its subsidiary company) has entered into material contract with Kauno grūdai AB on selling of part of future harvest (15,000 tones) on 3 March 2011. Material contract with Kauno grūdai AB is valid until 30 June 2012.

3. The Issuer (through its subsidiary company) has entered into material contract with Naftėnas UAB on 10 November 2010 with regard to supply of fuel. The amount of this contract is composed of base price (which depends on fixed prices of Orlen Lietuva AB set each day) and mark-up (which is 26 LTL/1 ton). Material contract with Naftėnas UAB is valid until one of the parties will decide to discontinue it and inform other party with written prior notification.

4. The Issuer has entered into material contract with Lytagra AB on 17 February 2011 on supply of repair parts for agro machinery and services of repairment. Material contract with Lytagra AB is valid one artificial year with a possibility to renew it.

5. The Issuer (through its subsidiary company) has entered into material contract with DOJUS agro UAB on 11 April 2011 on supply of repair parts for agro machinery and services of repairment as well as on the short term lease of some agro machinery for harvesting period. Material contract with DOJUS agro UAB is valid until 20 September 2011.

6. Milk is sold for several milk dairies. The most significant is concluded with Vilkyskiu pienine, AB. The company has a right (as established by the regulatory regime) to terminate contract with dairies upon its own discretion with prior notice of 15 calendar days and to sell the raw milk to another counterparty.

It could be concluded that due to very diversified market structure and high competitiveness amongst suppliers, the Company is not dependable on few suppliers and is flexible to enter new agreements.

### Contracts in the scope out of ordinary course of business

The following contracts are the only contracts (not being contracts entered into in the ordinary course of business) that (i) have been entered into by the Group within the three years immediately preceding the date of this Prospectus which are or may be material to our business or (ii) have been entered into by the Group at any other time but which contain provisions under which the Group has an obligation or entitlement that is material to the Group as at the date of this Prospectus.

### Financing agreements

Group companies have entered into long term and short term loan agreements with Lithuanian banks to finance their operations. The principal outstanding loan agreements, concluded by the Group companies are listed below:

- On 19 September 2008 land management company Žemės vystymo fondas UAB entered into a loan agreement (No. 031-03268 with modifications) with AB bankas Snoras. The currency of the loan is EUR and the interest rate in agreement is 5% per annum. The loan is due on 31 March 2012. As of 31 December 2010 the aggregate amount outstanding for repayment by the borrower to AB bankas Snoras was approximately LTL 11.0 million.
- On 19 September 2008 land management company Žemės vystymo fondas 11 UAB entered into a loan agreement (No. 031-03268 with modifications) with AB bankas Snoras. The currency of the loan is EUR and the interest rate in agreement is 5% per annum. The loan is due on 31 March 2012. As of 31 December 2010 the aggregate amount outstanding for repayment by the borrower to AB bankas Snoras was approximately LTL 11.0 million.
- On 28 November 2005 land management company Žemės vystymo fondas 1 UAB entered into a loan agreement (No. 23-VC2005 with modifications) with DnB Nord. The currency of the loan is EUR and the interest rate in agreement is 6m EURIBOR + 2.9% per annum. The loan is due on 31 October 2017. As of 31 December 2010 the aggregate amount outstanding for repayment by the borrower to DnB Nord was approximately LTL 4.0 million.
- On 28 November 2005 land management company Žemės vystymo fondas 2 UAB entered into a loan agreement (No. 23-VC2005 with modifications) with DnB Nord. The currency of the loan is EUR and the interest rate in agreement is 6m EURIBOR + 2.9% per annum. The loan is due on 31 October 2017. As of 31 December 2010 the aggregate amount outstanding for repayment by the borrower to DnB Nord was approximately LTL 0.07 million.
- On 28 November 2005 land management company Žemės vystymo fondas 4 UAB entered into a loan agreement (No. 23-VC2005 with modifications) with DnB Nord. The currency of the loan is EUR

and the interest rate in agreement is 6m EURIBOR + 2.9% per annum. The loan is due on 31 October 2017. As of 31 December 2010 the aggregate amount outstanding for repayment by the borrower to DnB Nord was approximately LTL 0.03 million.

- On 23 February 2007 land management company Žemės vystymo fondas 5 UAB entered into a loan agreement (No. K-1200-2007-11 with modifications) with DnB Nord. The currency of the loan is EUR and the interest rate in agreement is 6m EURIBOR + 2.9% per annum. The loan is due on 31 December 2019. As of 31 December 2010 the aggregate amount outstanding for repayment by the borrower to DnB Nord was approximately LTL 0.6 million.
- On 3 July 2007 land management company Žemės vystymo fondas 7 UAB entered into a loan agreement (No. K-1200-2007-54 with modifications) with DnB Nord. The currency of the loan is EUR and the interest rate in agreement is 6m EURIBOR + 2.9% per annum. The loan is due on 31 December 2019. As of 31 December 2010 the aggregate amount outstanding for repayment by the borrower to DnB Nord was approximately LTL 0.9 million.
- On 20 March 2006 land management company Žemės vystymo fondas 3 UAB entered into a loan agreement (No. 8-VC2006 with modifications) with DnB Nord. The currency of the loan is EUR and the interest rate in agreement is 6m EURIBOR + 2.9% per annum. The loan is due on 31 July 2017. As of 31 December 2010 the aggregate amount outstanding for repayment by the borrower to DnB Nord was approximately LTL 4.2 million.
- On 20 March 2006 land management company Žemės vystymo fondas 12 UAB entered into a loan agreement (No. 8-VC2006 with modifications) with DnB Nord. The currency of the loan is EUR and the interest rate in agreement is 6m EURIBOR + 2.9% per annum. The loan is due on 31 July 2017. As of 31 December 2010 the aggregate amount outstanding for repayment by the borrower to DnB Nord was approximately LTL 0.05 million.
- On 19 February 2007 land management company Žemės vystymo fondas 15 UAB entered into a loan agreement (No. K-1200-2007-7 with modifications) with DnB Nord. The currency of the loan is EUR and the interest rate in agreement is 6m EURIBOR + 2.9% per annum. The loan is due on 31 December 2019. As of 31 December 2010 the aggregate amount outstanding for repayment by the borrower to DnB Nord was approximately LTL 2.6 million.
- On 19 February 2007 land management company Žemės vystymo fondas 16 UAB entered into a loan agreement (No. K-1200-2007-7 with modifications) with DnB Nord. The currency of the loan is EUR and the interest rate in agreement is 6m EURIBOR + 2.9% per annum. The loan is due on 31 December 2019. As of 31 December 2010 the aggregate amount outstanding for repayment by the borrower to DnB Nord was approximately LTL 0.02 million.
- On 06 March 2008 most of Group's land management companies (on a jointly and severally basis) entered into a loan agreement (No 2934-08IV with modifications) with DnB Nord. The currency of the loan is EUR and the interest rate in agreement is 6m EURIBOR + 2.9% per annum. The loan is due on 06 March 2023. As of 31 December 2010 the aggregate amount outstanding for repayment by the borrower to DnB Nord was approximately LTL 18.2 million.
- On 15 April 2008 company Grūduva UAB entered into a loan agreement (No. 0040801012209-14 with modifications) with AB SEB bankas. The currency of the loan is LTL and the interest rate in agreement is 1m VILIBOR + 3.5% per annum. The loan is due on 14 November 2011. As of 31 December 2010 the aggregate amount outstanding for repayment by the borrower to AB SEB bankas was approximately LTL 0.4 million.
- On 1 February 2006 company Grūduva UAB entered into a loan agreement (No. 0340601012702-44 with modifications) with AB SEB bankas. The currency of the loan is LTL and the interest rate in agreement is 6m VILIBOR + 3.2% per annum. The loan is due on 31 December 2011. As of 31 December 2010 the aggregate amount outstanding for repayment by the borrower to AB SEB bankas was approximately LTL 0.4 million.
- On 18 May 2007 company Grūduva UAB entered into a loan agreement (No. 0040701011622-14 with modifications) with AB SEB bankas. The currency of the loan is LTL and the interest rate in agreement is 6m VILIBOR + 3.2% per annum. The loan is due on 30 March 2012. As of 31 December 2010 the aggregate amount outstanding for repayment by the borrower to AB SEB bankas was approximately LTL 0.5 million.
- On 14 July 2007 company Grūduva UAB entered into a loan agreement (No. 0040701011705-14 with modifications) with AB SEB bankas. The currency of the loan is EUR and the interest rate in agreement is 3m EURIBOR + 3.2% per annum. The loan is due on 30 June 2011. As of 31 December 2010 the aggregate amount outstanding for repayment by the borrower to AB SEB bankas was approximately LTL 0.05 million.
- On 27 June 2008 company Grūduva UAB entered into a loan agreement (No. 00408010112057-1 with modifications) with AB SEB bankas. The currency of the loan is LTL and the interest rate in agreement 6m VILIBOR + 3.2% per annum. The loan is due on 31 December 2012. As of 31 December 2010 the aggregate amount outstanding for repayment by the borrower to AB SEB bankas was approximately LTL 0.7 million.
- On 20 August 2010 company Grain LT UAB entered into a loan agreement (No. KR04-AKF-189/10 with modifications) with AB Ūkio bankas. The currency of the loan is LTL and the interest rate in

agreement 3m EURIBOR + 3.1% per annum. The loan is due on 3 July 2012. As of 31 December 2010 the aggregate amount outstanding for repayment by the borrower to AB Ūkio bankas was approximately LTL 2.0 million.

- On 1 June 2009 agricultural company Agrowill Jurbarkai ŽŪB entered into a loan agreement (No. K-1291-06IV) with DnB Nord. The currency of the loan is EUR and the interest rate in agreement is 6m EURIBOR + 2.3% per annum. The loan is due on 23 September 2016. As of 31 December 2010 the aggregate amount outstanding for repayment by the borrower to DnB Nord was approximately LTL 1.1 million.
- On 15 July 2008 agricultural company Agrowill Jurbarkai ŽŪB entered into a loan agreement (No. K-3054-08IV) with DnB Nord. The currency of the loan is EUR and the interest rate in agreement is 6m EURIBOR + 1.9% per annum. The loan is due on 31 December 2009. As of 31 December 2010 the aggregate amount outstanding for repayment by the borrower to DnB Nord was approximately LTL 1.0 million.
- On 1 June 2009 agricultural company Agrowill Kairėnai ŽŪB entered into a loan agreement (No. K-1291-06IV) with DnB Nord. The currency of the loan is EUR and the interest rate in agreement is 6m EURIBOR + 2.3% per annum. The loan is due on 23 September 2016. As of 31 December 2010 the aggregate amount outstanding for repayment by the borrower to DnB Nord was approximately LTL 1.4 million.
- On 15 July 2008 agricultural company Agrowill Kairėnai ŽŪB entered into a loan agreement (No. K-3055-08IV) with DnB Nord. The currency of the loan is EUR and the interest rate in agreement is 6m EURIBOR + 1.9% per annum. The loan is due on 1 September 2009. As of 31 December 2010 the aggregate amount outstanding for repayment by the borrower to DnB Nord was approximately LTL 0.3 million.
- On 1 June 2009 agricultural company Agrowill Lankesa ŽŪB entered into a loan agreement (No. K-1291-06IV) with DnB Nord. The currency of the loan is EUR and the interest rate in agreement is 6m EURIBOR + 2.3% per annum. The loan is due on 23 September 2016. As of 31 December 2010 the aggregate amount outstanding for repayment by the borrower to DnB Nord was approximately LTL 0.8 million.
- On 8 September 2008 agricultural company Agrowill Lankesa ŽŪB entered into a loan agreement (No. K-3106-08IV) with DnB Nord. The currency of the loan is EUR and the interest rate in agreement is 6m EURIBOR + 1.9% per annum. The loan is due on 13 December 2013. As of 31 December 2010 the aggregate amount outstanding for repayment by the borrower to DnB Nord was approximately LTL 1.4 million.
- On 1 June 2009 agricultural company Agrowill Mantviliškis ŽŪB entered into a loan agreement (No. K-1291-06IV) with DnB Nord. The currency of the loan is EUR and the interest rate in agreement is 6m EURIBOR + 2.3% per annum. The loan is due on 23 September 2016. As of 31 December 2010 the aggregate amount outstanding for repayment by the borrower to DnB Nord was approximately LTL 1.9 million.
- On 5 October 2007 agricultural company Agrowill Mantviliškis ŽŪB entered into a loan agreement (No. K-2270-04IL) with DnB Nord. The currency of the loan is LTL and the interest rate in agreement is 6m EURIBOR + 1.9% per annum. The loan is due on 30 August 2013. As of 31 December 2010 the aggregate amount outstanding for repayment by the borrower to DnB Nord was approximately LTL 0.6 million.
- On 1 June 2009 agricultural company Agrowill Nausodė ŽŪB entered into a loan agreement (No. K-1291-06IV) with DnB Nord. The currency of the loan is EUR and the interest rate in agreement is 6m EURIBOR + 2.3% per annum. The loan is due on 23 September 2016. As of 31 December 2010 the aggregate amount outstanding for repayment by the borrower to DnB Nord was approximately LTL 1.5 million.
- On 15 July 2008 agricultural company Agrowill Nausodė ŽŪB entered into a loan agreement (No. K-3056-08IV) with DnB Nord. The currency of the loan is EUR and the interest rate in agreement is 6m EURIBOR + 1.9% per annum. The loan is due on 30 June 2010. As of 31 December 2010 the aggregate amount outstanding for repayment by the borrower to DnB Nord was approximately LTL 0.7 million.
- On 5 October 2007 agricultural company Agrowill Nausodė ŽŪB entered into a loan agreement (No. K-2271-07IL) with DnB Nord. The currency of the loan is LTL and the interest rate in agreement is 6m EURIBOR + 1.9% per annum. The loan is due on 30 August 2013. As of 31 December 2010 the aggregate amount outstanding for repayment by the borrower to DnB Nord was approximately LTL 0.7 million.
- On 1 June 2009 agricultural company Agrowill Smilgiai ŽŪB entered into a loan agreement (No. K-1291-06IV) with DnB Nord. The currency of the loan is EUR and the interest rate in agreement is 6m EURIBOR + 2.3% per annum. The loan is due on 23 September 2016. As of 31 December 2010 the aggregate amount outstanding for repayment by the borrower to DnB Nord was approximately LTL 5.5 million.
- On 1 June 2009 agricultural company Agrowill Smilgiai ŽŪB entered into a loan agreement (No. K-3058-08IV) with DnB Nord. The currency of the loan is EUR and the interest rate in agreement is

6m EURIBOR + 1.9% per annum. The loan is due on 30 December 2011. As of 31 December 2010 the aggregate amount outstanding for repayment by the borrower to DnB Nord was approximately LTL 0.8 million.

- On 1 June 2009 agricultural company Agrowill Smilgiai ŽŪB entered into a loan agreement (No. K-3053-08IV) with DnB Nord. The currency of the loan is EUR and the interest rate in agreement is 6m EURIBOR + 2.3% per annum. The loan is due on 1 July 2009. As of 31 December 2010 the aggregate amount outstanding for repayment by the borrower to DnB Nord was approximately LTL 0.5 million.
- On 1 June 2009 agricultural company Agrowill Spindulys ŽŪB entered into a loan agreement (No. K-1291-06IV) with DnB Nord. The currency of the loan is EUR and the interest rate in agreement is 6m EURIBOR + 2.3% per annum. The loan is due on 23 September 2016. As of 31 December 2010 the aggregate amount outstanding for repayment by the borrower to DnB Nord was approximately LTL 1.8 million.
- On 5 October 2007 agricultural company Agrowill Spindulys ŽŪB entered into a loan agreement (No. K-2269-07IV) with DnB Nord. The currency of the loan is LTL and the interest rate in agreement is 6m EURIBOR + 1.9% per annum. The loan is due on 30 August 2016. As of 31 December 2010 the aggregate amount outstanding for repayment by the borrower to DnB Nord was approximately LTL 1.1 million.
- On 1 June 2009 agricultural company Agrowill Veriškės ŽŪB entered into a loan agreement (No. K-1291-06IV) with DnB Nord. The currency of the loan is EUR and the interest rate in agreement is 6m EURIBOR + 2.3% per annum. The loan is due on 23 September 2016. As of 31 December 2010 the aggregate amount outstanding for repayment by the borrower to DnB Nord was approximately LTL 2.1 million.
- On 15 July 2008 agricultural company Agrowill Veriškės ŽŪB entered into a loan agreement (No. K-3057-08IV) with DnB Nord. The currency of the loan is EUR and the interest rate in agreement is 6m EURIBOR + 1.9% per annum. The loan is due on 29 June 2012. As of 31 December 2010 the aggregate amount outstanding for repayment by the borrower to DnB Nord was approximately LTL 1.0 million.
- On 1 June 2009 agricultural company Agrowill Želsvelė ŽŪB entered into a loan agreement (No. K-1291-06IV) with DnB Nord. The currency of the loan is EUR and the interest rate in agreement is 6m EURIBOR + 2.3% per annum. The loan is due on 23 September 2016. As of 31 December 2010 the aggregate amount outstanding for repayment by the borrower to DnB Nord was approximately LTL 4.2 million.
- On 15 September 2008 agricultural company Agrowill Želsvelė ŽŪB entered into a loan agreement (No. K-3109-08IV) with DnB Nord. The currency of the loan is EUR and the interest rate in agreement is 6m EURIBOR + 1.9% per annum. The loan is due on 13 December 2013. As of 31 December 2010 the aggregate amount outstanding for repayment by the borrower to DnB Nord was approximately LTL 1.3 million.
- On 17 July 2008 agricultural company Agrowill Želsvelė ŽŪB entered into a loan agreement (No. K-3059-08IV) with DnB Nord. The currency of the loan is EUR and the interest rate in agreement is 6m EURIBOR + 1.9% per annum. The loan is due on 30 June 2011. As of 31 December 2010 the aggregate amount outstanding for repayment by the borrower to DnB Nord was approximately LTL 1.4 million.
- On 1 June 2009 agricultural company Agrowill Skėmiai ŽŪB entered into a loan agreement (No. K-1291-06IV) with DnB Nord. The currency of the loan is EUR and the interest rate in agreement is 6m EURIBOR + 2.3% per annum. The loan is due on 23 September 2016. As of 31 December 2010 the aggregate amount outstanding for repayment by the borrower to DnB Nord was approximately LTL 2.8 million.

Furthermore, (i) Credit Agreement No 2934-08IV; (ii) Credit Agreement No 23-VC2005; (iii) Credit Agreement No 8-VC2006; (iv) Credit Agreement No K-1200-2007-11/3; (v) Credit Agreement No K-1200-2007-7; and (vi) Credit Agreement No K-1200-2007-54, concluded by Groups asset holding companies and DnB Nord as described above provide for a cross-default provision, which *inter alia* includes any failure on behalf of the debtor or any of their related parties to settle any of their debts with any of the creditors. In case of default of obligations to their creditors by any of the debtors or any of their related parties, DnB Nord would have a right to terminate one or more of the Credit Agreements and accelerate repayment of loans of up to EUR 8,877,788 and to demand payment of interest and default penalties.

#### **Finance lease agreements**

Some of the Group companies enter into the financial lease agreement under which they lease agricultural machinery. The main lessors of the Group companies are SEB lizingas UAB, DnB Nord lizingas UAB, Swedbank lizingas UAB and Danske lizingas UAB.

The leased machinery includes tractors, seeding machines, combines, spraying machines, equipment, vehicles, etc. The lease agreements are usually entered into for a period from 36 to 72 months. Most of the lease agreements were entered between 2006 and 2008 years and are effective until the years 2011–2014. The Group made some amendments regarding payments to the contracts in 2010 with DnB Nord lizingas UAB.

The lease agreements provide for an advance payment in an amount 10–20% of the value of the machinery. Generally, the lease agreements are made in EUR. The leased machinery is insured for the period of the lease agreement for the benefit of the lessors.

As at 31 December 2010, the lease agreements with Swedbank lizingas UAB were cancelled by the leasing company.

Summary of the lease agreements of the Issuer is provided in the table below.

**Table 74: Summary of financial agreements of the Issuer: finance lease**

<i>Lessor</i>	SEB lizingas UAB	DNB Nord lizingas UAB	Danske lizingas UAB	Swedbank lizingas UAB*	<i>Total</i>
<i>Lessee</i>	Grūduva UAB	Agrowill Skėmiai ŽŪB, Agrowill Spindulys ŽŪB and Agrowill Smilgiai ŽŪB	Agrowill Jurbarkai ŽŪB, Agrowill Dumšiškės ŽŪB, Agrowill Lankesa ŽŪB	Grūduva UAB, Agrowill Group AB, Agrowill Smilgiai ŽŪB, Agrowill Lankesa ŽŪB, Agrowill Mantviliškis ŽŪB, Agrowill Skėmiai ŽŪB, Agrowill Spindulys ŽŪB	
<i>Assets under lease agreements</i>	Agro machinery, vehicles and other equipment	Agro machinery, vehicles and other equipment	Agro machinery, vehicles and other equipment	-	
<i>Dates of agreements</i>	2006–2008	2007–2011	2009	2007–2008	
<i>End of agreements</i>	2011–2013	2011–2014	2011	31.12.2010	
<i>Currency</i>	EUR	EUR, LTL	EUR	EUR	
<i>Interest rate (as in agreement)</i>	6m Euribor + 1.5%	EUR: 6m Euribor + 2.9%; LTL: 8.15%	6m Euribor + 1.4% and 6m Euribor +6%	6.40%	
<i>Amount outstanding as of 31 12 2010, LTL</i>	1,049,090	4,031,212	256,226	5,265,738	<b>10,602,266</b>

Source: The Company

\*All lease agreements were terminated as at 31.12.2010

## 16 RELATED PARTY TRANSACTIONS

Over the years ended 31 December 2010, 2009, and 2008 the average number of the Management was 7, 6, and 7 respectively. Management of the Company includes the members of the Management Board, General Director and chief accountant of the Company.

### (i) Payments to the Management

In 2010, salaries and other payments to the Management of the Company amounted to LTL 390 thousand (2009: LTL 302 thousand, 2008: LTL 556 thousand).

### (ii) Other transactions with related parties

All the shareholders of Agrowill Group AB, 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:

**Table 75: Related party transactions (LTL'000)**

2010	Accounts receivable	Borrowings	Accounts payable	Purchases	Sales
<i>Parties related to board member Marius Žutautas</i>					
ŽIA valda AB	-	-	10	228	-
<i>Parties related to board member Linas Strėlis</i>					
Vilkyškių pieninė AB	528	-	-	-	6,450
Board member Mindaugas Juozaitis	696	-	-	-	-
<i>Parties related to general director Mindaugas Juozaitis</i>					
MJ Holding UAB	-	-	-	108	-
<b>Total</b>	<b>1,224</b>	<b>-</b>	<b>10</b>	<b>336</b>	<b>6,450</b>

2009	Accounts receivable	Borrowings	Accounts payable	Purchases	Sales
<i>Shareholders</i>					
ŽIA valda AB	-	-	9	131	-
<i>Parties related to general director Mindaugas Juozaitis</i>					
3MD UAB				143	
<b>Total</b>	<b>-</b>	<b>-</b>	<b>9</b>	<b>274</b>	<b>-</b>

2008	Accounts receivable	Borrowings	Accounts payable	Purchases	Interest
<i>Shareholders</i>					
Linas Strėlis	-	4 484	554	-	554
Invalda AB	-	3 870	282	-	430
ŽIA valda AB	96	425	120	159	57
<i>Parties related to shareholder Linas Strėlis</i>					
Kelmės pieninė AB	-	-	-	-	70
<i>Parties related to shareholder Žia valda AB</i>					
Žia valda real estate UAB	-	-	-	82	-
<b>Total</b>	<b>96</b>	<b>8 779</b>	<b>956</b>	<b>241</b>	<b>1,111</b>

Source: Consolidated Financial Statement,

Borrowings – Payable financial debt for the related parties.

Accounts payable – Payable sums for the related parties.

Purchases – Purchases of the goods and services from the related parties.

Sales – Sales of the Issuer for the related parties.

Interest – interest payments paid to the related parties.

Purchases from ŽIA Valda AB consist of rent of premises and utilities expenses associated with the premises. Purchases were conducted at market prices.

Sales to Vilkyškių Pieninė AB consist of raw milk sales to the dairy refinery. The sales were made at market prices.

Purchases from MJ Holdings UAB consist of legal services provided by the aforementioned company.

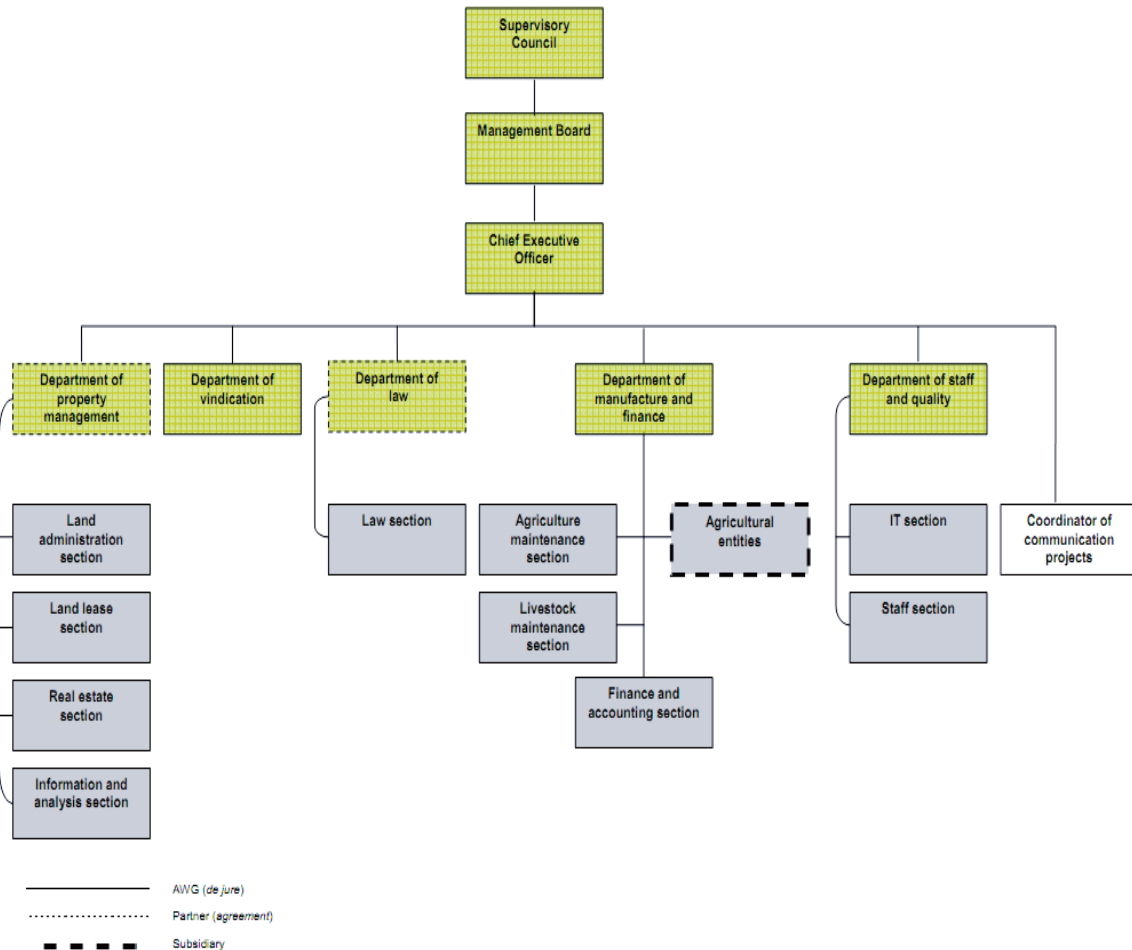
Sales to Vilkyškių pieninė AB amount to 14.4 per cent from total Group revenues for the year 2010. In the year 2010 purchases from the related parties amounted to 0.5 per cent from total purchases of the Group (2009: 0.3 per cent; 2008: 0.4 per cent).

## 17 MANAGEMENT AND CORPORATE GOVERNANCE

The Issuer has a three-tier management system, i.e. Supervisory Council, Management Board and Chief Executive Officer. Business addresses of all the indicated bodies of the Company are Smolensko st. 10, LT-03201 Vilnius, the Republic of Lithuania. Their competence is indicated in Section 12.3 *Corporate Purpose* in detail.

Detailed management system of the Issuer is provided in the figure below.

**Figure 15: Management system of the Issuer**



Source: The Company

### 17.1 MANAGEMENT BOARD AND SUPERVISORY BOARD

**Table 76: Members of management and supervisory bodies**

Name, surname	Position within the Issuer	Beginning of term	End of term
<b>Supervisory Council</b>			
Ramūnas Audzevičius	Chairman of the Supervisory Council	24.08.2010	Until ordinary General Meeting in 2012
Česlav Okinčič	Member of the Supervisory Council	24.08.2010	Until ordinary General Meeting in 2012
Aurimas Sanikovas	Member of the Supervisory Council	24.08.2010	Until ordinary General Meeting in 2012
Džiuginta Balčiūnė	Member of the Supervisory Council	24.08.2010	Until ordinary General Meeting in 2012
Gediminas Žiemelis	Member of the Supervisory Council	24.08.2010	Until ordinary General Meeting in 2012
<b>Management Board</b>			
Vladas Bagavičius	Chairman of the Management Board	01.12.2008	Until ordinary General Meeting in 2013
Mamertas Krasauskas	Member of the Management Board	15.04.2011	Until ordinary General Meeting in 2013

<i>Name, surname</i>	<i>Position within the Issuer</i>	<i>Beginning of term</i>	<i>End of term</i>
Domantas Savičius	Member of the Management Board	14.12.2007	Until ordinary General Meeting in 2013
Linas Strėlis	Member of the Management Board	14.12.2007	Until ordinary General Meeting in 2013
Marius Žutautas	Member of the Management Board	30.08.2010	Until ordinary General Meeting in 2013

Source: the Company

### Supervisory Council

**Ramūnas Audzevičius.** Ramūnas Audzevičius is a Chairman of the Supervisory Council. On the date of this Prospectus, he also acts as a Member of the Board of ŽIA VALDA AB (since 2008), Member of the Board of Financial Brokerage Company Finhill UAB (since 2007), partner in Motieka & Audzevičius Law Firm (since 2003). Prior to joining the Group he was the Attorney at Law in Motieka & Audzevičius Law Firm (2003–2007), apprentice to attorney at law in K.Motieka law offices (1998–2002), in house lawyer in daily Respublikos leidiniai UAB (1997–1998), lawyer in Algita, UAB (1996–1997). Ramūnas Audzevičius is a graduate of Faculty of Law, Vilnius University, where in 1998 he finished a General legal study (single-stage for lawyer's qualification). Also he is a graduate of International Business School, Vilnius University, where in 2000 he obtained a Diploma in Business Administration. Ramūnas Audzevičius is a graduate of School of Law, University of London, King's College London, where in 2006 he obtained Postgraduate Diploma in EC Competition Law, and, in 2008, MA in EU Law. He also took education programs in University of Manchester (2000), additional courses at Harvard Business School (PLD).

**Česlav Okinčic.** Česlav Okinčic is a member of the Supervisory Council. At the same time, he is the founder of the Law Firm Aničas, Okinčic & Partners (since 1996). In addition, he also serves as attorney at law in Law Office No. 1 of the City of Vilnius (since 1990), titled of the Ambassador Extraordinary and Plenipotentiary of the Republic of Lithuania bestowed (since 2001), associated partner of the law firm TARK GRUNTE SUTKIENE (formerly law firm Sutkienė, Pilkauskas and partners) (since 2005), adviser on strategic relations with neighbouring countries to the Premier Minister of the Republic of Lithuania (since 2006). He was also elected to The Supreme Council (The Reconstituting Seimas of the Republic of Lithuania) and is a signatory to the Act of Independence of the Republic of Lithuania and a Member, Deputy Chairman of Foreign Affairs Committee of the Parliament (since 1990). During 1998 – 2006 he was the adviser on relations with Poland to the President of the Republic of Lithuania. Česlav Okinčic is a graduate of Faculty of Law, Vilnius University (1982).

**Aurimas Sanikovas.** Aurimas Sanikovas is a member of the Supervisory Council. At the same time, he is the Chief Financial Officer of Avia Solutions Group AB (since 2007). In addition, he also serves as the General Director of Avia Funds Management UAB (since 2009) and the Member of the Supervisory Board of FlyLAL Charters Eesti OU (since 2009). Prior to that, he worked as the Manager of PricewaterhouseCoopers UAB (2001–2007), Member of the Board of FL Technics AB (2008–2010), Member of the Board of Avia Asset Management AB (2008–2009). Aurimas Sanikovas is a graduate of Faculty of Economics, Vilnius University where he obtained Bachelor's and Master's Degrees in Economics. He also is a Member of Association of Chartered Certified Accountants (2006).

**Džiuginta Balčiūnė.** Džiuginta Balčiūnė is a member of the Supervisory Council. At the same time, she is the founder of the Law Firm of attorney-at-law Džiuginta Balčiūnė (since 2010). On the date of this Prospectus, she also serves as the Associate lawyer (Assistant) attorney to partner Eljūsus Burgis in Law firm RAIDLA LEJINS & NORCOUS (since 2009), member of the Association "Alumni" of the Vilnius University, Faculty of Law (since 2006), Presidium member of the Association of the family members of Lithuanian diplomats (since 2006), Member of the Lithuanian Young Bar Association (since 2007), Member of the Lithuanian Bar Association (since 2010). Prior to that, she worked as the Member of the Diplomat club "Willkommen in Berlin" at the Ministry of Foreign Affairs in Berlin (2004–2005), associate lawyer (assistant) attorney to partner Vaidotas Puklevičius of Law firm Bernotas and Dominas GLIMSTEDT (2006–2008), referent of Studies' Department of Vilnius University (1998–1999). Džiuginta Balčiūnė is a graduate of Vilnius University, Faculty of Law, where in 2004 she obtained a diploma in commercial law – civil law. She also is a graduate of Law faculty, Humboldt University, in Berlin (Germany) where she obtained a Master's degree of German and European Law and Legal Practice (2004–2006).

**Gediminas Žiemelis.** Gediminas Žiemelis is a member of the Supervisory Council. At the same time, he is a Member of the Board of Avia Solutions Group AB and Member of the Board of ŽIA Valda AB. In addition, he also serves as the Development Manager at Avia Solutions Group AB (since 2009), Director of Development Department of ŽIA Valda (since 2007), Director of Finhill Soft Management UAB (currently Eastern Agro Holdings, UAB) (since 2007). Prior to that, he worked as the General Manager in ŽIA VALDA UAB (2002–2006), General Manager in Žvilgsnis iš Arčiau UAB (2001–2005), Deputy Director in Vindication Division of Impaired Assets and Vindication Department of Lietuvos Taupomasis Bankas AB (currently Swedbank AB) (1999–2001). Gediminas Žiemelis is a graduate of Faculty of Business Management, Vilnius Gediminas Technical University, where in 1999 he obtained a Bachelor's degree, also he is a graduate of Faculty of Law, Mykolas Romeris University, where in 2006 he obtained a Master of Law. He also took additional courses at Harvard Business School in Boston.



## Management Board

**Vladas Bagavičius.** Vladas Bagavičius is the Chairman of the Management Board. In addition, he also serves as a Member of the Supervisory Council of Avia Solutions Group AB. At the same time, Vladas Bagavičius acts as the attorney at law in Vladas Bagavičius' law firm (since 2004). Prior to joining the Group he was the Lecturer at International Business School of Vilnius University (1999–2010), Head of the Law and Administration Division (a lawyer in 1996–2000), Central Securities Depository of Lithuania (1996–2004). Vladas Bagavičius is a graduate of Faculty of Law, Vilnius University (1992–1997).

**Mamertas Krasauskas.** Mamertas Krasauskas is a member of the Management Board. In addition, he also is CEO at Momblan UAB (since 2008) and serves as Chairman of the Management Board of ŽŪB Agrowill Želsvelė. Mamertas Krasauskas worked at Arvi fertis UAB for 8 years in various positions: head of manufacturing unit (2000–2002), head of manufacturing in foreign and Lithuanian markets (2002–2004) and manufacturing director (2004–2008). Mamertas Krasauskas gained his bachelors degree at Lithuanian Academy of Physical Education and obtained his master degree at Lithuanian Academy of Agriculture (Agronomist). Mamertas Krasauskas has also completed several courses, including Integrated Management Systems ISO 9001:2000, Integrated Internal Auditing and others.

**Domantas Savičius.** Domantas Savičius started his career within the Group since 2005 by becoming the Finance Department Director of the Company and since 2009 he occupies the position of the Production and Finance Department Director of the said company and serves in this position since then. On the date of this Prospectus, he also acts as a member of the Management Board in the Company. Prior to joining the Group he was the Senior Assistant Auditor at PricewaterhouseCoopers UAB (2001–2004) and Expert at the Internal Audit Division of Rubikon Group UAB (2004–2005). Domantas Savičius holds the diploma in Economics from Stockholm School of Economics (2001).

**Linas Strėlis.** Linas Strėlis is a member of the Management Board since 2007 and serves in this position since then. In addition, he also serves as a member of the Management Board of Vilkyškių pieninė AB (since 2008), Adviser and Chairman of the Board of Amber pasta UAB (since 2004). He also occupies the position of the chairman of the Board of Social Companies Association. At the same time, Linas Strėlis acts as the manager in Biglis UAB (since 1993). Prior to joining the Group he was the Member of the Board of Kelmės pieninė AB (2001–2004), Member of the Board of Rokiškio sūris AB (2004–2005), Chairman of the Board of Kelmės pieninė AB (2004–2008) and manager in Amber pasta UAB (2001–2005). Linas Strėlis is a graduate of Machine production faculty, Kaunas Polytechnic Institute (2001).

**Marius Žutautas.** Marius Žutautas is the member of the Management Board. In addition, he also serves as a member of the Management Board of Smulkus urmas UAB. He also occupies the position of the chairman of the Community of Owners Community Administrative building Vytauto 94A. At the same time, Marius Žutautas acts as the Director of MNW media holding UAB (since 2010), Director of Raigesta UAB (since 2007), and General Manager of ŽIA valda UAB (since 2006). Prior to joining the Group he was the Director of Senvesta UAB (2007–2010), Head of Representative Office in Moscow of Logistikos projektai UAB (2004–2005), Marketing Director of TT Logistic UAB (2003–2004), Sales Manager in Tegra UAB (Tegros tranzitas) UAB (2001–2003), Sales Manager in Trojina UAB (1999–2001), Seller-Consultant in Pilkauškų IĮ (1998–1999), Seller-Consultant in SHELL Lietuva UAB (1998), Improver in Dizaino institutas AB (1996–1997). Marius Žutautas is a graduate of Vilnius Pedagogical University where he obtained a bachelor's degree in Economics. He also took Training program for ŽIA Group leaders (2008) and Refresher Courses at Moscow Higher School of Economics (2004–2005).

## 17.2 KEY EXECUTIVES

**Table 77: Members of administrative bodies**

Name, surname	Position within the Issuer	Beginning of term	End of term
<b>Administration</b>			
Algirdas Pereckas	Chief Executive Officer	24.05.2010	Indefinite
Domantas Savičius	Chief Financial Officer	18.03.2005	Indefinite
Robertas Giedraitis	Chief Accountant	02.02.2009	Indefinite

Source: the Company

### Administration

**Algirdas Pereckas.** Algirdas Pereckas occupies the position of the Chief Executive Officer (since 2010). In addition, he also serves as the Chairman of the Board of Latagrokoncerns SIA (since 2008), Chairman of the Board of Zemnor SIA (since 2009), Member of Lithuanian Agriculture University Council (2003–2006). Prior to joining the Company he was the Foreign Business Development Director of Agrokoncernas UAB (2008–2010), Supply Chain Director of SBU Crop Cultivation, Kemira GrowHow Oyj (2007–2008), Managing Director of Kemira Lifosa UAB (2005–2006), Chairman of Movere UAB (2003–2008), Managing Director of Kemira GrowHow UAB, Lithuania (1996–2007), Commercial Director of Fagro UAB (1995), Sales Manager in Fagro UAB (1994–1995), Sales Manager in Lithuanian agrochemical supply company "Lietuvos agrochemija" (1991–1993), Plant Manager, Veterinary Doctor, Chief of Veterinary Laboratory of poultry farm Vilniaus paukštynas UAB (1987–1991), Veterinary Doctor in poultry farm "Dovainonių paukštynas" (1986–1987). Algirdas Pereckas is a graduate of Lithuanian Veterinary Academy where he obtained veterinary doctor degree (1986).

**Robertas Giedraitis.** Robertas Giedraitis occupies the position of the Financier (Since 2009). In addition, he also served as the Head of Finance of 3MD UAB (2008-2009), Senior accountant of Požeminės Jungtys UAB (2003-2008). Robertas Giedraitis is a graduate of Vilniaus Gedimino Technikos University where he obtained bachelor's degree (2006).

### 17.3 SHARES HELD BY THE MANAGEMENT OF THE COMPANY

**Table 78: Members of administrative, management and supervisory bodies**

Name, surname	Position in the company	Owned shares in the Company, units	Owned shares in the Company, %
<b>Supervisory Council</b>			
Ramūnas Audzevičius	Chairman of the Supervisory Council	-	-
Česlav Okinčič	Member of the Supervisory Council	419,236	0.59
Aurimas Sanikovas	Member of the Supervisory Council	-	-
Džiuginta Balčiūnė	Member of the Supervisory Council	-	-
Gediminas Žiemelis	Member of the Supervisory Council	8,993	0.01
<b>Management Board</b>			
Vladas Bagavičius	Chairman of the Management Board	-	-
Mamertas Krasauskas	Member of the Management Board	28,000	0.04
Domantas Savičius	Member of the Management Board	19,417	0.03
Linas Strėlis	Member of the Management Board	10,418,800	14.56
Marius Žutautas	Member of the Management Board	-	-
<b>Administration</b>			
Algirdas Pereckas	Chief Executive Officer	-	-
Domantas Savičius	Chief Financial Officer	19,417	0.03
Robertas Giedraitis	Chief Accountant	6,600	0.01

Source: The Company

As of the date of the Prospectus there were no share options held by any member of Supervisory Council, Management Board or Administration.

### 17.4 REMUNERATION AND TERMS OF SERVICE CONTRACTS

All members of the Supervisory Board, Board of Directors and Key Executives received salaries as the only form of compensation. Since the appointment of the Supervisory Board, Supervisory Board members also have a right to receive bonuses. Table below summarizes salaries and other payments calculated for the Board members and the Key Executives (total of 7 persons).

**Table 79: Remuneration paid during 2010 (LTL)**

Item	Salaries in 2010	Other payments (fees for provided legal services) in 2010	Total payouts in 2010
Average for 1 member	29,622	26,094	55,716
Total amount for all members of the Board and the Key Executives	207,355	182,655	390,010

Source: The Company

The Issuer or its Subsidiaries has not set aside or accrued any amounts to provide pension, retirement or similar benefits.

**Table 80: Remuneration paid to the Key executives during 2010 (LTL)**

Item	Salaries in 2010	Other payments in 2010	Total payouts in 2010
Vladas Bagavičius (legal services)	-	174,240	174,240
Mindaugas Juozaitis (payroll)	3,513	-	3,513
Marius Žutautas (payroll)	152	-	152
Linas Strėlis (payroll)	-	-	-
Domantas Savičius (payroll)	82,107	8,415	90,522
Algirdas Pereckas (payroll)	84,915	-	84,915
Robertas Giedraitis (payroll)	36,668	-	36,668
Average for 1 member	29,622	26,094	55,716

Item	Salaries in 2010	Other payments in 2010	Total payouts in 2010
Total amount for all members of the Board and the Key Executives	207,355	182,655	390,010

Source: The Company

## 17.5 CERTAIN INFORMATION ON THE MEMBERS OF THE MANAGEMENT BOARD AND SUPERVISORY BOARD AND OF THE KEY EXECUTIVES

**Table 81: Principal activities of members of administrative, management and supervisory bodies**

Name, surname	Entity, position held	Since	Held currently	Percentage of capital controlled, %
Mamertas Krasauskas	Momblan UAB, CEO	2008	Yes	-
	Agrowill Želsvelė ŽŪB, Chairman of the Management Board	2009	Yes	-
Domantas Savičius	Grūduva UAB, Member of the Management Board	2008	Yes	-
	Agrowill Alanta ŽŪB, Member of the Management Board	2008	Yes	-
	Agrowill Dumšiškės ŽŪB, Member of the Management Board	2008	Yes	-
	Agrowill Eimučiai ŽŪB, Member of the Management Board	2008	Yes	-
	Agrowill Jurbarkai ŽŪB, Member of the Management Board	2008	Yes	-
	Agrowill Kairėnai ŽŪB, Member of the Management Board	2010	Yes	-
	Agrowill Lankesa ŽŪB, Member of the Management Board	2008	Yes	-
	Agrowill Mantviliškis ŽŪB, Member of the Management Board	2008	Yes	-
	Agrowill Nausodė ŽŪB, Member of the Management Board	2008	Yes	-
	Agrowill Skėmiai ŽŪB, Member of the Management Board	2008	Yes	-
	Agrowill Smilgiai ŽŪB, Member of the Management Board	2010	Yes	-
	Agrowill Spindulys ŽŪB, Member of the Management Board	2008	Yes	-
	Agrowill Vėriškės ŽŪB, Member of the Management Board	2008	Yes	-
	Agrowill Žadžiūnai ŽŪB, Member of the Management Board	2008	Yes	-
	AWG Investment 1 UAB, CEO	2011	Yes	-
	AWG Investment 2 UAB, CEO	2008	Yes	-
	AWG trade UAB, CEO	2011	Yes	-
	Baltic farming land management UAB, CEO	2008	Yes	-
Vladas Bagavičius	Grūduva UAB, Member of the Management Board	2008	Yes	-
	Agrowill Alanta ŽŪB, Member of the Management Board	2010	Yes	-
	Agrowill Dumšiškės ŽŪB, Member of the Management Board	2010	Yes	-
	Agrowill Eimučiai ŽŪB, Member of the Management Board	2010	Yes	-
	Agrowill Jurbarkai ŽŪB, Member of the Management Board	2010	Yes	-
	Agrowill Kairėnai ŽŪB, Member of the Management Board	2010	Yes	-
	Agrowill Lankesa ŽŪB, Member of the Management Board	2010	Yes	-
	Agrowill Mantviliškis ŽŪB, Member of the Management Board	2010	Yes	-
	Agrowill Nausodė ŽŪB, Member of the Management Board	2010	Yes	-
	Agrowill Skėmiai ŽŪB, Member of the Management Board	2010	Yes	-

<i>Name, surname</i>	<i>Entity, position held</i>	<i>Since</i>	<i>Held currently</i>	<i>Percentage of capital controlled, %</i>
	Agrowill Smilgiai ŽŪB, Member of the Management Board	2010	Yes	-
	Agrowill Spindulys ŽŪB, Member of the Management Board	2010	Yes	-
	Agrowill Vėriškės ŽŪB, Member of the Management Board	2010	Yes	-
	Agrowill Žadžiūnai ŽŪB, Member of the Management Board	2010	Yes	-
	Agrowill Želsvelė ŽŪB, Member of the Management Board	2010	Yes	-
	Avia Solutions Group AB, Member of the Supervisory Council	2010	Yes	-
	Vladas Bagavičius law firm, Attorney	2004	Yes	-
Linus Strėlis	Biglis UAB, CEO	1993	Yes	100
	Amber pasta UAB, Chairman of the Management Board	1996	Yes	16.66
	Socialinių įmonių asociacija, Chairman of the council	2004	Yes	-
	Vilkyškių pieninė AB, Member of the Management Board	2006	Yes	8.5
	Somera UAB	2008	Yes	50
Marius Žutautas	ŽIA valda AB, CEO	2006	Yes	-
	ŽIA valda AB, Member of the Management Board	2008	Yes	-
	Raigesta UAB, CEO	2007	Yes	-
	MNW media holding UAB, CEO	2010	Yes	-
	Agro Management Team UAB, CEO	2011	Yes	-
	Ukmerges str. 126 office centre UAB	2006	Yes	9
Gediminas Žiemelis	ŽIA valda AB, Head of Development	2007	Yes	84.42
	ŽIA valda AB, Chairman of the Management Board	2008	Yes	-
	Avia Solutions Group AB, Head of Development	2009	Yes	-
	Avia Solutions Group AB, Chairman of the Management Board	2009	Yes	-
	Eastern Agro holdings UAB, CEO	2006	Yes	-
	East Mining Group UAB, CEO	2005	Yes	-
	RE Invest UAB		Yes	45
Ramūnas Audzevičius	Law firm Motieka ir Audzevičius, partner	2003	Yes	-
	ŽIA valda UAB, Member of the Management Board	2008	Yes	9.42
	M&A Asset management UAB	2007	Yes	10
	Gyneju 4 UAB	2008	Yes	50
	SC Invest UAB	2007	Yes	100
Česlav Okinčic	Consultant to the Prime Minister of Republic of Lithuania	2009	Yes	-
	Member of Lithuanian Bar Association	1982	Yes	-
	Member of Vilnius University council	2005	Yes	-
	TMTK Lithuanian–Norwegian Company, Member of the Management Board	2008	Yes	34
	Znad Wili radijo stotis UAB	1994	Yes	100
	IMPEX-Handel Sp. z o.o.	2009	Yes	100
Aurimas Sanikovas	Avia Solutions Group AB, CFO, Member of the Management Board	2010	Yes	-
	FLT Trading House, CEO	2011	Yes	-
	OU Small Planet Airlines Eesti, Member of the Supervisory Council	2008	Yes	-
Džiuginta Balčiūnė	Avia Solutions Group AB, Member of the Supervisory Council	2010	Yes	-

<i>Name, surname</i>	<i>Entity, position held</i>	<i>Since</i>	<i>Held currently</i>	<i>Percentage of capital controlled, %</i>
	Džiuginta Balčiūnė Law Firm, Attorney	2010	Yes	-
Algirdas Pereckas	-			-

Source: The Company

To the best of Issuer's knowledge there are no Key Executives', Management Board or Supervisory Council members' interests of conflict.

Detailed structure of Issuer's administration is provided in Section 17 *Management and Corporate Governance*.

The Issuer does not have any unlimited liability partners. There are no family relationships between abovementioned persons.

To the best knowledge of the Company, for the last five years neither any member of the Supervisory Council, Management Board nor any Key Executive of the Company was associated with any bankruptcies, receiverships or liquidations in their capacity as members of the administrative, management or supervisory bodies, partners with unlimited liability, founders or senior managers, except as indicated hereinafter:

Over the years 2007–2009 Member of the Board Marius Žutautas was the member of the Board of Alytaus kraunai AB. As from 18 November 2010 this company was bankrupted.

None of abovementioned persons during last 5 years has been convicted for the fraud, forgery of documents or similar crimes.

During last five years there were no other cases when regulatory institutions would have impeached or applied sanctions to any of the abovementioned members of the Management Board or Supervisory Council or the Key Executives. No abovementioned member of Management Board or Supervisory Council of the Key Executives has been declared by any court to be unqualified for managing position.

The Issuer and controlled subsidiaries do not practice any contracts with employees in administration, management board or supervisory council that would provide benefits upon termination of employment.

The Issuer has established audit committee and remuneration committee. The audit committee consists of Mr. Ramūnas Aužzevičius, Mr. Aurimas Sanikovas and Mr. Gediminas Žiemelis. The remuneration committee consists of Mr. Česlav Okinčic, Mr. Aurimas Sanikovas and Ms. Džiuginta Balčiūnė. The Issuer does not follow the OMX Corporate Governance Code to its full extent. Detailed information on the compliance of the Issuer with the corporate governance regime of OMX is provided in the annex to the Annual Report for the year 2010 of the Company.

## **17.6 AUDIT COMMITTEE AND NOMINATION AND REMUNERATION COMMITTEE**

The Audit Committee and the Nomination and Remuneration Committee were formed in the Company, the work regulations of the Committees were approved and their members elected according to the decision of the Supervisory Council, dated 30 August 2010.

According to the Regulations of the Audit Committee the main functions of this committee are as follows:

- to observe the integrity of financial information provided by the Company with particular attention to the relevance and consistency of methods used by the Company and the Group;
- at least once a year to review internal controls and risk management systems to ensure that the main risks (including the risk associated with compliance with the existing laws and regulations) are properly established, managed and information of them is disclosed;
- to ensure the effectiveness of internal control functions;
- make recommendations to the Supervisory Council with regard to the selection of external audit firm, its appointment, reappointment and dismissal, and with the terms and conditions of agreement with the audit firm. The Committee shall examine situations in which the audit firm or an auditor has a basis to resign, and provide recommendations on actions required in such case;
- to monitor the independence and objectivity of the external audit firm, to check whether the audit firm takes into account the requirements in relation to the audit partner rotation, inspect the amount of remuneration paid by the Company to the audit firm and other matters, etc.

The Regulations of the Nomination and Remuneration Committee foresees that the Committee shall provide the assistance to the Supervisory Council in all matters relating to the appointment of candidates to the Management Board members, directors or senior management positions. Specifically, the Committee shall:

- select and recommend candidates to the Supervisory Council to vacant positions in the management bodies. The Committee shall assess the balance of skills, knowledge and experience in management bodies, establish the list of roles and capabilities required for each office, and assess the time required for carrying out the obligations;

- discuss the nominations proposed by the Company's shareholders and management to the Board members or senior management;
- recommend candidates to the Supervisory Council to other committees established by the Supervisory Council;
- regularly assesses the structure, size, composition and performance of management bodies, provide guidance on how to achieve the necessary changes;
- regularly evaluate knowledge, skills and experience of individual directors and shall notify the Supervisory Council;
- provide assistance to the Supervisory Council in all matters relating to the establishment of remuneration of the members of management bodies and senior management, etc.

The members of the Committees as well as their Chairmen are appointed by the Supervisory Council, based on the recommendations of (i) the Nomination and Remuneration Committee (in case of the Audit Committee) and (ii) the elected members of the Nomination and Remuneration Committee (in case of the appointment of Chairman of the Nomination and Remuneration Committee). The Committees consist of a number of members established by the Supervisory Council, but in any event not less than 3 members of who has to be the members of the Supervisory Council. The members of the Committees may receive remuneration for work in the Committees which shall be established by the Supervisory Council. The Supervisory Council has the right to withdraw the entire Committees *in corpore* or their individual members and to appoint a new Committees or individual members of the Committees.

The Committees must organize their meetings at least once per year. The Committees may adopt the decisions and the meeting shall be considered as valid if it is attended by 2/3 or more of its members. The members of the Committees who vote in advance shall be considered as participating in the meeting. The Committees' decisions shall be deemed adopted if they receive more votes in favour than against. In the event of a tie, the Chairmen of the Committees shall have the casting vote.

The Chairmen of the Committees have to report to the Supervisory Council on the activities of the Committees. Additionally the Audit Committee is obliged to regularly inform the Supervisory Council on its activities and performance, providing its activity reports at least once every 6 months, when yearly and semi-annual reports are approved (in case of Nomination and Remuneration Committee the regularity of such provision of information is not clearly indicated).

The table below indicates the elected members of the Committees.

**Table 82: Members of the Committees of the Company**

<i>Name</i>	<i>Position within the Company</i>
<b>Audit Committee</b>	
Ramūnas Audzevičius	Member of the Audit Committee
Aurimas Sanikovas	Member of the Audit Committee
Gediminas Žiemelis	Member of the Audit Committee
<b>Nomination and Remuneration Committee</b>	
Česlav Okinčič	Member of the Nomination and Remuneration Committee
Džiuginta Balčiūnė	Member of the Nomination and Remuneration Committee
Aurimas Sanikovas	Member of the Nomination and Remuneration Committee

Source: the Company

Currently the independent member of the Audit Committee is not elected. It is anticipated that this person will be elected after the end of this Offering.

### **17.7 COMPLIANCE WITH THE CORPORATE GOVERNANCE REGIME**

Information on the compliance of the Issuer with the corporate governance regime of OMX is provided in the annex to the Annual Report for the year 2010 of the Company.

The WSE (as OMX), on which the Shares are planned to be additionally listed, has also a corporate governance code, which is the Code of Best Practice for WSE Listed. The Company intends to seek the compliance with the WSE Corporate Governance Code to the extent possible as well as the same relevant requirements of OMX.

With respect to the WSE Corporate Governance Code (similarly to the same OMX code), the "comply or explain" principle is applied. The Company will be obliged to report on each non-compliance together with a justification of such non-compliance and will be obliged to include summary information on non-compliance with the WSE Corporate Governance Code in the annual report.

The Company's Shares are planned to be listed also on the WSE and following such listing the Company's report as to its compliance with the recommendations in the WSE Corporate Governance Code (as well as with the relevant OMX recommendations) will be included in the annual report of the Company for the first time for the financial year ending 31 December 2011.

## 18 PRINCIPAL SHAREHOLDERS

### 18.1 MAJOR SHAREHOLDERS

On 18 April 2011 the total number of Issuer's shareholders approximated to 1,075 (one thousand seventy five). The holdings of major shareholders are provided below:

**Table 83: Major shareholders of the Issuer as of the date of this Prospectus**

Name, surname / name of the company	Company / personal code	Address	Votes and shares held by shareholder, units	Votes and shares held by shareholder, %
Volemer Holdings Limited	HE 268133	Avlonos 1, Nicosia, Cyprus	16,575,672	23.17%
Vretola Holdings Limited	HE 270472	Baarerstrasse 75, Zug, Switzerland	10,800,202	15.09%
Linas Strėlis	-	-	10,418,800	14.56%
Eastern Agro Holdings UAB	300125868	Smolensko st. 10, Vilnius	8,343,609	11.66%
Romualdas Petrošius	-	-	5,218,667	7.29%

Source: The Company

All Issuer's shares provide same voting rights for all shareholders.

The control of the Issuer is exercised by the Issuer's shareholders. The Issuer is not aware of any direct or indirect control links, except that on 12 May 2011 Volemer Holdings Limited, Mr Romualdas Petrošius and two minority shareholders of the Company Jurgis Petrošius and Aldona Petrošienė reached 31.03% of total voting shares of the Company (the reason for overstepping the limit – acquisition of voting rights by acquiring the control of legal entity (shareholder of the Company)). Mr Jurgis Petrosius controls the company, which indirectly controls one of the shareholders of the Company (Volemer Holdings Limited). Others of the indicated persons are related to Mr Jurgis Petrošius, also holding shares in the Company, thus, are (and deem themselves) as persons acting in concert.

The Issuer is not aware of any agreements that may influence change of control of the Issuer's shares.

### 18.2 DILUTION

In a line with new Issue, a dilution effect will occur. Currently, Issuer's share capital consists of 71,552,254 ordinary registered shares with nominal value of 1 LTL each (nominal share capital: 71,552,254 LTL). During the new Issue it is planned to issue 25,000,000 ordinary registered shares with nominal value of 1 LTL each. After the new Issue, Issuer's share capital will increase from 71,552,254 LTL to 96,552,254 LTL. Due to this, a shareholder who will not acquire an equivalent amount of ordinary registered shares in new Issue will bear a dilution effect equal to 74.11%: shareholders stake in the Issuer's share capital before the new Issue will be equal 74.11% after the new Issue, i.e. such shareholders' stake will be reduced by 25.89%.

### 18.3 LOCK-UP AGREEMENT

The Issuer has agreed that for the period of 12 months from the first day of listing of the Shares on the WSE, the Issuer will not, without a prior written consent of the Offering Broker, which shall not be unreasonably withheld, propose or otherwise support an offering of any of the Issuer's Shares, announce any intention to offer new Shares within the period of 12 months from the first day of listing of the Shares on the WSE and/or to issue any securities convertible within the period of 12 months from the first day of listing of the Shares on the WSE into the Issuer's Shares or securities that in any other manner represent the right to acquire the Issuer's Shares, or conclude any transaction (including any transaction involving derivatives) the economic effect of which would be similar to the effect of selling the Issuer's Shares.

In addition, all the Major Shareholders of the Issuer have agreed that for the period of 12 months from the first day of listing of the Shares on the WSE they will not, without a prior written consent of the Offering Broker, which consent shall not be unreasonably withheld, (i) sell or announce an intention to sell any of the Company's Shares or otherwise transfer any Shares, (ii) issue any securities exchangeable into the Issuer's Shares, (iii) issue any securities that in any other manner represent the right to acquire the Issuer's Shares, or (iv) conclude any transaction (including any transaction involving derivatives) the economic effect of which would be similar to the effect of selling the Issuer's Shares.

However, two of Major Shareholders, Linas Strėlis holding 14.56% and Eastern Agro Holdings UAB holding 11.66% of Shares respectively, pledged all of their Shares to the banks as the security for the granted facility. According to the pledge agreements banks in case of the default may sell the Shares in order to satisfy their claims under the facility agreements. Banks would have priority over the lock-up. Furthermore, Eastern Agro Holdings UAB holding 23.17% of all the Shares is entitled to enter into pledge agreement with respect to its Shares if the pledgee under the agreement would have the right to satisfy itself from the Volemer Holdings Limited Shares only after the period end of the lock-up period. Conclusion of such pledge

agreement is subject to the Offering Broker consent, which could be granted only after obtaining the confirmation from the pledgee that it agrees on such conditions of the pledge. Moreover, lock-up agreement stipulates the contractual penalty for the Linas Strélis, Eastern Agro Holdings UAB and Eastern Agro Holdings UAB in case of breach of their obligations.



## 19 DESCRIPTION OF THE SHARES AND CORPORATE RIGHTS AND OBLIGATIONS

### Table 84: Information about the Shares

Class of the Shares:	Ordinary registered shares
ISIN number:	LT0000127466
Currency of the Shares issue:	LTL (Lithuanian litas)
Number of Shares in new issue:	25,000,000
Nominal value of the Share:	1 LTL
Form of the Shares:	Dematerialized shares in book-entry form. Entity currently in charge of keeping the records is Orion Securities UAB FMI, corporate ID code 122033915, registered at Antano Tumėno str. 4, B block, Vilnius, the Republic of Lithuania
Stock exchanges:	NASDAQ OMX Vilnius (the Company will apply regarding admission of the Company's Shares to trading on the WSE as well as regarding admission of the New Shares to the OMX)

### Legislation under which the Shares have been created

Legislation, under which the Shares have been created, includes Civil Code of the Republic of Lithuania, Law on Companies, Law on Securities and other related Lithuanian legal acts.

On 25 March 2011 the Extraordinary General Meeting decided to increase share capital of the Issuer up to LTL 25,000,000 by issuing new 25,000,000 shares.

### Decision by which the Offer Shares are issued

The Offer Shares are being issued by the resolution of the General Meeting of 25 March 2011. The conditions of Offering of Offer Shares were determined by the Board's decision of 26 May 2011. Furthermore, the Board of the Company shall adopt a decision regarding the final terms of the Offering (final number of Offer Shares and final Offer Price) as it is set in this Prospectus.

### Free transferability of the shares

There are no restrictions on transfer of Shares (including the Offer Shares) as they are described in the applicable laws.

### Public tender offers for the Shares

Since the incorporation of the Company till the date of this Prospectus there were no public takeover bids in respect of the Shares. With regards to the Offer Shares, general rules, described in applicable laws would be applicable. For more information on this regulation, please see Section 20 *Certain Lithuanian and Polish Securities Market Regulations*.

### 19.1 VOTING RIGHTS

Pursuant to the Law on Companies and the Articles of Association, each share of the Issuer confers one vote in the General Meeting. Persons who are shareholders of the Issuer at the close of the General Meeting accounting date (i.e. the fifth business day before the General Meeting) have the right to attend and vote at the General Meeting. A shareholder may vote on all the matters on the agenda of the General Meeting according to rights conferred by his shares.

The shareholders may vote personally or through their proxies or persons with whom a voting rights transfer agreement is concluded. The shareholders may also vote in writing (by filling in the general ballot paper) or by electronic communication means provided that the Company allows voting by such means (currently the Company does not allow to vote by such means). Shareholders, who hold their shares through NDS participants have limited ways of exercising their voting rights please see Section 21.1.21 *Proposed voting procedures for shareholders that will hold the Shares through securities accounts maintained by the NDS participants*.

However, the shareholder does not have the right to vote on the decision regarding the withdrawal of the pre-emption right to acquire shares newly issued by the Issuer, if according to the agenda of the General Meeting the right to acquire such shares is to be granted to him or persons related to him.

### 19.2 OTHER RIGHTS ATTACHED TO THE SHARES AND EXERCISE OF SUCH RIGHTS

All the shares, including the Offer Shares, are *pari passu* (at an equal pace without preference) with regard to property and non-property rights they grant to shareholders.

Beside other rights provided for in effective laws, pursuant to the Law on Companies each shareholder of the Issuer has the following property rights:

- to receive a part of the Company's profit (dividend);
- to receive the Company's funds when the authorised capital of the Company is reduced with a view to paying out the Company's funds to the shareholders;
- to receive a part of assets of the Company in liquidation;
- to receive shares of the Company without payment if the authorised capital of the Company is increased out of the Company's funds, except in cases specified in the Law on Companies;
- to have the pre-emption right in acquiring the shares or convertible debentures issued by the Company, except in the case when the General Meeting decides to withdraw the pre-emption right for all the shareholders according to the procedure specified by the Law on Companies;
- to transfer all or some of the shares to the ownership of other persons under the procedure set in the Articles of Association and legal acts of the Republic of Lithuania. Shareholders have the right to transfer to other persons only those shares that are paid up in full;
- to lend to the Company in the ways and manner prescribed by laws of the Republic of Lithuania; however, when borrowing from its shareholders, the Company may not pledge its assets to the shareholders. When the Company borrows from a shareholder, the interest may not be higher than the average interest rate offered by commercial banks of the locality where the lender has his place of residence or business, which was in effect on the day of conclusion of the loan agreement. In such a case, the Company and shareholders shall be prohibited from negotiating a higher interest rate;
- other property rights established by laws and the Articles of Association.

The record date of the property rights of shareholders is the tenth business day after the General Meeting that took a relevant decision, i.e. the property rights determined by a decision of the General Meeting are held by the persons who were shareholders of the Company at the close of the tenth business day after the General Meeting that took a relevant decision.

Non-property rights of the shareholders of the Issuer include, but are not limited to, the following rights:

- to attend General Meetings;
- to submit to the Company in advance the questions connected with the issues on the agenda of the General Meeting;
- to vote at General Meetings according to voting rights carried by their shares;
- to receive information on the Company specified in the Law on Companies;
- to file a claim with the court for reparation of damage to the Company resulting from nonfeasance or malfeasance by the manager of the Company and Management Board's members of their duties prescribed by laws of the Republic of Lithuania and the Articles of Association as well as in other cases laid down by laws of the Republic of Lithuania;
- to authorise a natural or legal person to represent the shareholder in its relationship with the Company;
- other non-property rights established by laws and the Articles of Association.

Exercise of rights granted by shares of the Issuer can be limited only on the grounds and under the procedure prescribed by laws. The Articles of Association do not provide for any exceptions to this rule.

#### **Right to receive information**

According to the Articles of Association and legal acts of the Republic of Lithuania, the Issuer, shall, at a shareholder's written request and within 7 days from the receipt of the request, grant to the shareholder access to and/or submit to him copies of the following documents: the Articles of Association, sets of annual financial statements, annual reports on the activities of the Issuer, the auditor's opinions and audit reports, minutes of the General Meetings or other documents constituting decisions of the General Meetings, the recommendations and responses of the Supervisory Council to the General Meetings the lists of shareholders, the lists of members of the Management Board and the Supervisory Council, also other documents of the Issuer that must be publicly accessible under laws, minutes of the meetings of the Management Board or other documents constituting decisions of the Management Board, unless these documents contain a commercial (industrial) secret, confidential information. A shareholder or a group of shareholders who own more than 1/2 of shares of the Issuer, shall have the right to access all documents of the Issuer subject to presenting a written pledge not to disclose a commercial (industrial) secret, confidential information. The manager of the Issuer may set a charge for copying of documents and other information for the shareholder, which shall not exceed the costs of preparation of documents presented to the shareholder.

#### **Modification of shareholders' rights**

The Articles of Association of the Issuer do not provide for any specific conditions regarding modification of shareholders' rights. Shareholders' rights may be modified only pursuant to the provisions of Lithuanian laws.

**Conditions of conversion**

Currently, the Issuer has not issued any convertible shares.

**Conditions of redemption**

Pursuant to the Law on Companies, the Issuer has the right to redeem its own shares. The total nominal value of shares redeemed by the Issuer cannot be more than 1/10 of the authorised capital. Upon redemption of its own shares, the Issuer has no right to exercise property and non-property rights conferred by such shares.

A detailed procedure of redemption of own shares is provided for in the Law on Companies. The Issuer can redeem its own shares only after the Issuer has formed a reserve for redemption of own shares, which may not be less than the total purchase price of all the redeemed shares. When redeeming its own shares, the Company must ensure equal possibilities for all the shareholders to sell shares of the Company to the Company.

**19.3 DIVIDENDS AND OTHER DISTRIBUTIONS**

Pursuant to the Law on Companies, the Issuer may distribute its profits or assets to shareholders only (i) by paying dividend; (ii) in case of liquidation of the Issuer; or (iii) in case of reduction of the authorised capital of the Issuer. Within the last 3 years the Company did not distribute the dividends to its shareholders.

**Dividend**

A dividend is a share of profit allocated to a shareholder in proportion to the nominal value of shares owned by him/her/it. If a share is not fully paid-up and the time limit for the payment has not yet expired, a dividend will be reduced in proportion to the unpaid amount of the share price. If the share is not fully paid-up and the time limit for the payment has expired, no dividend is paid.

Dividend can be declared by a decision of the General Meeting. The Issuer can declare dividend from the profit available for appropriation, which consists of the new profit of the accounting year, plus or minus, respectively, the profit (loss) brought forward from the previous year and reserves that the shareholders, following the procedure established by laws, decide to distribute, and minus any sums that the General Meeting decides to allocate for other purposes pursuant to the requirements of the Law on Companies.

Dividend is paid to shareholders pro rata to the aggregate nominal value of shares held by them. Dividend can be declared once a year by a decision of the General Meeting and paid only in cash. Dividend is not cumulative as the Issuer has not issued any preference shares with cumulative dividend, owners of which would be guaranteed the right to dividend in the amount indicated in such shares.

The General Meeting may not adopt a decision to allocate and pay dividend if: (i) the Issuer is insolvent or would become insolvent upon payment of dividend; (ii) the Issuer's result of the reporting financial year available for appropriation is negative (i.e. losses have been incurred); (iii) the equity of the Issuer is lower or upon payment of dividend would become lower than the aggregate amount of the authorised capital, the mandatory reserve, the revaluation reserve and the reserve for redemption of own shares.

Dividends are paid to persons who at the end of the rights record date (i.e. the tenth business day following the day the decision to distribute dividends was adopted by the General Meeting) were the shareholders of the Company or were otherwise entitled to receive dividends. The Issuer must pay the allocated dividend within one month from the day of adoption of a decision by the General Meeting on allocation and payment of dividend. The term of limitations with respect to filing a dividend payment claim with the court expires 10 years after the date the dividend had to be paid, in which case the unpaid dividend amount goes to the Issuer.

Both residents and non-residents of Lithuania are subject to the same dividend payment rules, except for the taxation matters described in the Section 24 *Taxation*.

For more information please see also Section 21.1.21 *Dividend Payments*.

**Distribution of the Issuer's assets in case of liquidation**

In case of liquidation of the Issuer, the Issuer's assets remaining after settlement of accounts with creditors are distributed to shareholders pro rata to the aggregate nominal value of shares held by them. In case of voluntary liquidation of the Issuer, the Issuer's assets can be distributed among shareholders only after the Issuer settles accounts with its creditors and upon a lapse of two months after a public notice about liquidation made pursuant to requirements of the laws. In case of disputes in court regarding fulfilment of the Issuer's debt obligations, the Issuer's assets are distributed among shareholders only upon final resolution of the disputes and settlement of accounts with creditors.

**Other cases of distribution of the Issuer's capital**

The Issuer may distribute funds to its shareholders by reducing its authorised capital in accordance with the procedure set by the Law on Companies. The authorised capital may be reduced by way of annulment of shares or reduction of the nominal value of shares, but the reduced authorised capital of the Issuer may not be less than the minimum amount of the authorised capital provided for in the Law on Companies (i.e. LTL 150,000).

The right to receive funds from the Company upon decrease of the authorised capital is granted to the persons who were shareholders of the Company or were otherwise entitled to receive such funds at the end

of the rights record date (i.e. the tenth business day following the day the decision to reduce the share capital was adopted by the General Meeting).

Only the annual General Meeting may adopt the decision to reduce the share capital with the purpose of paying funds to the shareholders, provided that all of the following conditions are met: (i) the set of annual financial statements and the profit distribution account have been approved; (ii) following the reduction of the share capital the legal reserve of the Company will not be lower than 1/10 of the Company's share capital; and (iii) no undistributed loss or long-term liabilities are recorded in the set of annual financial statements of the Company.

The decision to reduce the share capital with the purpose of paying out the funds to its shareholders may not be adopted if on the date of the decision the Company is insolvent or after the payment of funds would become insolvent. The funds must be paid within one month from the registration of the amended Articles of Association with the Register of Legal Persons. The funds are paid pro rata to the nominal value of shares held by each shareholder and may only be paid in cash, except for case when the purpose of reduction of the authorised capital is to cover the losses suffered by the Issuer.

#### **Reserves of the Company**

Pursuant to the Law on Companies, the Company is required to allocate 5% of its net profit for each financial year to its legal reserve, which may only be used for reimbursement of loss of the company. The funds must be allocated until the amount in the legal reserve is equal to 10% of the nominal value of the share capital of the Company. The Company may also form any other reserves (such as revaluation reserve, reserve to acquire own shares, etc.) upon a decision of the General Meeting.

#### **Further Capital Calls by the Company**

If the Company's distributable result, as approved by the annual General Meeting, is negative and the meeting adopts a decision to cover the Company's losses or part thereof by additional contributions of the shareholders, according to the Law on Companies, the shareholders who voted in favour of such decision are obliged to pay the contributions to the Company. The shareholders who did not participate at the General Meeting or voted against such decision are entitled not to pay any additional contributions to the Company.

#### **Modification of shareholders' rights**

The Articles of Association do not provide for any specific conditions regarding modification of shareholders' rights. Shareholders' rights may be modified only pursuant to the provisions of Lithuanian laws.

#### **Conditions of conversion**

Currently, the Issuer has not issued any convertible securities.

#### **Conditions of redemption**

Pursuant to the Law on Companies, the Issuer has the right to redeem its own shares. The total nominal value of shares redeemed by the Issuer cannot be more than 1/10 of the authorised capital. If the aggregate number of the repurchased shares exceeds 10% of the share capital of the Company, it must transfer the excess shares to other persons within 12 months after exceeding the threshold. Upon redemption of its own shares, the Issuer has no right to exercise property and non-property rights conferred by such shares.

A detailed procedure of redemption of own shares is provided for in the Law on Companies. The Issuer can redeem its own shares only after the Issuer has formed a reserve for redemption of own shares, which may not be less than the total purchase price of all the redeemed shares. Furthermore, the Company may not purchase own shares if this would result in the equity capital falling below the aggregate amount of the paid-up authorised capital, mandatory reserve and reserve for own shares. As a general rule, the Company may not repurchase its shares which are not fully paid. In order to repurchase its shares the Company must submit a voluntary takeover bid and when redeeming its own shares, the Company must ensure equal possibilities for all the shareholders to sell shares of the Company to the Company.

### **19.4 ISSUE OF SHARES AND PRE-EMPTIVE RIGHTS**

#### **Pre-emption right of the shareholders in respect of the newly issued shares**

Pursuant to the Law on Companies, the Company's share capital may be increased by a decision of the General Meeting and may be effected by (i) issuing additional shares; (ii) increasing the nominal value of existing shares; or (iii) issuing convertible bonds.

Increases in share capital by way of issuance of additional shares may be effected through one or a combination of the following: (i) in consideration for cash; (ii) in consideration for assets contributed in kind; (iii) by conversion of bonds previously issued; (iv) from the Company's own funds (i.e. by capitalisation of profits or share premiums), etc.

The Issuer that issues new shares by way of increasing its authorised capital with additional shareholder contributions or issuing convertible debentures, must give priority to its current shareholders when offering such shares to be subscribed for. Pursuant to the Law on Companies, shareholders have the right of pre-emption to subscribe for the shares or convertible debentures newly issued by the Company in proportion to the number of the shares owned by them. The term, within which a shareholder can exercise this right and which must meet the requirements set out in the Law on Companies (i.e. it should be not shorter than 14 days), is set by the General Meeting that takes the decision on issue of the relevant shares. The Issuer must

notify of the offer to exercise the pre-emption right to acquire newly issued shares under the procedure set in the Law on Companies.

Shareholders have the right, under the procedure set by the legal acts, to assign the pre-emption rights to acquire shares to any other persons. Besides, these rights can be entered onto the trading list of NASDAQ OMX Vilnius stock exchange.

Pursuant to the Law on Companies, the pre-emption right to subscribe for shares or convertible debentures of a certain issue can be withdrawn by a decision of the General Meeting, which has to be adopted by a  $\frac{3}{4}$  majority of votes present in the meeting. The pre-emption right can be withdrawn only in respect of all the shareholders of the Issuer. A written proposal to withdraw the pre-emption right to subscribe for shares must be given by the Management Board, indicating reasons and causes for such withdrawal, reasoning of the issue price of shares or debentures to be newly issued as well as persons who would be offered to acquire the newly issued securities. The General Meeting, taking a decision on withdrawal of the pre-emption right, must justify the necessity to withdraw such a right and specify the person or persons who are given the right to subscribe for newly issued shares, save for cases when the pre-emption right is withdrawn because of the intention to make a public offering of shares of the Company under the procedure set by the Law on Securities.

The pre-emptive right to acquire the shares or convertible bonds issued by the Company as well as the right to receive shares free of charge in the case of the increase of the share capital from the Company's own funds is granted to the persons who were shareholders of the Company at the end of the rights record date (i.e. the tenth business day following the day the respective decision was adopted by the General Meeting).

Shareholders, who hold their shares through NDS participants, need to be aware that the procedure of execution of the pre-emptive rights for the Company's shares is not yet established in detail.

#### **Shareholders' right to receive newly issued shares without payment**

The Issuer's authorised capital may be increased with its own funds. In such a case, the current shareholders have the right either to receive new additional shares free of charge on a pro rata basis or the nominal value of all the Issuer's shares is increased.

### **19.5 ANNUAL ACCOUNTS**

According to the applicable legislation, the set of annual financial statements of Company has to be approved by the annual General Meeting, which has to be convened within 4 months after close of the relevant financial year. The set of annual financial statements of the Company together with the annual report of the company and the auditor's report has to be submitted to the Register within 30 days after the annual General Meeting.

Upon approval of the set of annual financial statements, the annual General Meeting has to appropriate the profit (loss) of the Company available for appropriation.

### **19.6 CHALLENGING RESOLUTIONS OF THE GENERAL MEETINGS**

Decisions of bodies of the Company may be invalidated in court if they are in conflict with imperative rules of law, incorporation documents of the Company or the principles of reasonability or fairness. A statement of claim may be filed by creditors of the Company if the decision violates their rights or interests, a member of the Management Board or Supervisory Council of the Company, a shareholder or other persons specified in the law. Such claim may be filed in a competent court of Lithuania within 30 days as of the day on which a relevant person learnt or should have learnt about the challenged decision.

In addition, a shareholder may apply to the court for the compensation of damages caused by the members of the Management Board or the General Manager of the Company by non-performance or improper performance of their duties prescribed by the laws of the Republic of Lithuania and the Articles of Association, as well as in other cases provided by laws.

## 20 CERTAIN LITHUANIAN AND POLISH SECURITIES MARKET REGULATIONS

The information set out below describes certain aspects of the Lithuanian and Polish securities market regulation regarding mandatory takeover bids, squeeze-out and sell-out rules that will apply to the Shares once the Shares are admitted to trading on the WSE and is included for general information only. This summary does not purport to be a comprehensive description of all Lithuanian and Polish securities market regulatory considerations that may be relevant to a decision to acquire, hold or dispose of the Shares. Each prospective investor should consult a professional legal adviser regarding legal consequences of acquiring, holding and disposing of the Shares under the laws of their country and/or state of citizenship, domicile or residence.

This summary is based on legislation, published case law, treaties, rules, regulations and similar documentation, in force as at the date of this Prospectus, without prejudice to any amendments introduced at a later date and implemented with retroactive effect.

### 20.1 EU TENDER OFFER REGULATIONS

In the absence of regulatory guidance, a clear resolution as to conflicts of laws issues relating to various tender offer regulatory regimes cannot be provided. The relevant conflict of laws provisions of the Takeover Directive explicitly state that if the offeree company's securities are admitted to trading on regulated markets in more than one Member State, the authority competent to supervise the bid shall be that of the Member State on the regulated market of which the securities were first admitted to trading.

In respect of governing law, matters relating to the consideration offered in the case of a bid, in particular the price, and matters relating to the bid procedure, the information on the offeror's decision to make a bid, the content of the offer document and the disclosure of the bid, shall be dealt with in accordance with the rules of the Member State of the competent authority. In matters relating to the information to be provided to the employees of the offeree company and in matters relating to company law, in particular the percentage of voting rights which confers control and any derogation from the obligation to launch a bid, the applicable rules and the competent authority shall be those of the Member State in which the offeree company has its registered office.

### 20.2 REGULATION OF THE POLISH SECURITIES MARKET

#### Tender offers

The Takeover Directive allows the Member States to introduce, next to the mandatory takeover bids, additional protection of the interests of the minority shareholders, such as the obligation to make a partial bid where the Offering Broker does not acquire control of the company. Poland introduced such additional instruments.

Pursuant to Article 72 of the Polish Public Offerings Act, any acquisition of shares in a public company in secondary trading and within a period of less than 60 days by a shareholder who holds shares entitling it to less than 33% of votes at a general shareholders' meeting, leading to the increase of its share in the total number of voting rights by more than 10%, must be effected exclusively through a public tender offer.

Furthermore, any acquisition of shares in a public company by a shareholder who holds shares entitling it to at least 33% of votes at a general shareholders' meeting, in secondary trading and within a period of less than twelve months, leading to the increase of its share in the total number of voting rights by more than 5%, must be effected exclusively through a public tender offer.

Additionally a shareholder that wishes to cross the 33% voting rights threshold is obliged to launch a public tender for shares that will entitle it to hold 66% of votes. However, if the indicated thresholds are exceeded due to the acquisition of shares in a public offering, in-kind contribution, merger or division of a company, amendments to the articles of incorporation of the company or occurrence of certain other events, the shareholder must either launch a public tender as described above within three months, or sell the appropriate amount of shares so that the number of votes to which the shareholder is entitled is no more than 33% of votes.

Furthermore, pursuant to Article 74 of the Polish Public Offerings Act, a shareholder that wishes to cross the 66% voting rights threshold is obliged to launch a public tender for the remaining shares in the company. However, if the 66% threshold is exceeded due to the acquisition of shares in a public offering, in-kind contribution, merger or division of a company, amendments to the articles of incorporation of the company or occurrence of certain other events the shareholder must either launch a public tender as described above within three months, unless within that period the share of such shareholder in the total vote decreases to no more than 66% of votes as a result of a share capital increase, amendment of the company's articles of association, or expiry of preference rights attached to shares.

The regulations set a number of detailed conditions to be followed in connection with a public tender offer, including without limitation the rules of determining the tender price, required security and settlement.

#### Squeeze-out

According to Article 82 of the Public Offering Act, a shareholder in a company, who individually or jointly with its subsidiaries, parent entities, and entities acting in concert as referred to in Article 87.1.5 of the

Public Offering Act with such a shareholder, has reached or exceeded the threshold indicated below by the Lithuanian law (i.e. 95%) in the total number of votes in the company, is entitled, within three months from the day on which this threshold has been reached or exceeded, to demand that the other shareholders sell all the shares held in the company (the right of squeeze-out). Acquisition of shares in exercise of the right of squeeze-out does not require a consent of any shareholder to whom the demand is addressed. A right of squeeze-out is to be announced after collateral is created for not less than 100% of the value of the shares covered by the right of squeeze-out. The collateral should be documented with a certificate issued by a bank or another financial institution which granted, or intermediated in the granting of, the collateral. A right of squeeze-out is to be announced and carried out through the intermediation of an entity conducting brokerage activities in the Republic of Poland, which is obligated, not later than 14 business days prior to the commencement of exercising the right of squeeze-out, to simultaneously notify the PFSA and the WSE. Information on the right of squeeze-out is to be attached to the notification. An announced right of squeeze-out may not be abandoned.

#### **Sell-out**

According to Article 83 of the Public Offering Act a shareholder in a public company may demand that his shares be acquired by another shareholder who reaches or exceeds threshold indicated below by the Lithuanian law (i.e. 95%) in the total number of votes in the company. Such a demand is to be made in writing within three months after the day on which the threshold has been reached or exceeded by such other shareholder. The obligation to respond, within 30 days from the date of the demand referred to above, rests jointly and severally on the shareholder who reaches or exceeds the threshold indicated below by the Lithuanian law (i.e. 95%) in the total number of votes and its subsidiaries and parent entities. The obligation to acquire the shares from the shareholder rests also jointly and severally on every party acting in concert as referred to in Article 87.1.5 of the Public Offering Act, if the parties to the agreement jointly hold, together with subsidiaries and parent entities, at least the threshold indicated below by the Lithuanian law (i.e. 95%) in the total number of votes.

The regulations set a number of detailed conditions to be followed in connection with a squeeze-out and sell-out, including without limitation the rules of determining the price, procedure and settlement.

### **20.3 THE WARSAW STOCK EXCHANGE**

The WSE operates one of the two regulated markets in Poland within the meaning of the MiFID. The other regulated market (BondSpot, the subsidiary of the WSE) concentrates mainly on bond trading and OTC transactions. The WSE is a public joint-stock company and is controlled by the Polish State. Shares of the WSE are listed on the Main market of the WSE. Members of the WSE include banks and Polish and international brokers.

Shares listed on the WSE may be traded in a continuous price-setting system or in the single-price auction system, depending on capitalisation and intensity of trading. In addition, there are two markets for shares: Main and Parallel, the latter being for smaller, less liquid issuers. Listed companies are classified into four segments according to their capitalisation: MINUS 5, 5 PLUS, 50 PLUS or 250 PLUS. To be traded in a specific market and segment, certain non-statutory criteria must be met by the securities in addition to the statutory listing criteria. Shares of companies which have high price volatility, or which are under bankruptcy proceedings may be classified into the Alert List segment and then moved to listing under the single-price auction system.

Settlement of all transactions executed on the WSE is handled by the NDS, a joint-stock company in which the WSE has a 33.3% stake (with the remaining shares held by the National Bank of Poland and the State Treasury of the Republic of Poland).

The electronic trading system used by the WSE is WARSET, a trading system similar to the system used in Paris, Brussels, Amsterdam, Chicago, and Singapore. The WSE has plans to replace it with a more modern one.

As of 31 December 2010, shares of 400 companies were listed on the WSE.

### **20.4 REGULATION OF THE LITHUANIAN SECURITIES MARKET**

The issued securities of a listed company are subject to all the mandatory takeover bid rules and the sell-out and squeeze-out rules, as indicated in the Law on Securities.

Pursuant to the Law on Securities, a person who has acquired, acting individually or in concert with other persons, more than 1/3 of votes in the General Meeting of the Issuer, must either transfer the shares exceeding this threshold or make a mandatory takeover bid to buy the remaining voting shares of the Issuer and securities carrying the right to acquire voting shares.

A person, acting individually or in concert with other persons, having acquired shares conferring not less than 95% of all the votes in the General Meeting of the Issuer, is entitled to require that the remaining shareholders of the Issuer sell their voting shares and such remaining shareholders are obliged to sell these shares (squeeze-out). The person can exercise this right within three months after the implementation of the mandatory takeover bid or voluntary takeover bid to acquire all the remaining voting shares of the Issuer.

Usually, the price of shares sold under the squeeze-out procedure is equal to (i) subject to certain conditions, the price paid for the Issuer's shares purchased during the implementation of the mandatory or voluntary takeover bid, following provisions of the Law on Securities, or (ii) the fair price, set by the person buying the shares, upon obtaining a relevant approval from the LSC. Minority shareholders have the right to challenge the squeeze-out price in court if, in their opinion, the set price breaches the principle of fairness.

Moreover, any minority shareholder has the right to demand that a person, acting individually or in concert with other persons, having acquired shares conferring not less than 95% of all the votes in the General Meeting of the issuer, buy the voting rights held by the minority shareholders, in which case that person must buy such shares. The duration of this right and the sell-out price of the shares are determined according to the rules described above.

The Issuer is not entitled to demand that shareholders sell their Shares to the Issuer and shareholders may not demand that the Issuer redeem the Shares.

The issue of Shares does not cause appearance of any duties related to a mandatory takeover bid and any rights related to sell-out or squeeze-out or any other rights provided for in the Law on Securities.

There have been no public takeover bids by third parties in respect of the Issuer's equity, which have occurred during the last financial year and the current financial year.

## **20.5 THE NASDAQ OMX VILNIUS STOCK EXCHANGE**

OMX is the only regulated exchange operator in Lithuania, offering trading, listing and information services. Only OMX members – banks and brokerage companies – may trade on the OMX. The stock exchange is a self-regulated organization (public limited liability company), issuing and enforcing its own rules and regulations consistent with standard exchange operating procedures.

Securities are kept and traded in dematerialized form. The right to open and manage personal securities accounts is conferred to brokerage firms and the CSDL. Securities movements are recorded by relevant book entries in the securities accounts.

OMX exchanges (as all Baltic Exchanges) provide electronic trading in Baltic-listed securities: equities, bonds and investment fund units. Trading on the Baltic exchanges is done: (i) on world's leading trading system INET for trading in equities, (ii) on electronic high – capacity trading platform SAXESS for fixed – income financial instruments.

Listing on a OMX market, organization and procedure of trading as well as issuer surveillance is implemented in compliance with the EU standards and directives. A regulated market is subject to both stock exchange and respective financial market regulator's oversight. On the OMX regulated market, financial instruments may be listed in one of the following lists: (i) Baltic Main list (equities), (ii) Baltic Secondary list (equities), (iii) Baltic Bond list (debt securities), (iv) Baltic Fund list (investment fund units).

Settlement of all transactions executed on the OMX is handled by the CSDL, a joint-stock company in which the OMX has a 8% stake (with the remaining shares held by the National Bank of Lithuania (60%) and NASDAQ OMX Helsinki Oy (32%)).

Taking into consideration that after the Offering (if successfully executed) the Company's Shares will be listed both in WSE and OMX, the Company will follow both corporate governance regimes – of WSE and of OMX, also publicly announcing on its compliances to the indicated regimes. Also taking into consideration the aforementioned issues, the Company's announcements on material events will be published both, according to the applicable Polish and Lithuanian laws.



## 21 THE OFFERING AND PLAN OF DISTRIBUTION

### 21.1 THE OFFERING

#### 21.1.1 General Information

The Issuer is offering for subscription up to 25,000,000 newly issued ordinary registered Shares of the Issuer. The Offer Shares are being offered at the Offer Price, which shall be determined through a book-building process and after taking into account other conditions.

Only such prospective Investors will be eligible to participate in the Offering who at or by the time of placing their orders (before the end of the Subscription Period) have opened securities accounts with entities of their choice which are licensed to provide such services within the territory of the Republic of Poland.

The Offering will be only conducted in Poland, in the following Tranches:

- Retail Tranche, which consists of up to 5,000,000 Offer Shares of nominal value of LTL 1 per share, and
- Institutional Tranche which consists of up to 20,000,000 Offer Shares of nominal value of LTL 1 per share.

The Issuer reserves the right to make transfers between the Tranches, both prior to the commencement of the Offering or subsequent to the closing thereof. Following the closing of the subscription period, only those Offer Shares may be transferred which have not been subscribed for by the Investors in the given tranche provided that in another tranche demand generated by the Investors for the Offer Shares has exceeded supply thereof. Information on any transfer between the Offerings shall be made available to the public in the form of an announcement in the manner in which the Prospectus has been made available to the public.

Under this Prospectus, the Issuer intends to apply for an admission to trading on the regulated market:

- in Poland (WSE) of all the Shares of the Company (including up to **25,000,000** of Offer Shares), and
- in Lithuania (OMX) of New Shares.

No public offering in Lithuania will take place. Although for the purpose of the Offering in Poland the Issuer has taken and will take certain actions in Lithuania as its home Member State. Moreover, the Offer Shares will be admitted to trading on the OMX, as indicated above.

#### Notices

Any notices relating to the Offer Price, and final results of the Offering and other material events, related to the Offering will be filed with the central base of the regulated information ([www.crib.it](http://www.crib.it)), OMX, LSC and the PFSA, and will be published on the website of the Issuer [www.agrowill.it](http://www.agrowill.it) and the Offering Broker [www.idmsa.pl](http://www.idmsa.pl). In addition, any notices relating to the approval of the Prospectus and its supplements (if any) which have to be published by the LSC in accordance with Lithuanian law will be published on its website [www.vpk.lt](http://www.vpk.lt).

#### Corporate Resolutions

On 25 March 2011 the General Meeting adopted the decision (i) to increase the authorised capital of the Issuer; (ii) to revoke the pre-emptive right to acquire the New Shares for the existing shareholders; (iii) to authorise the Management Board to determine the final conditions of the Offering; (iv) to list all the Shares of the Issuer on the WSE; (v) to authorise the Management Board to take corresponding actions and (vi) taking into consideration the increase of the authorised capital of the Company, to amend its Articles of Association.

The issuance of the New Shares is scheduled to occur upon the Management Board's execution of a resolution to that effect, registration of the increase of the share capital of the Company in the Register of Legal Persons and registration of the New Shares with the CSDL, as well as with the NDS foreign account in the CSDL, shortly prior to delivery and listing of the Offer Shares, as outlined below.

The Management Board, upon agreement concluded by the Issuer and the Offering Broker, will determine the final terms on which the Offer Shares will be offered, including: (i) the final number of Offer Shares offered in each Tranche and, (ii) the Offer Price. Upon the decision hereon, the Issuer will issue the New Shares.

For information on applicable selling restrictions in respect of the Offer Shares, please refer to Section 23 *Selling Restrictions* and for information regarding the rights pertaining to the Shares, please refer to Section 19 *Description of the Shares and Corporate Rights and Obligations*.

#### Place of Subscription

The subscriptions for the Offer Shares shall be accepted within the time limits set forth in Section 21.1.2 *Expected Timetable of the Offering* in the customer service centres of the Offering Broker listed in Section 21.3 *List of Centres Accepting Subscriptions for the Offer Shares* hereof, and of other distribution consortium members, if the consortium is set up. A list of places where subscriptions in each Tranche will be accepted

will be published before the start of the subscriptions at the Issuer's website [www.agrowill.lt](http://www.agrowill.lt) and the website of the Offering Broker [www.idmsa.pl](http://www.idmsa.pl).

The Offering Broker reserves the right to establish a distribution consortium after the approval of the Prospectus. If such a consortium is created, it will be publicly announced in compliance with applicable regulations. In such a case, an updated list of points accepting subscriptions will also be made available in the aforesaid announcement.

Multiple subscriptions shall be treated as the subscription for the total number of the Offer Shares under the successive subscriptions.

Any subscriptions for the Offer Shares by an asset manager shall be treated as the subscriptions of those on whose behalf the manager subscribes for the Shares.

Any consequences (including not allotting any Shares) resulting from the subscription for the Offer Shares or the instruction to deposit the Offer Shares being incorrectly or incompletely filled in shall be borne by the Investor.

The subscriptions shall be submitted on subscription forms accepted by and provided by the Offering Broker.

The subscriptions for the Offer Shares may be also submitted by the Internet or by other available technical means if such an option is admissible under rules of procedure of a investment firm accepting subscriptions providing the protection of the text of subscriptions is guaranteed and the signature may be identified (where applicable) and they are not in conflict with the provisions of this Prospectus. In this case, the Investor shall sign an appropriate agreement with the investment firm at which they will subscribe for the Offer Shares. In particular, the agreement shall include an authorisation for the investment firm or for its employees to subscribe for the Offer Shares on behalf of the Investor.

In case of the Investor's intention to benefit from preference in the allotment of the Offer Shares resulting from the participation in the book building process, the Offer Shares may be subscribed for exclusively in the customer service centres of the Offering Broker or of the consortium members, if the latter is set up. In such a case, the Offer Shares may not be subscribed for with the use of technical means, including the Internet.

Subscription orders from the Investors will be accepted only from prospective Investors who at or by the time of placing their orders (before the end of the Subscription Period), will have opened securities accounts with entities of their choice, which are licensed to provide such services within the territory of the Republic of Poland.

### 21.1.2 Expected timetable of the Offering

The expected timetable below lists expected key dates relating to the Offering on or around which the events listed below should occur. The Issuer reserves the right to change the timetable of the Offering. Should the Issuer decide to materially adjust the dates set out in the timetable, the Issuer will provide the LSC with the relevant supplement to the Prospectus for the approval and notification to PFSA and publish such information (upon the approval of supplement) in compliance with applicable regulations, as well as market practices in Lithuania and Poland.

**Table 85: Expected timetable of the Offering**

from 10 till 14 June 2011 (by 16.00 CET)	Book-building
14 June 2011	Announcement of the Offer Price
from 15 till 20 June 2011	Acceptance of subscriptions for the Offer Shares
from 21 till 22 June 2011 (by 18.00 CET)	Additional subscriptions
up to six business days following the closing of the Offering	Allotment Date
in the beginning of July 2011	Trading in Shares is expected to commence on the WSE and trading in New Shares is expected to commence on the OMX

Source: the Company

After consulting the Offering Broker, the Issuer may decide to change the above dates.

Upon the commencement of the Subscription Period, the Issuer in agreement with the Offering Broker reserves the right to prolong it if the total number of the Offer Shares subscribed for is smaller than the number of the Offer Shares under the Offering. The period may not be longer than three months from the opening date of the public subscription. In case of the prolongation of the Subscription Period, relevant information shall be made available to the public in the form of supplement to the Prospectus. The supplement shall be approved by the LSC, notified to PFSA made available to the public in the same manner in which the Prospectus has been published, prior to the lapse of the term being modified. The Subscription Period may be prolonged exclusively within the validity term of the Prospectus (i.e. within 12 months as of its announcement). Furthermore, such prolongation may not determine that the term of 6 months from adoption of the relevant shareholders' decision until registration of the capital increase with the Register of Legal persons would be omitted. In case of a change in the date of the allotment of the Offer Shares, relevant information shall be made available to the public in the form of an announcement or supplement (depending on the materiality of such changes) not later than prior to the date of the allotment of the Offer Shares.

### 21.1.3 Book-building

Prior to the commencement of the Offering, marketing activities, referred to as a book building process, shall be undertaken, unless it is decided to abandon the process by the Issuer as described below.

The book building shall apply to both Tranches under which the Offer Shares are being offered.

As a result of the activities, the book of demand for the Offer Shares shall be build up. The results of book building in both Tranches shall be used when setting an issue price for the Offer Shares.

In case of any material differences between the results of book building in both Tranches, the Management Board shall strive to set the price at a level which ensures taking up all the Offer Shares in both Tranches. The Offer Price shall be the same in both Tranches.

Investors in the Retail Tranche who will participate in the book building process and Investors in the Institutional Tranche who will receive a personal invitation shall have an option to enjoy preference in the allotment of the Offer Shares pursuant to rules referred to herein (Sections 21.1.4 – 21.1.7).

The book building process consists in collecting Bids from the Investors interested in the acquisition of the specific number of the Offer Shares under the Prospectus, at an indicated price. The Bids shall be accepted with a price specified with an accuracy of PLN 0.01. The Bid shall not be binding for the Investor, subject to Sections 21.1.5 – 21.1.6 of the Prospectus regarding preference in the Retail Tranche and in the Institutional Tranche.

The Bids without:

- number of the Offer Shares in multiples of 10,
- number of the Offer Shares totalling at least 100,
- price not higher than the Maximum Price,
- price with an accuracy to PLN 0.01,
- other data as specified in the Bid form,

shall be deemed invalid.

The Offer Price for the Offer Shares shall not be higher than the maximum of PLN 1.5 and may not be lower than a PLN equivalent of LTL 1 (a nominal value per one share).

The Bids shall be collected through the intermediary of the Offering Broker or members of a consortium, if the latter is set up. The Bids may be submitted exclusively in customer service centres of the Offering Broker or of members of the consortium, if the latter is set up. The Bids may not be submitted with the use of technical means, including in particular the Internet, following the conditions indicated in this Prospectus for such submissions.

During the book building process, the potential Investor may submit one Bid, specifying the number of the Offer Shares and a price at which they are willing to acquire the specific number of the Offer Shares. An appropriate form shall be provided by the Offering Broker or members of the consortium (if the latter is set up). The submitted Bid may be withdrawn prior to the commencement of the Subscription Period by submitting a written statement in the customer service centre which has accepted the Bid. Having withdrawn the submitted Bid, the Investor may submit another Bid during the book building process. The submission of the new Bid without withdrawing the previous one shall result in all the Bids being deemed invalid.

An asset manager may submit the total Bid for any accounts under their management. Investment fund companies shall submit the Bids separately for individual funds managed by them.

The Issuer may decide to abandon the book building process without giving any reason. The book building process may be abandoned by the Company upon recommendation of the Adviser or the Offering Broker *inter alia* when the Offering is cancelled according to Section 19.1.9 or the demand for Offer Shares is very high and known to the Issuer or if the Issuer decides to suspend the Offering. Should the book building process not take place, the Offer Price shall be set by the Management Board.

In case of the resignation from the book building process, relevant information shall be made available to the public in the form of supplement to the Prospectus. The supplement shall be approved by the LSC, notified to PFSA and made available to the public in the same manner in which the Prospectus has been published, prior to the opening date of the book building process as specified in Section 21.1.2 *Expected timetable of the Offering* above.

Should there be no book building process, the Offer Shares in the Retail Tranche shall be allotted through the reduction of the subscriptions on a pro-rata basis. In the Institutional Tranche, the subscriptions and allotment shall be carried out pursuant to the same rules as in case of book building with the proviso that the Issuer shall send out personal invitations on the basis of its market recognition.

The Issuer may not decide to annul the book building process after it starts. Therefore, after the commencement of the book building process, the Issuer has to acknowledge results of the process.

### 21.1.4 General Subscription Procedure

In both Tranches, the subscriptions for the number of the Offer Shares not **smaller than 100** shall be accepted, with the provision that the minimum value of the subscription in the Institutional Tranche by

entities specified in Section 21.1.5 i) below amounts to not less than PLN 100,000. Any subscription submitted for the number of the Offer Shares smaller than 100 or subscription submitted in the Institutional Tranche by entities listed in Section 21.1.5 *Subscriptions in the Institutional Tranche* below with a value smaller than PLN **100,000** shall result in the Institutional Investor not being allotted any Offer Shares in spite of the validity of the subscription.

There are no other limitations as to the minimum subscription volume. Any subscription submitted for the number greater than the number of the Offer Shares in the given Tranche shall be deemed to be the subscription for the maximum number of the Offer Shares in the given Tranche.

Subscriptions will be accepted on a subscription form in Polish or in English (for persons who are not Polish residents).

By placing a subscription order, each Investor is deemed to have read this Prospectus and the Company's Articles of Association and accepted their content, as well as has read the terms of the Offering and rules governed each Tranche, consented to being allotted a lower number of Offer Shares than the number specified in such Investor's subscription orders, or to not being allotted any Offer Shares at all, pursuant to the terms and conditions set forth in the Prospectus.

More detailed information concerning the identification of Investors, including requirements concerning documents submitted and the rules for acting through authorized representatives, can be obtained by Investors from the entities accepting subscription orders.

Any consequences of a form of subscription for the Offer Shares being incorrectly filled out will be borne by the Investor.

### **21.1.5 Subscriptions in the Institutional Tranche**

The Offer Shares in the Institutional Tranche may be acquired by:

- a. investment firm,
- b. bank,
- c. insurance company,
- d. investment fund,
- e. pension fund,
- f. asset manager,
- g. person or entity (individual, legal person or unincorporated business unit) on behalf of which an asset manager subscribes for the Offer Shares (client of an asset management service),
- h. other person or entity acquiring the Offer Shares for the amount not smaller than PLN 100,000,
- i. entity which has submitted the Bid in the book-building process for the Offer Shares for the amount not smaller than PLN 500,000.

The Investors which have subscribed for the Offer Shares following a personal invitation to subscribe for the specific number of the Offer Shares shall enjoy preference.

Any invitations addressed to asset managers shall be treated as invitations addressed to those whose portfolio is under the manager's management.

The invitations shall be sent by fax, electronically or otherwise as agreed with the specific Investor. The receipt of the invitation shall be confirmed in person, by fax, phone or other technical means, including electronic mail. The invitations to subscribe for the Offer Shares may be sent out starting from the opening date of the Subscription Period to the closing of the Subscription Period. In order to enjoy preference referred to above, the invited Investor shall respond to the invitation until 2 pm on a day following the receipt thereof and prior to the lapse of the Subscription Period.

A basis for the receipt of an invitation and for the specification of the number of the Offer Shares indicated in the invitation shall be the participation in the book building process and the submission of the Bid for the Offer Shares at a price which shall be either higher or equal to the final price for the Offer Shares. The Management Board reserves the right to send out invitations also to other Investors, including those not participating in book building, to send out invitations for other number of the Offer Shares (i.e. greater or smaller) than the one declared in book building, as well as not to send out any invitation in spite of the participation in book building. Sending out an invitation for the greater number of the Offer Shares than the one declared in book building does not result in an obligation for the Investor to subscribe for the greater number of the Offer Shares than the one specified in the book building process, but only in the Investor's entitlement to potentially subscribe for them.

Preference related to the subscription by personal invitation consists in the fact that in case of the subscription submitted for the number of the Offer Shares resulting from a personal invitation or for the number smaller than in the invitation but greater or equal to the one specified in the book building process, the subscription shall not be reduced.

In case of subscribing for the number of the Offer Shares greater than the one specified in the personal invitation, the subscription in the part concerning the number of the Offer Shares in excess of the number specified in the invitation shall be reduced on a pro-rata basis provided that there are any Offer Shares

remaining in the Institutional Tranche unsubscribed for under invitations. In the remaining part, the subscription shall not be reduced.

Invitations sent out by the Issuer do not limit the right of any Investor, including the Investor to whom the invitation has been sent out or the Investor who has not participated in book building, to subscribe for the Offer Shares in the Retail Tranche or in the Institutional Tranche.

The provisions of the Section above shall not apply for additional subscriptions submitted under the Issuer's invitation in the situation set forth in Section 21.1.7 *Additional Subscriptions*.

#### **21.1.6 Subscriptions in the Retail Tranche**

As a matter of principle the following procedure is based on the preferential treatment of the Investors, who submitted their Bids in the book-building process. This procedure is proven in practice as well functioning and is commonly used by the Offering Broker in other offerings. Therefore, employees of the Offering Broker are well acquainted with it and are open to answer to all questions from the potential investors regarding it.

All Investors mentioned above are eligible to acquire the Offer Shares.

The Investors who have submitted the Bids for the Offer Shares in the book building process and subsequently subscribed for the number of the Offer Shares at least equal to the number declared in the book building at the Offer Price being lower or equal to the declared one shall enjoy preference in the allotment of the Offer Shares.

The preference shall consist in the fact that in case of the over-subscription for the Offer Shares, the following procedure consisting of four stages shall be applied to compute the number of the Offer Shares to be allotted to particular Investors:

1. number of the Offer Shares subscribed for in a preferential manner described above will be multiplied by two; number of the Offer Shares subscribed for not in a preferential manner will be multiplied by one, thus each Investor will be attributed with a particular amount;
2. amounts mentioned in stage 1 above will be added up, creating a sum;
3. for each Investor its proportional share will be calculated by dividing amounts from stage 1 by a sum computed at the stage 2;
4. the number of the Offer Shares to be allotted to the Investor will be computed by multiplying the proportional share of particular Investor calculated at the stage 3 above by the total number of the Offer Shares in the Retail Tranche, with the provision that the Investor may not be allotted more Offer Shares than specified in the subscription of a given Investor. This means that depending on the number of the subscriptions submitted, the subscription of the Investor enjoying preference shall not be reduced or shall be reduced to a smaller degree as compared to the subscription of the Investor not enjoying preference.

Preference shall apply only and exclusively to the number of the Offer Shares covered in the Bid. Multiple subscriptions shall be treated as the subscription for the total number of the Offer Shares under the successive subscriptions. Nonetheless, in order to enjoy preference resulting from the participation in the book building process, the Investor shall subscribe at least for the number of the Offer Shares specified in the Bid, and pay for it. If the subscription is submitted for the number of the Offer Shares greater than the number specified in the Bid, then preference in the allotment shall apply only to the number of the Offer Shares specified in the Bid, whereas the remaining number of the Offer Shares shall be allotted without preference.

The single Bid may correspond to one subscription only. The Investor wishing to enjoy preference in the allotment of the Offer Shares shall, at the moment of the subscription, present their original of the previously submitted Bid and indicate on a subscription form the Bid number which they intend to use in connection with the subscription being submitted. The use of the given Bid shall be confirmed by putting a personal signature on the submitted Bid by an employee of an investment firm and the subscribing Investor.

The provisions of the above Section shall not apply for additional subscriptions submitted under the Issuer's invitation – in the situation specified in Section 21.1.7 *Additional Subscriptions*.

#### **21.1.7 Additional Subscriptions**

If within the time limits stipulated for submitting subscriptions and set forth in Section 21.1.2 *Expected Timetable of the Offering* not all the Offer Shares are subscribed and duly paid for, the Issuer may, after the closing of the primary Subscription Period, issue personal invitations to submit an additional subscription for the specific number of the Offer Shares unsubscribed for within time limits stipulated for subscribing for the Shares and set forth in the aforementioned Section to the Investors selected at its discretion. A personal invitation to submit the additional subscription may be issued for the Offer Shares unsubscribed for either in the Retail or Institutional Tranche.

The invitations addressed to asset managers shall be treated as invitations addressed to those whose portfolio is under the manager's management.

The invitations shall be sent by fax, electronically or otherwise as agreed with the specific Investor. Receipt of the invitation shall be confirmed in person, by fax, phone or other technical means, including electronic

mail. The invitations to submit additional subscriptions may be sent out starting from the closing date of the Subscription Period for the Offer Shares to the closing date of the public subscription. The invited Investor shall submit such additional subscription until 2 pm of a day following the receipt of the invitation, not later however than within the time limit stipulated for closing of the public subscription.

The additional subscription by personal invitation may be submitted either for the number of the Offer Shares under the personal invitation, smaller than the one specified therein or greater than the one specified therein. If the number of the Shares for which the additional subscriptions are submitted is greater than the number of the Shares available once primary subscriptions have been submitted, the additional subscription in excess of the number specified in the invitation shall be reduced on a pro-rata basis in the same manner as applicable in the Retail Tranche.

#### 21.1.8 Acting by Proxy

The Investors are entitled to acquire the Offer Shares by proxy. In case of the power of attorney granted to an investment firm, rules of procedure of the given investment firm shall apply. Otherwise, a person acting as a proxy is obliged to submit a written power of attorney from the Investor, with an authorisation to subscribe for the Offer Shares and with the following information on the Investor:

- **in case of natural persons-residents:** first and last name, detailed address, ID card No. or passport No., Personal Id. No. (PESEL),
- **in case of natural persons non-residents:** first and last name, detailed address, passport No.,
- **in case of legal persons-residents:** business name or name, address, Industry Id. No. (REGON) and an extract from a relevant register attached to the power of attorney,
- **in case of legal persons non-residents:** business name or name, address and an excerpt from a relevant register or a document confirming the existence of the entity in a given country (bearing an *Apostille* seal if needed) attached to the power of attorney (documents drawn up in a foreign language and issued abroad shall be translated into Polish by a sworn translator),
- **in case of unincorporated entities-residents:** name, address, Industry Id. No. (REGON) and an extract from a relevant register attached to the power of attorney,
- **in case of unincorporated entities non-residents:** name, address and an excerpt from a relevant register or a document confirming the existence of the entity in a given country (bearing an *Apostille* seal if needed) attached to the power of attorney (documents drawn up in a foreign language, other than English and issued abroad shall be translated into Polish or English by a sworn translator).

Moreover, the power of attorney shall include the following information on the proxy:

- **in case of natural persons-residents:** first and last name, detailed address, ID card No. or passport No., Personal Id. No. (PESEL),
- **in case of natural persons non-residents:** first and last name, detailed address, passport No.,
- **in case of legal persons-residents:** business name or name, address, Industry Id. No. (REGON) and an extract from a relevant register attached to the power of attorney,
- **in case of legal persons non-residents:** business name or name, address and an excerpt from a relevant register or a document confirming the existence of the entity in a given country attached to the power of attorney (documents drawn up in a foreign language other than English, and issued abroad shall be translated into Polish or English by a sworn translator).

When subscribing for the Offer Shares, collecting a confirmation of the acquisition of the Offer Shares, collecting amounts returned and carrying out any other activities related to the Offering, the proxy shall hold the power of attorney which explicitly states the right to carry out relevant activities on behalf of the Investor.

The power of attorney document shall remain in the customer service centre accepting the subscription. It is also possible (particularly in case of a power of attorney covering the broader scope of activities than the one being performed) to make a copy of the power of attorney. Such a copy shall be confirmed by a notary or by an employee of a customer service centre. In case of a confirmation by an employee of the customer service centre, the copy must be certified to be a true copy of the original (annotation "*consistent with the original*") together with a date, signature of the customer service centre's employee and signature of the proxy. The copy of the power of attorney shall remain in the centre accepting the subscription. The power of attorney shall bear a signature of a client confirmed by a notary or put in the presence of the customer service centre's employee, unless rules of procedure of the investment firm accepting the subscription provide for otherwise.

The power of attorney document in a foreign language other than English shall be translated into Polish or English and certified by a sworn translator.

The number of the powers of attorney granted to one proxy shall be unlimited.

#### 21.1.9 Conditions of Offering Withdrawal or Suspension

The Issuer may cancel the Offering, upon recommendation of the Adviser or the Offering Broker or on its own initiative, at any time prior to the Allotment Date without disclosing any reason for doing so. The Issuer may also change the dates of opening and closing of the book-building and Subscription Period, or decide

that the Offering will be postponed and if it would be reasonable the new dates of the Offering will be provided by the Issuer.

The Issuer may cancel the Offering, upon recommendation of the Adviser or the Offering Broker if the Issuer considers it impracticable or inadvisable to proceed with the Offering. Such reasons include, but are not limited to: (i) suspension or material limitation of trading in securities generally on the WSE, as well as any other official stock exchange in the EU and the United States; (ii) sudden and material adverse change in the economic or political situation in Lithuania, Poland, any other jurisdictions in which the Group operates or worldwide; (iii) a material loss or interference with the Issuer's or its Group's business; (iv) any material change or development in or affecting the general affairs, management, financial position, shareholders' equity or results of the Issuer's operations or the operations of the Group, or (v) an insufficient, in the Issuer's opinion or in that of the Adviser or the Offering Broker, expected free float of the Issuer's Shares on the WSE taking into account preliminary results of the book-building or of the subscriptions. In such an event, subscriptions for the Offer Shares that have been made will be disregarded, and any subscription payments made will be returned without interest or any other compensation.

Any decision on cancellation, the postponement or changes of dates of the Offering will be published by way of a press release in Poland and in a manner compliant with applicable regulations, as well as market practices in Lithuania and Poland. In this press release, the Issuer will include information on the validity of orders placed by Investors.

Information on the suspension of the Offering will be published in the form of a supplement to the Prospectus. In this supplement, the Issuer will include information on the validity of orders placed by Investors.

If a decision on the suspension of the Offering is taken while subscription orders are accepted, subscription orders, Bids submitted and payments made will be deemed to be still valid, however, Investors can withdraw subscriptions and Bids made by submitting a relevant statement to that effect within two business days after the supplement to the Prospectus has been made public.

If a decision on the suspension of the Offering is taken after the book-building but before subscriptions start, the Issuer, together with the Offering Broker, may once again run the book-building process, however, in such a case they must decide whether Bids previously made will or will not remain valid. Such information will be made public in the form of a supplement to the Prospectus. If it is decided that earlier Bids remain valid, the Investors will be able to withdraw Bids made by submitting a statement to that effect within two business days from the date of the publication of the supplement to the Prospectus.

All dealings in the Offer Shares prior to the commencement of the official trading on the WSE will be at the sole risk of the Investor concerned, irrespective of whether or not the Investor concerned has been notified of the number of Offer Shares allotted to him.

#### **21.1.10 Date by which Subscription can be Withdrawn**

A subscription for the Offer Shares is irrevocable except when after the start of the Offering, a supplement is made public concerning an event or circumstances occurring before the allotment of the Offer Shares, of which the Issuer became aware before the allotment. The Investor who has made a subscription before the publication of the supplement may withdraw such subscription by submitting a written statement to the institution where the subscription was made, within two business days from the date of the publication of the supplement.

The repayments will be made in accordance with the subscription form within three business days after making the statement on the subscription cancellation.

The right referred to above will also be vested in Investors who have made Bids in the book-building process.

#### **21.1.11 Procedure and Dates for Payment for the Offer Shares**

The Offer Shares shall be paid for in the Polish zloty (PLN). The Offer Shares must be paid for in full on a last day of the Subscription Period at the latest. In case of an additional subscription, the Offer Shares must be paid for in full on a closing date of the public subscription at the latest.

The payment made in full shall be understood as the payment of an amount equal to the product of the number of the Offer Shares subscribed for and the Offer Price.

The Offer Shares shall be paid for exclusively in the form of cash contributions. The payments due on this account shall be made:

- 1) to a bank account of the investment firm accepting the subscription, indicating Personal Id. No. (PESEL), Investor's first and last name (business name), with an annotation "payment for Agrowill Group AB Shares",
- 2) at a cash desk of the customer service centre accepting the subscription if it admits cash payments. When selecting this form of payment, the Investors are recommended to confirm in advance whether the customer service centre selected by them accepts cash payments,

- 3) by a transfer or an order, indicating the Personal Id. No. (PESEL), Investor's first and last name (business name), with an annotation "payment for Agrowill Group AB Shares" to an account of the office accepting the subscription,
- 4) by other forms of payment provided for and accepted by the given customer service centre of the investment firm accepting the subscription for the Offer Shares. Detailed information on other possible forms of payment shall be provided to the Investor by the investment firm accepting the subscription for the Offer Shares,
- 5) by the combination of the above.

To the extent set forth in this Section, the Investor shall be free to select the method of payment for the Offer Shares.

The payments for the Offer Shares shall not bear interest. It should be noted that the entire amount of payment must be booked on an account of the office accepting the subscription on the closing date of the Offering at the latest. This means that the Investor (in particular in case of the payment by an order or transfer as well as when using bank loans for subscriptions) must pay duly in advance, taking into account a time needed for executing the transfer, drawing the loan or performing any other similar activities. The Investors are advised to inform themselves with regard to the time required for the performance of the specific activities in the financial institution servicing them and to undertake relevant activities, taking into account the time required for their performance.

The Investor paying for the Offer Shares through a bank should take into account potential bank commissions on cash payments or transfers, if any.

It should be underlined that a failure to pay in full shall result in the non-allotment of any Shares.

Information on the manner and time limit for providing the Investors with the Shares is presented in Section 21.1.13 *Public Announcement of the Offering Results* below.

#### **21.1.12 Delivery of the Offer Shares**

An application will be made for the Offer Shares to be accepted for delivery through the book-entry facilities of the NDS, either directly as a participant of that system or indirectly through participants of the NDS.

All of the Shares of the Issuer are and will generally be ordinary registered shares. Shares will be registered with the NDS and will be held by shareholders in a book entry form with a custodian bank or an investment firm as a participant of the NDS.

Delivery of the Offer Shares will be made in accordance with settlement instructions placed by the Investors upon subscription, through the facilities of the NDS, by registration of the Offer Shares on the Investors' securities accounts indicated by such Investors.

Delivery of the Offer Shares is expected to take place no longer than 2 weeks after the Allotment Date, barring unforeseen circumstances, by appropriate entry on the Investors' securities accounts held through members of the NDS. The exact delivery dates will depend on timing of (i) the registration of capital increase of the Company with the Register of Legal Persons, (ii) registration of the Offer Shares with the CSDL and (iii) registration of the Offer Shares in the facilities of the NDS.

After the successful closing of the Offering, the Offer Shares will be held in book entry form in the NDS.

Bearing the above in mind, the Issuer and the Offering Broker do not envisage any delivery of documents concerning the Offer Shares acquired. Notices of the recording of the Offer Shares in the Investor's securities account will be delivered to Investors in accordance with the rules of a given investment firm and custodian bank. However, the date of the delivery of such notice to the Investors will not have any impact on the date of starting the listing of the Shares, including the Offer Shares, on the WSE as the notices may be delivered to the Investors after the listing commenced.

#### **21.1.13 Public Announcement of the Offering Results**

If the Offer Shares are subscribed and duly paid for, the Management Board shall allot the Offer Shares to the subscribers within six business days following the closing of the Subscription Period.

The list of the subscribers, with the specification of the number of the Offer Shares allotted to each of them, shall be made available within a week from the moment of the allotment of the Offer Shares, and left for inspection for next two weeks in the customer service centres accepting the subscriptions where they have been accepted.

If the Investor fails to place an instruction to deposit the Offer Shares on a specific securities account, the Offer Shares allotted to them shall be booked on an account of an issue agent.

#### **21.1.14 Intentions of the Shareholders and Members of Management, Supervisory and Administrative Bodies of the Issuer as to participation in the Offering**

According to the information available to the Issuer, obtained after a review carried out with due diligence, none of the present members of the management, supervisory or administrative bodies, including the existing shareholders of the Issuer intend to subscribe for the Offer Shares.



Within a year prior to the preparation of the Prospectus, neither members of the Management Board and the Supervisory Board nor any related parties acquired any Shares of the Issuer, except the following acquisitions: (i) on 30 September 2010 member of the Board Mr. Linas Strėlis acquired 5,576,858 Shares of the Issuer; (ii) on 18 April 2011 member of the Board Mr. Mamertas Krasauskas acquired 28,000 Shares of the Issuer; and (iii) on 13 September 2010 and 29 September 2010 member of the Supervisory Board Mr. Ćeslav Okinćic respectively acquired 46,909 and 42,500 Shares of the Issuer.

Further, as at the date of the approval of the Prospectus there are no arrangements in place under which the Management Board or Supervisory Board members would be eligible to acquire or take up in future the Issuer's Shares under preferential terms.

#### **21.1.15 Rules of Offer Shares Allocation**

The Management Board shall allot the Offer Shares up to six business days after the closing of the subscription. The minimum allotment unit shall be one Offer Share.

When allotting the Offer Shares, the treatment shall not depend on an entity by which or through the intermediary of which subscriptions are submitted. Further, there is no predefined preference treatment with regard to any specific type of investors or specific related groups at the allotment. The only differences in the treatment at the allotment are the consequence of the split into the Tranches and preference in the Institutional Tranche resulting from the receipt of a personal invitation and preference in the Retail Tranche resulting from the participation in book building.

##### **Allotment in the Retail Tranche**

If the total number of the Offer Shares subscribed for by the Investors is greater than the number of the Offer Shares, the Investors' subscriptions shall be reduced. The reduction shall be carried out on a pro-rata basis for all Investors subject to preference for book building participants as set forth below.

The Investors who have submitted the Bids for the Offer Shares in the book building process and subsequently subscribed for the number of the Offer Shares at least equal to the number declared in the book building at the Offer Price being lower or equal to the declared one shall enjoy preference in the allotment of the Offer Shares.

The preference mentioned above shall consist in the fact that in case of the over-subscription for the Offer Shares, the following procedure consisting of four stages shall be applied to compute the number of the Offer Shares to be allotted to particular Investors:

1. number of the Offer Shares subscribed for in a preferential manner described above will be multiplied by two; number of the Offer Shares subscribed for not in a preferential manner will be multiplied by one, thus each Investor will be attributed with a particular amount;
2. amounts mentioned in stage 1 above will be added up, creating a sum;
3. for each Investor, its proportional share will be calculated by dividing amounts from stage 1 by a sum computed at the stage 2;
4. the number of the Offer Shares to be allotted to the Investor will be computed by multiplying the proportional share of particular Investor calculated at the stage 3 above by the total number of the Offer Shares in the Retail Tranche, with the provision that the Investor may not be allotted more Offer Shares than specified in the subscription of a given Investor. This means that depending on the number of the subscriptions submitted, the subscription of the Investor enjoying preference shall not be reduced or shall be reduced to a smaller degree as compared to the subscription of the Investor not enjoying preference.

The preference shall apply only and exclusively to the number of the Offer Shares covered in the Bid.

The number of the Offer Shares allotted shall be rounded down to a whole number and the remaining single Offer Shares shall be allotted to the Investors who have subscribed for the largest number of the Offer Shares. It should be noted that in particular circumstances (substantial reduction of subscriptions and small number of the Shares subscribed for, leading to the number of the Offer Shares resulting from the allotment to be smaller than one), this may mean that no Offer Shares will be allotted.

If in the allotment of the Offer Shares the Investor is not allotted the Offer Shares for which they have subscribed for, either in whole or in part, on account of the reduction of subscriptions or due to the Investor submitting an invalid subscription or for any other reason resulting in the necessity to return to the Investor the amounts paid, either in whole or in part, the amounts paid by the Investor shall be returned in the manner specified by the Investor in a subscription form within 14 days from the Allotment Date. The above amounts shall be returned without any interest or compensation.

Should there be no book building, the Offer Shares in the Retail Tranche shall be allotted through the reduction of subscriptions on a pro-rata basis.

##### **Allocation in the Institutional Tranche**

Primary subscriptions for the Offer Shares submitted in the number resulting from the submitted invitation shall not be reduced.

Sending out the invitation for the greater number of the Offer Shares than the one declared in book building shall not result in an obligation for the Investor to subscribe for the greater number of the Offer Shares than the one specified in the book building process, but only in the Investor's entitlement to exercise such an

option. Therefore, in case of subscribing for the number of the Offer Shares smaller than the one specified in the invitation but greater or equal to the one specified in the book building process, subscription shall not be reduced.

In case of:

- a subscription submitted by the Investor to whom the invitation has not been sent out,
- a subscription submitted by the invited Investor upon the lapse of the term within which the Investor shall respond to the invitation in order to enjoy preference referred to in Sections 21.1.4 – 21.1.7 above, or
- a subscription submitted by the invited Investor for the number of the Offer Shares smaller than the one specified in the invitation except for a situation when the subscription has been placed for the number of the Shares smaller than the one specified in the invitation but greater or equal to the one indicated in the book building process,

subscriptions shall be reduced on a pro-rata basis provided that there are any Offer Shares not taken up under preferential terms in the Institutional Tranche. The subscriptions submitted by the invited Investor shall be similarly reduced in a part pertaining to the number of the Offer Shares in excess of the number specified in the invitation.

Should there be no book building, the subscriptions and allotment in the Institutional Tranche shall be carried out pursuant to the same rules as in case of the book building with the proviso that the Issuer shall send out personal invitations on the basis of its own market recognition.

#### **21.1.16 Submission of Additional Subscription by Investors**

If the number of the Offer Shares for which additional subscriptions are submitted is greater than the number of the Offer Shares available in the given Tranche at the allotment once the primary subscriptions have been submitted, an additional subscription in excess of the number specified in an invitation shall be reduced on a pro-rata basis in the same manner as applicable in the Retail Tranche which in a particular situation (subscriptions resulting from additional invitations shall apply to all available Shares) may mean not allotting any Shares in excess of the number indicated in the invitation.

#### **Overallotment and Overallotment Option**

The Issuer will not grant any overallotment option of the green shoe type and any other type and therefore no overallotment is foreseen. No stabilisation will be undertaken.

#### **21.1.17 Offer Price**

The Offer Shares are being offered at the Offer Price, which shall be determined through a book-building process and after taking into account other conditions as specified below.

The Offer Price shall not exceed the Maximum Price of **PLN 1.5**.

The final Offer Price will be determined by the Issuer upon agreement with the Offering Broker, based on the following criteria and rules: (i) size and price sensitivity of demand from the Institutional Investors as indicated during the book-building process, (ii) the current and anticipated situation on the Polish and international capital markets and (iii) assessment of the growth prospects, risk factors and other information relating to the Issuer's activities.

The Offer Price will be the same for both the Tranches and will not exceed the Maximum Price. The price will be expressed in PLN.

The Issuer will announce the Offer Price prior to commencement of the Subscription Period. The Offer Price will be filed with the LSC and the PFSA and published in the same manner as the Prospectus.

#### **21.1.18 Change of Terms of the Offering**

In accordance with the relevant regulations in force in Poland and in Lithuania applicable to public offerings and the admission of securities to trading on a regulated market, any significant change to the Prospectus, as defined in the aforementioned regulations, will be communicated through a supplement to the Prospectus, if required. The supplement to the Prospectus will need to be approved by the LSC, notified to the PFSA and published in the same manner as the Prospectus. If the supplement is published after approval of the Prospectus by the LSC and relates to events or circumstances which occurred prior to the Allotment Date and about which the Issuer or the Offering Broker and the Adviser have learnt prior to the allotment, Investors who have placed their subscription orders before publication of the supplement will have a right to withdraw their subscriptions within two business days from the publication of the supplement to the Prospectus.

In such a case, if necessary, the Allotment Date will be adjusted in order to enable the Investors to withdraw their subscriptions.

Moreover, according to Article 52 section 2 of the Public Offering Act, information resulting in changes to the content of the Prospectus or supplements already made available to the public in respect of the organization or conduct of subscription of Offer Shares or their admission to trading on the WSE, which do not require publication of the supplement, will be published in the same manner as the Prospectus in compliance with

applicable regulations. Such information will be simultaneously submitted to the PFSA. In such a case, the Investors do not have a right to withdraw their subscriptions.

#### **21.1.19 Admission of Shares to Trading on the WSE and Offer Shares on the OMX**

The Issuer intends to apply for admission to listing of the Shares and trading on the main market of the WSE of the Shares and Offer Share trading on the VSE, immediately after the Allotment Date.

The Issuer expects that the trading in the Shares on the WSE as well as in the Offer Shares on the OMX will commence in the beginning of July 2011.

In connection with the planned listing of the Shares on the WSE, all the Shares of the Company (including the Offer Shares) will be registered with and cleared through the NDS which is the central clearinghouse and depository of securities in Poland.

Investors trading on the WSE should consider that under the laws of Lithuania the following registration processes are needed in order to validly issue New Shares: (i) registration of the increase of the authorised capital of the company with the Register of Legal Persons and (ii) registration of the newly issued shares in the CSDL as well as on the NDS foreign account in the CSDL. Thus, the New Shares will be eligible for the listing application upon their payment by Investors and the aforementioned registrations.

After admission of the Shares on the WSE all the Issuer's reports and regulated information shall be communicated via the ESPI system in Poland. The Issuer's reports will be available to the public on the Issuer's website ([www.agrowill.lt](http://www.agrowill.lt)) and on the website operated by the WSE ([www.gpwinfostrefa.pl](http://www.gpwinfostrefa.pl)).

At present the Issuer's Shares are traded on the WSE and the Company does not intend to seek a listing of the Shares at any stock exchange other than the WSE and OMX, but may consider such listing in the future.

#### **21.1.20 Offering Broker**

The Company has appointed Dom Maklerski IDMSA (IDMSA Brokerage House), Maly Rynek 7, 31-041 Krakow, Poland, to act as the offering broker in Poland.

#### **21.1.21 Deposit of Shares**

The Shares, including the Offer Shares will be registered on the NDS foreign account in the CSDL (in Lithuanian: *Lietuvos centrinis vertybinių popierių depozitoriumas*) which is a Lithuanian depository of securities, with its seat at Konstitucijos ave. 23, LT-08105 Vilnius, Lithuania. Thus, the NDS CSD (in Polish: *Krajowy Depozyt Papierów Wartościowych S.A.*), which is a Polish central clearinghouse and depository of securities with its seat at ul. Książęca 4, 00-498 Warsaw, Poland, will act as a secondary depository for the Shares, including the Offer Shares.

#### **21.1.22 Transfer of the Shares between the CSDL and the NDS**

##### **General Information**

As a matter of principle, the effecting of a transaction on the OMX requires that the shares are recorded in a securities account kept with a participant in the CSDL. In turn, the effecting of a transaction involving shares listed on the WSE generally requires that the shares subject to trade are recorded in a securities account kept by a participant in the NDS system.

##### **Transfers of the Shares from CSDL to the NDS system and vice versa**

In order to transfer the Shares from the CSDL system to the NDS system, investors should issue appropriate instructions to the entity keeping such investor's securities account in the CSDL participant in which the Shares are recorded, and an appropriate instruction to the entity keeping their securities account in the NDS, in which account the Shares are to be recorded. To execute such transfer investor should have securities accounts both in the CSDL participant and in the NDS participant. NDS will provide the detail instructions to its participants, how to transfer the Shares between these two markets.

In case when the CSDL participant receive the transfer instruction from the investor, it issue appropriate instruction to the CSDL and the CSDL issues appropriate instruction to the NDS in accordance with the agreement concluded between the depositories. Afterwards the NDS match receive free instruction from the CSDL and delivery free instruction from the NDS participant. Based on confirmation of the securities credit made to the NDS account, issued pursuant to the investor's instructions, the NDS shall record the Shares in the account of the NDS participant, and subsequently the Shares will be recorded in the investor's securities account.

A transfer of the Shares from the NDS system to the CSDL system is effected in a similar way as a transfer from the CSDL system to the NDS system. To transfer the Share between these two depositories the investor need to have to securities accounts in the NDS participant and a participant in the CSDL.

Neither the Issuer, nor the Lead Manager or the Adviser, nor any of their respective representatives assume any responsibility for any of the trade settlement obligations of the CSDL and the NDS or any of their participants, except for their own obligations under this Prospectus and under concluded agreements.

**Dividend payment, subscription for pre-emptive rights and voting procedures for shareholders holding the Shares with NDS participants*****Dividend Payments in favour of the Polish market investors***

Dividend payments and other payments made by the Issuer will be conducted through the CSDL acting as primary depository. The Issuer shall transfer via the CSDL system to the NDS the amount due to the shareholders which Shares are listed on the WSE. The CSDL shall transfer such amount to the NDS account held by the NBP, and subsequently the NDS shall redistribute the dividend and other payments among its participants and the NDS participants shall credit the respective investors' accounts. The Issuer deducts withholding tax on source on the Lithuanian standard tax rate. The investors have the possibility to follow the tax reclaim procedure against the Lithuanian tax authorities after the dividend payment and receive back the difference between the preferential rate used in the double tax treaty between Poland and Lithuania and the standard Lithuanian tax rate.

***Pre-emptive rights subscription***

The procedure of execution of the pre-emptive rights for the Issuer's shares is not yet established in detail and will be provided to the NDS participants by the NDS when the Issuer will announce the subscription for the pre-emptive rights.

***Proposed voting procedures for shareholders that will hold the Shares through securities accounts maintained by the NDS participants***

As of the date of the Prospectus shareholders that will hold the Shares through securities accounts maintained by the participants of the NDS will be given the opportunity to participate in and vote at the Company's shareholders meeting, either by proxy or personally, by requesting the participant of the NDS, where the shareholder holds its Shares, to register him/her for the shareholders meeting. This request should be submitted before or on the shareholders meeting record date, which is in accordance with Lithuanian law close of the 5th business days before the date of shareholders meeting. Based on the submitted requests and after the shareholders meeting record date, when the list of attendees will be set up, the NDS participant will provide the list of the entities, which registered for the shareholders meeting to the NDS and NDS will hand over such list to the CSDL, which in consequence be delivered to the Company.

**21.2 PLACING OF THE OFFER SHARES**

The Issuer intends to enter, prior to the Allotment Date, into a Placement Agreement in respect of the Offering with the Managers, in which the Managers will commit to undertake certain actions in connection with organization of the Offering.

The Issuer or the Managers do not expect to enter into an underwriting agreement.

The Offering Broker will act as an offering agent with respect to the Offer Shares for the purposes of the Offering and admission to trading on the WSE.

In connection with the Offering, the Issuer has agreed to pay to the Managers a combined fee of up to 7% of the gross proceeds from the placement and sale of the Offer Shares, which shall also include the expenses to be incurred for advisory services, fees of Lithuanian and Polish counsel. In addition, the Issuer has agreed to hold harmless the Offering Broker and the Adviser against certain liabilities and to reimburse the Offering Broker and the Adviser for some of their expenses in connection with the management of the Offering. The Offering Broker and the Adviser are entitled in certain circumstances to be released and discharged from their respective obligations under the Placement Agreement prior to the Listing Date. Such circumstances include the non-satisfaction of certain conditions precedent and the occurrence of certain force majeure events. The Offering shall be conducted following the principle of "best endeavours".

**Expenses of the Offering**

As of the date of this Prospectus, the Issuer estimates the amount of fixed expenses for preparation of the Offering of up to LTL 850,000 (excluding the aforementioned combined fee of 7%). These expenses consist of costs of preparation of the Prospectus, auditors' fees, marketing of the Offering and costs of analyses prepared with respect to the Offering.

The final amount of expenses will be calculated after the Offering and will be publicly announced within two weeks from the Allotment Date.

The Issuer agreed to pay all commissions and expenses in connection with the Offering. However, Investors will bear their own costs connected with the evaluation and participation in the Offering, i.e. standard brokerage fees charged by broker.

**Lock-up Agreements**

For description of lock-up agreements, concluded with regard to the Company's Shares please see Section 18.3 *Lock-up Agreements* above.

**Interests of Natural and Legal Persons Participating in the Offering**

The Offering Broker has a contractual relationship with the Issuer and the Major Shareholders in connection with the Offering and the Admission, and has been mandated to act as the Offering Agent for the Offering and listing of the Shares on the WSE.

The Adviser and the Offering Broker advise the Issuer and the Major Shareholders in connection with the Offering and Admission and coordinate the structuring and execution of the transaction. Furthermore, the Offering Broker is involved in the Prospectus preparation process. If the transaction is successfully executed, the Offering Broker and the Adviser will receive a combined commission which depends on the actual value of the sold Offer Shares.

The Offering Broker or the Adviser or their affiliates may acquire in connection with the Offering the Offer Shares as Investors and hold or sell those Shares for their own account, also outside of the offering period, which shall not constitute a preferential allotment. The Offering Broker and the Adviser do not intend to disclose the extent of such investments or transactions unless required by law.

The Offering Broker and the Adviser and their affiliates have engaged in and may in the future engage in, investment banking, advisory services and other commercial dealings in the ordinary course of business with the Company and the Major Shareholders and any of its affiliates. The Offering Broker and the Adviser and their affiliates have received and may receive in the future receive customary fees and commissions for these transactions and services.

Moreover, the objective of the Offering of the Offer Shares is to acquire funds for the Group's further development. Therefore, it is in the Management Board's interest for all the Offer Shares to be taken up.

### 21.3 LIST OF CENTRES ACCEPTING SUBSCRIPTIONS FOR THE OFFER SHARES

**Table 86: List of centres accepting subscriptions for the Offer Shares**

<i>No.</i>	<i>Brokerage office</i>	<i>Address</i>	<i>Town</i>	<i>Telephone No.</i>
1	IDMSA Brokerage House	Mały Rynek 7	31-041 Krakow, Poland	(+48 12) 397-06-20
2	IDMSA Brokerage House	ul. Króla Kazimierza Wielkiego 29	32-300 Olkusz, Poland	(+48 32) 625-73-75
3	IDMSA Brokerage House	ul. Wałowa 16	33-100 Tarnów, Poland	(+48 14) 632-60-15
4	IDMSA Brokerage House	ul. Nowogrodzka 62 b	02-002 Warsaw, Poland	(+48 22) 578-88-50
5	IDMSA Brokerage House	Rynek 36B II piętro	48-300 Nysa, Poland	(+48 77) 409-11-25
6	IDMSA Brokerage House	ul. Zwycięstwa 14	44-100 Gliwice, Poland	(+48 32) 333-15-85
7	IDMSA Brokerage House	ul. Kościuszki 30	40-048 Katowice, Poland	(+48 32) 609-04-85
8	IDMSA Brokerage House	ul. 3 maja 18/2	20-078 Lublin, Poland	(+48 81) 528-61-85
9	IDMSA Brokerage House	ul. Bukowska 12	60-810 Poznań, Poland	(+48 61) 622-18-10
10	IDMSA Brokerage House	ul. Sienkiewicza 82/84 I piętro Centrum Biurowego Zenit	90-318 Lodz, Poland	(+48 42) 663-12-30
11	IDMSA Brokerage House	ul. Świdnicka 18/20 II piętro	50-068 Wroclaw, Poland	(+48 71) 390-16-62
12	IDMSA Brokerage House	ul. Bogusława 1/7	70-440 Szczecin, Poland	(+48 91) 432-31-12
13	IDMSA Brokerage House – Institutional Clients Department accepting subscriptions in the Institutional Tranche. It may also accept additional subscriptions.	ul. Złota 59	00-120 Warsaw, Poland	(+48 22) 489-94-03

## 22 INDEPENDENT AUDITORS

The Consolidated Financial Statements for the years ended 31 December 2010, 31 December 2009 and 31 December 2008 prepared in accordance with IFRS were audited by PricewaterhouseCoopers UAB. PricewaterhouseCoopers UAB headquarters are registered at J. Jasinskio str. 16B, LT-01112 Vilnius, tel. +370 5 239 2300, Fax. +370 5 239 2301. PricewaterhouseCoopers UAB audit licence number is 000173. The audit for the years 2008 and 2009 and 2010 was executed by Mr. Rimvydas Jogėla, auditor's licence No. 000457.

The audit of forecasted financial information for 2011 and 2012 was conducted by HLB Sarnowski & Wiśniewski Sp. z o.o. It's headquarters are registered at Bluszczowa str. 7, 61-478 Poznan, Poland, tel. +48 61 866 67 88. HLB Sarnowski & Wiśniewski Sp. z o.o. audit licence number is 2917. The audit of forecasted financial information for 2011 and 2012 was executed by Mr. Dariusz Sarnowski, auditor's licence No. 10200. HLB Sarnowski & Wiśniewski Sp. z o.o. has not reviewed any information other than forecasted financial information for 2011 and 2012.

## 23 SELLING RESTRICTIONS

### Prospectus

This Prospectus constitutes a prospectus within the meaning of the Prospectus Directive and the Law on Securities (which transposed the Prospectus Directive into the Lithuanian law), for the purpose of giving the information with regard to the Company and the Shares it intends to offer pursuant to this Prospectus, which is necessary to enable prospective Investors to make an informed assessment of the assets and liabilities, financial position, profit and losses and prospects of the Company.

This Prospectus constitutes a prospectus in the form of a single document within the meaning of Article 5.3 of the Prospectus Directive and Article 6 of the Law on Securities. This Prospectus has been filed with, and was approved by the LSC, which is the competent authority in Lithuania to approve this document as a prospectus. Under the Prospectus Directive and the Law on Securities, this Prospectus, once approved by the competent authority of one member state of the EU ("Home Member State") may be used for making a public offering and admission of securities to listing on a regulated market in another Member State of the EU ("Host Member State"), provided that the competent authority of the Home Member State provides the competent authority of the Host Member State with a certificate of approval of the Prospectus (in accordance with Article 18 of the Prospectus Directive and Article 12 of the Law on Securities).

Consequently, the Company and the Major Shareholders will be authorized to carry out the Offering to the public in Poland, once the LSC has provided the PFSA with (1) a certificate of approval of this Prospectus (in accordance with Article 12 of the Law on Securities, Article 18 of the Prospectus Directive and Article 37 of the Public Offerings Act) and (2) a copy of the Prospectus together with a summary of the Prospectus in the Polish language and after the Prospectus in the English language and its summary in the Polish language have been made available to the public, which is equivalent to authorizing the Offering to the public in Poland.

### No Public and Private Offering outside Poland

This Prospectus has been prepared on the basis that there will be no offers of the Offer Shares, other than the Offering to the public in the territory of Poland in accordance with the Prospectus Directive, as implemented in Lithuania and in Poland, respectively. Accordingly, any person making or intending to make any offering, resale or other transfer within the EEA, other than in Poland, of the Offer Shares may only do so in circumstances under which no obligation arises for the Company, the Major Shareholders or the Lead Manager to produce an approved prospectus or other offering circular for such offering. Neither the Company, the Major Shareholders, nor the Lead Manager have authorized, nor will any of them authorize, the making of any offer of the Offer Shares through any financial intermediary, other than public Offering in Poland made by the Lead Manager under this Prospectus.

No action has been or will be taken by the Company, the Major Shareholders or the Lead Manager in any jurisdiction other than Poland that would permit any offering of the Offer Shares, or the possession or distribution of this Prospectus or any other offering material relating to the Company or the Shares in any jurisdiction where action for that purpose is required. Accordingly, the Shares may not be offered or sold, directly or indirectly, and neither this Prospectus nor any other offering material or advertisements in connection with the Shares may be distributed or published, in or from any country or jurisdiction.

The distribution of this Prospectus and the Offering in certain jurisdictions may be restricted by law and therefore persons into whose possession this Prospectus comes should inform themselves about and observe any such restrictions on the distribution of this Prospectus and the Offering, including those in the paragraphs that follow. Any failure to comply with these restrictions may constitute a violation of the securities laws of any such jurisdictions. This Prospectus does not constitute an offer to subscribe for or buy any of the Offer Shares offered hereby to any person in any jurisdiction other than Poland.

### European Economic Area

This Prospectus has been approved by the LSC, being the competent authority in Lithuania. However, in relation to each member state of the EEA (other than Lithuania) which has implemented the Prospectus Directive (each, a "Relevant Member State"), the Lead Manager has represented and agreed that it has not made and will not make any offer of Shares in that Relevant Member State prior to that Relevant Member State's competent authority receiving a certificate of approval of the LSC attesting that the Prospectus has been drawn up in accordance with the Law on Securities together with a copy of the Prospectus accompanied, if applicable, by a translation of the summary produced under the responsibility of the Company and the due publication of the Prospectus in accordance with that Relevant Member State's applicable rules.

### United States

The Offer Shares have not been, and will not be, registered under the US Securities Act and may not be offered or sold within the United States or to, or for the account or benefit of, US persons. Terms used in this paragraph have the meanings given to them by Regulation S under the US Securities Act.

In addition, until 40 days after the commencement of the Offering, an offer or sale of the Offer Shares within the United States by any dealer (whether or not participating in the Offering) may violate the registration requirements of the US Securities Act if such offer or sale is made otherwise than in accordance with an available exemption from registration under the US Securities Act.

The Lead Manager has agreed that it will not offer, sell or deliver the Offer Shares within the United States or to, or for the account or benefit of, US persons and that it will have sent to each dealer to which it sells Offer Shares during the distribution compliance period a confirmation or other notice setting forth the restrictions on offers and sales of the Offer Shares within the United States or to, or for the account or benefit of, US persons.

This Prospectus has been prepared by the Company for use in connection with the public offer and sale of the Offer Shares in Poland only and for the listing of the Offer Shares on the main market of the Warsaw Stock Exchange. The Company and the Lead Manager reserve the right to reject any offer to purchase the Offer Shares, in whole or in part, for any reason.

**Canada**

This Prospectus is not, and under no circumstances is to be construed as, a Prospectus, an advertisement or a public or private offering of the securities described herein in any province or territory of Canada. No securities commission or similar authority in Canada has reviewed or in any way passed upon this document or the merits of the securities described herein, and any representation to the contrary is an offence.

**Japan**

The Shares have not been and will not be registered under the Securities and Exchange Law of Japan (Law No. 25 of 1948, as amended), and are not being offered or sold and may not be offered or sold, directly or indirectly, in Japan or to or for the account of any resident of Japan (which term as used herein includes any corporation or other entity organized under the laws of Japan), or to others for offering or sale, directly or indirectly, in Japan or to, or for the account of, any resident of Japan.



## 24 TAXATION

*The following is a summary of certain Lithuanian and Polish tax implications of ownership and disposition of the Offer Shares. The summary is based on the tax laws of Lithuania and Poland as in effect on the date of this Prospectus, and is subject to changes in such laws, including changes that could have a retroactive effect. The summary does not purport to be a comprehensive description of all the tax implications that may be relevant for making a decision to purchase, own or dispose of the Offer Shares. You are advised to consult your own professional tax advisors as to the Lithuanian, Polish and other tax implications of the Offering and the purchase, ownership and disposition of the Offer Shares. Prospective investors who may be affected by the tax laws of other jurisdictions should consult their own tax advisors with respect to the tax implications applicable to their particular circumstances.*

### 24.1 TAXATION IN LITHUANIA

#### Taxation on Dividends

##### **Legal persons**

Dividends received by Lithuanian or foreign legal persons are subject to the corporate income tax at a rate of 15%. Dividends are not subject to the corporate income tax when a recipient (a Lithuanian or foreign legal person) has been or intends to be in control of not less than 10% of voting shares of a Lithuanian company distributing dividends for an uninterrupted period of at least 12 months (including the moment of distribution of dividends). This participation exemption does not apply if dividends are paid to foreign legal persons registered or otherwise organized in a tax haven jurisdiction.

If dividends are paid out to the legal persons that are residents of a foreign country with which Lithuania has concluded a treaty for the avoidance of double taxation and such a treaty limits the rights of Lithuania to tax dividends, the rules set in that treaty will be applied.

The obligation to calculate, withhold and pay the withholding tax on dividends arises for the Lithuanian legal person (the payer of dividends).

##### *Individuals*

Dividends received by Lithuanian and foreign individuals are subject to the personal income tax at a rate of 20%.

If dividends are paid out to the residents of a foreign country with which Lithuania has concluded a treaty for the avoidance of double taxation and such treaty limits the rights of Lithuania to tax dividends, the rules set in that treaty will be applied.

The obligation to calculate, withhold and pay the withholding tax on dividends arises for the Lithuanian legal entity (the payer of dividends).

#### Taxation on Capital Gains

##### **Legal persons**

No specific capital gains tax is established under the Lithuanian tax legislation. Therefore, capital gains received by a Lithuanian legal person or by a foreign legal person through its permanent establishment in Lithuania from the sale of shares are included in the taxable income for the corporate income tax purposes. The standard rate of the corporate income tax is 15%.

An exemption is available, and capital gains are not subject to the corporate income tax if the following conditions are met: 1) an entity the shares of which are being transferred is registered in the EEA Member State or a country with which Lithuania has concluded a treaty for the avoidance of double taxation, and this entity is a payer of corporate income or equivalent tax; and 2) an entity transferring shares has been in control of more than 25% of voting shares for an uninterrupted period of at least two years. The exemption is not applied if shares are transferred to the issuer.

Lithuanian entities and permanent establishments of foreign entities have the right to carry forward losses due to the disposal of securities and/or derivative financial instruments for five consecutive years for the purpose of the Lithuanian corporate income tax. The said losses can be covered only with income generated from disposals of securities and/or derivative financial instruments.

Capital gains received by the foreign legal persons from the disposal of shares of Lithuanian companies are not subject to the Lithuanian corporate income tax.

##### **Individuals**

Capital gains received from the sale of shares by the Lithuanian residents are subject to 15% personal income tax.

Capital gains from the sale of shares are not taxed if the shares are sold not earlier than 366 days after the date of their acquisition and the individual had not held more than 10% of the shares of the entity for three years preceding the end of the tax period during which the shares were sold. The application of the said exemption is restricted in respect of the shares received by the shareholder free of charge due to the

increase in the issuer's share capital from its own funds or in case the nominal value of the sale shares was increased from the issuer's own funds (in which case the application of the exemption will be restricted solely to the income equal to the amount of the increase in the nominal value of the sale shares). Moreover, the application of the said exemption is restricted if shares are transferred to the issuer.

The personal income tax on capital gains received by individuals should be calculated, paid and declared by individuals by the 1st of May of the calendar year following the taxable year.

Capital gains received from the disposal of shares of Lithuanian companies by the individuals who are not considered to be Lithuanian residents for tax purposes are not taxed in Lithuania.

#### **Taxation on Gifts and Inheritance**

If the Issuer's shares are given as a gift to a natural person, generally the acquisition of shares is subject to personal income tax at a rate of 15%, charged on income received at the transfer of the shares as a gift. The tax is not applicable where a spouse, children, parents, brothers, sisters, grandchildren or grandparents give shares as a gift or where shares are given as a gift to a non-Lithuanian resident. Furthermore, donation incomes received from other persons are not subject to taxation, unless such incomes exceed LTL 8,000 in a calendar year.

Inherited Issuer's shares are subject to inheritance tax as follows: if the taxable value of the inherited property does not exceed LTL 500,000, the tax rate is 5%; if the taxable value of the inherited property exceeds that amount, the tax rate is 10%. The property is exempted from the tax where the property is inherited by a spouse upon the death of the other spouse, by parents (adoptive parents), children (adopted children), grandparents, grandchildren, brothers, sisters, guardians (custodians), wards (foster children), or where the shares are inherited by a non-Lithuanian resident or the value of the inherited property does not exceed LTL 10,000.

#### **Value added tax**

Generally, under effective laws, share acquisition or transfer transactions are not subject to value added tax (VAT) in Lithuania.

## **24.2 TAXATION IN POLAND**

### **Disposal of Securities**

#### ***Income Earned on the Disposal of Securities by Individuals who are Polish Tax Residents***

In accordance with Art. 3, section 1 of the Personal Income Tax Act, natural persons, residing within the territory of the Republic of Poland, are liable to pay tax on all their worldwide incomes (revenues), regardless of the location of the source of revenues (unlimited tax obligation). A natural person is deemed a resident of the territory of the Republic of Poland if (i) the centre of his/her personal or economic interests is situated within the territory of Poland, or (ii) he/she resides within the territory of Poland for more than 183 days in any tax year.

In case of a disposal of shares in a Lithuanian company by a Polish tax resident, a Double Tax Treaty concluded between Poland and Lithuania applies. According to Art. 13, section 4 of the Treaty, capital gains from the disposal of shares are taxed exclusively in the country of residence of the person disposing of the shares. Thus, according to the above stated rules, income from the disposal of the Offer Shares earned by Polish residents shall be taxed in Poland.

Pursuant to Art. 30b, section 1 of the Personal Income Tax Act, income earned on the transfer of securities in exchange for any form of consideration constitutes a separate source of income and is taxed at a flat rate of 19%. Taxable income is computed as the difference between proceeds from the disposal of securities (including shares) and the tax-deductible costs, including expenditures related to the acquisition of securities (including shares). Such income is subject to taxation as income due, even if actually not yet received. It is not aggregated with other types (sources) of income derived by an individual and is taxed separately.

Entities acting as intermediaries in the sale of shares by an individual (in particular, brokerage houses) are required to inform both the individual and the appropriate tax office, about the amount of income earned on disposal of securities, by the end of February of the year immediately following the year in which the gains are earned (or losses are incurred). There is no requirement to pay tax advances during the tax year.

An individual who earns gains (or suffers losses) on the sale of securities is required to calculate and pay tax due, as well as to submit a relevant tax return, by 30 April of the calendar year immediately following the year in which such gains / losses arise. The tax return is submitted to the tax office competent for the place of residence of such taxpayer on the last day of the fiscal year, and if such a person ceases to reside in Poland before that date, to the tax office competent for the person's last place of residence within the territory of Poland.

The above regulations do not apply if a sale of securities for any form of consideration is performed as part of business activity. In such a case revenues and relevant costs should be settled according to the terms that apply to taxation of business activity.

***Income Earned on the Disposal of Securities by Individuals who are not Polish Tax Residents***

In accordance with Art. 3, section 2a of the Personal Income Tax Act, natural persons, if they do not reside within the territory of the Republic of Poland, are liable to pay tax exclusively on income (revenue) obtained within the territory of the Republic of Poland (limited tax obligation).

Income from the disposal of shares in a foreign entity by an individual who is not a Polish tax resident cannot be classified as income derived from a Polish source and, consequently, should not be taxed in Poland.

***Income Earned on the Disposal of Securities by Corporate Persons who are Polish Tax Residents***

In accordance with Art. 3, section 1 of the Corporate Income Tax Act, taxpayers with their legal seat or place of effective management within the territory of the Republic of Poland, are liable to pay tax on all of their worldwide income, regardless of the location of the source of revenues.

According to Art. 13, section 4 of the Polish–Lithuanian Tax Treaty, gains from the disposal of shares for any form of consideration are subject to taxation exclusively in the country of the legal seat of the corporate person disposing of the shares. Thus, income from disposal of the Offer Shares earned by corporate persons who are Polish tax residents is taxed in Poland.

Gains on disposal of shares (including the Offer Shares) by a legal person being a Polish tax resident are subject to taxation under the general rules (contrary to the above-mentioned provisions of the Personal Income Tax Act, no separate income sources are identified in case of gains on disposal of shares by corporate persons). Revenues from disposal of shares for any form of consideration are aggregated with other taxable revenues. Expenditures on the acquisition of shares and transaction related costs assumed as deductible at the moment of disposal of the shares, are then aggregated with other tax deductible costs. Income computed in such a way is subject to the corporate income tax at a rate of 19%.

Pursuant to Art. 25 of the Corporate Income Tax Act, taxpayers are obliged to pay monthly tax advances on the income derived. The tax advance is calculated as the difference between the tax due on the income earned since the beginning of a given fiscal year and the aggregate tax prepayments due for the previous months of this year. The Corporate Income Tax Act provides also for a simplified form of calculation and payment of the tax advance payments. Taxpayers are entitled to make monthly advance payments in the amount of 1/12 of the tax due, as calculated in the yearly tax statement for the year preceding a given tax year. If there was no tax due in the said statement, taxpayers are entitled to make monthly advance payments in the amount of 1/12 of the tax due, as shown in the yearly tax statement for the year preceding a given tax year by two years. The taxpayer is required to submit his annual tax return by the end of the third month of the year immediately following the fiscal year.

***Income Earned on the Disposal of Securities by Corporate Persons who are not Polish Tax Residents***

In accordance with Art. 3, section 2 of the Corporate Income Tax Act, taxpayers not being Polish tax residents, are liable to the Polish corporate income tax exclusively on income obtained within the territory of the Republic of Poland.

Income from the disposal of shares in a Lithuanian entity by a legal person who is not a Polish tax resident cannot be classified as income obtained in Poland, and as a result is not taxed in Poland.

***Dividends******Dividends and Other Income from a Share in the Profits of Legal Persons Earned by Individuals who are Polish Tax Residents***

Under the Polish Personal Income Tax Act, income from participation in profits of legal persons is the income actually generated from a share, including, beside dividends, *inter alia*, income from the redemption of shares, income from the disposal of shares to the company in exchange for any form of consideration with a view to redeeming the shares, the received value of the assets from the liquidation of the legal person, profits intended for a share capital increase, and income which is the equivalent of the amounts contributed to the share capital from other funds of the legal person. Taxation of the dividend income, obtained by an individual being a Polish tax resident, from a company residing in Lithuania is regulated by the provisions of the Polish–Lithuanian Tax Treaty. Pursuant to Art. 10 of the Treaty, dividends paid by a company with a seat in Lithuania to a person that is a resident in Poland may be taxed in Poland. These dividends may also be taxed in Lithuania, but the tax levied in this country cannot exceed 15% of the dividend. The actual taxation rules regarding dividend income are governed by the Lithuanian tax law.

Pursuant to Art. 30a, section 1 point 4 of the Personal Income Tax Act, dividend income and other income from a share in the profits of legal persons is not aggregated with income from any other sources, and is subject to taxation at a flat rate of 19% of the income earned. However, according to Art. 25 of the Polish–Lithuanian Tax Treaty, a credit for the tax withheld on dividends in Lithuania should be applied in Poland.

***Dividends and Other Income from a Share in the Profits of Legal Persons Earned by Individuals who are not Polish Tax Residents***

Dividends distributed by a Lithuanian company to non-Polish tax residents are not subject to taxation in Poland.

***Dividends and Other Income from a Share in the Profits of Legal Persons Earned by Corporate Persons who are Polish Tax Residents***

As a rule, dividends and other income from participation in legal persons' profits is subject to taxation in Poland at a flat rate of 19% of the income earned.

This rule is however modified by the Polish–Lithuanian Tax Treaty, according to which dividends paid by a company with a seat in Lithuania to a legal person being a Polish tax resident may be taxed in Poland. These dividends may also be taxed in Lithuania, but the tax levied in this state cannot exceed 5% of the gross amount of the dividend distributed, if the dividend is received by a company holding at least 25% of the share capital of the company paying the dividend, and 15% of the dividend in other cases.

The applicable withholding tax rate according to the relevant Lithuanian laws was indicated in Section 24 *Taxation*.

Pursuant to Art. 20, section 3 of the Corporate Income Tax Act, income (revenues) from dividends and other revenues from participation in profits generated by legal persons having their registered seat or place of effective management outside the territory of the Republic of Poland, are tax exempt if all of the following conditions are satisfied jointly:

- (i) the entity paying the dividends and other revenues from participation in profits generated by legal persons, is a company liable to pay income tax in any of the EU member states other than the Republic of Poland or in any other country of the European Economic Area, with respect to its entire income, regardless of the place where it is generated;
- (ii) the entity receiving income (revenues) from dividends and other revenues from participation in profits generated by legal persons, as referred to in section (i) is a company liable to pay income tax in the Republic of Poland and has its registered seat or place of effective management within the territory of the Republic of Poland;
- (iii) the company referred to in section (ii) has at least 10% direct shareholding in the share capital of the company which pays out the dividend (company referred to in section (i)).

The above stated exemption applies if the company gaining income (revenues) from dividends and other revenues from participation in profits generated by legal persons having their registered seat or place of effective management outside the territory of the Republic of Poland, has at least 10% shareholding in the company paying out dividends (company referred to in section (i)) uninterruptedly for two years. The exemption also applies if the two-year period of uninterrupted holding of shares in the required amount by a company gaining income (revenues) from participation in profits generated by a legal person having its registered seat or place of effective management outside the territory of the Republic of Poland, ends after the date of obtaining such income (revenues). In the case of failure to satisfy the condition of holding shares in the required amount uninterruptedly for two years, the company which benefited from the exemption is obliged, under the relevant regulations, to submit a corrected declaration for the fiscal years of gaining the exemption.

***Dividends and Other Income from a Share in the Profits of Legal Persons Earned by Corporate Persons who are not Polish Tax Residents***

Dividends paid by a Lithuanian company to a non-Polish tax resident are not taxed in Poland.

***Additional Requirements on Transfer of Dividends to Polish Shareholders***

For those shareholders of the Company who hold Shares in securities accounts opened in Poland (the "Polish Shareholders"), any dividends declared by the Company will be paid through the NDS and the Polish brokerage houses which are members of the NDS. The Company will distribute dividends through the CSDL, which will in turn transfer to the NDS such a share of the dividends which is attributable to the total number of Shares held by the NDS on behalf of the Polish Shareholders. The NDS will in turn distribute such dividends to the brokerage houses which are members of the NDS for further transfers to the ultimate shareholders on the basis of the lists of shareholders submitted by the brokerage houses to the NDS for such a purpose.

Dividends payable via the CSDL to the NDS for further distribution to the ultimate Polish Shareholders being legal persons and holding less than 10% of the share capital of the Company are subject to a withholding tax at the general income tax rate applicable in Lithuania (as from 1 January 2010, the standard corporate income tax rate is 15%, and under certain conditions the rate is 5%); except for dividends attributable to such Shares whose beneficial owners have provided to the NDS (through the administrators of their securities accounts) proof of tax residency in a country qualifying for a more favourable treatment in Lithuania. Such a tax residency certificate must be periodically presented at such times and in such a manner as provided for in the procedures established by the NDS, whereas otherwise favourable tax treatment will not be guaranteed.

***Transfer Tax (Tax on Civil Law Transactions)***

As a rule, the transfer tax applies to the sale of or exchange contracts on property rights exercisable within the territory of the Republic of Poland (e.g. shares in a Polish company). The tax applies also if a transaction involved rights exercisable outside the Republic of Poland, but the agreement evidencing the sale or exchange is concluded in the Republic of Poland and the purchaser is a Polish resident. The tax rate is 1% and it is applicable to the market value of the transaction. The tax should be paid within 14 days after the transaction is concluded.

However, pursuant to Art. 9, section 9 of the Act on Transfer Tax, the sale of securities, being financial instruments, (i) to investment companies and foreign investment companies; (ii) through investment companies and foreign investment companies; (iii) carried out within the organized market; (iv) carried out beyond the organized market through investment companies and foreign investment companies, if those rights were acquired by these companies within the organized market; is exempt from the transfer tax.

**Taxation of Gifts and Inheritance**

The Polish gift or inheritance tax can only be imposed on individuals. Such a tax may result from receiving a gift or inheritance in the form of the Offer Shares if the heir or the recipient is a Polish resident. The amount of tax depends on the relationship of the donor / deceased to the recipient / heir.

## 25 ADDITIONAL INFORMATION

### 25.1 ADVISORS

Lead Manager and Offering Broker is **Dom Maklerski IDM S.A.** (IDMSA Brokerage House), Maly Rynek 7, 31-041 Krakow, Poland.

Adviser is **Rubicon Partners Dom Maklerski S.A.**, ul. Emilii Plater 28, 00-688 Warsaw, Poland.

Legal adviser to the Lead Manager as to Polish Law is **Baker & McKenzie Gruszczyński i Wspólnicy Kancelaria Prawna sp.k.**, Rondo ONZ 1 00-124 Warszawa, Poland.

Legal adviser to the Lead Manager as to Lithuanian Law is **TARK GRUNTE SUTKIENE**, Didžioji str. 23, LT-01128 Vilnius, Lithuania.

### 25.2 AUDITED INFORMATION

Auditor of annual reports and combined consolidated financial statements for the years ended 31 December 2010, 31 December 2009 and 31 December 2008 is **PricewaterhouseCoopers UAB**, J. Jasinskio str. 16B, Vilnius, Lithuania.

The audit of forecasted financial information for 2011 and 2012 was conducted by **HLB Sarnowski & Wiśniewski Sp. z o.o.**, registered at Bluszczowa str. 7, 61-478 Poznan, Poland.

Any other information contained in this Prospectus is unaudited.

### 25.3 DOCUMENTS ON DISPLAY

The following shall be available during the time of Offering:

- a) Issuer's Articles of Association;
- b) Independent auditor's report, Consolidated Annual Report and Consolidated Financial Statements;
- c) Consolidated Interim Information;
- d) Independent assurance report on Prospective Financial Information to the Management Board of Agrowill Group AB.

The information on where the indicated documents will be provided and how they may be acquired by the Investors, is indicated in Section 1.3 *Presentation of Financial and Other Information* subsection *Documents on Display*.

### 25.4 THIRD PARTY INFORMATION AND STATEMENT BY EXPERTS AND DECLARATION OF ANY INTEREST

This Prospectus does not include any third party statements or expert declarations.

### 25.5 INTEREST OF NATURAL AND LEGAL PERSONS INVOLVED IN THE ISSUE/OFFER

#### Management Board of the Issuer

The objective of the Offering of the Shares is to acquire funds for the Group's further development. Therefore, it is in the Issuer's Management Board's interest for all the Offer Shares to be taken up.

#### Offering Broker

Remuneration of Dom Maklerski IDMSA (IDMSA Brokerage House) of Krakow which acts as an Offering Broker of the Issuer's Shares is in a larger part a resultant of an issue price and a number of the Offer Shares taken up, and represents a percentage share of the cash amount acquired under the Offering. Therefore, it is in IDMSA Brokerage House's interest for the largest possible number of the Shares to be taken up at the highest possible price.

## 26 FINANCIAL INFORMATION

Consolidated Financial Statements as well as Consolidated Interim Information are presented in Annexes to this Prospectus.

### 26.1 AUDITING OF HISTORICAL ANNUAL FINANCIAL INFORMATION

The audit of consolidated financial statements for the years ended 31 December 2010, 31 December 2009 and 31 December 2008 prepared in accordance with IFRS were conducted by PricewaterhouseCoopers UAB. PricewaterhouseCoopers UAB headquarters are registered at J. Jasinskio str. 16B, LT-01112 Vilnius, tel. +370 5 239 2300, Fax. +370 5 239 2301. PricewaterhouseCoopers UAB audit licence number is 000173. The audit for the years 2008 and 2009 and 2010 was executed by Mr. Rimvydas Jogėla, auditor's licence No. 000457.

The indicated audit company audited the Consolidated Financial Statements included in this Prospectus and issued a qualified auditor's opinion on the aforementioned financial statements with the following qualification:

"We did not observe the counting of the Group's physical inventory stated at LTL 7,255 thousand as of 31 December 2009 since this date was prior to our appointment as auditors of the statutory financial statements as of 31 December 2009. We were unable to satisfy ourselves as to the inventory quantities at this date by other audit procedures."

The above mentioned opinion also contains the following emphasis of matter:

"We draw attention to Note 2.1 in the financial statements which discloses the Group's assumptions about its ability to continue as a going concern. The going concern assumption is dependent on the successful approval and implementation of the Restructuring plans as well as the Group's possibilities to operate at a profit in the future. These conditions, along with other matters as set forth in Note 2.1, indicate the existence of a material uncertainty which may cast significant doubt about the Group's ability to continue as a going concern. Our opinion is not qualified in respect of this matter."

### 26.2 SIGNIFICANT CHANGE IN THE ISSUER'S FINANCIAL OR TRADING POSITION

Since the end of the last period for which the audited consolidated financial information exists (31 December 2010), the main financial and operational development of the Issuer has been as follows:

- 24.05.2011 Extraordinary shareholders meeting took place.
- 26.04.2011 Ordinary shareholders meeting took place.
- 19.04.2011 Mamertas Krasauskas was appointed as a new member of the Board of Agrowill Group AB to replace former member of the Board Mindaugas Juozaitis.
- 25.03.2011 Extraordinary shareholders meeting took place, during which they voted for to increase the share capital by issuing 25,000,000 new ordinary registered shares with nominal value of LTL 1 each. The priority right to acquire new shares, i.e. ordinary registered Agrowill Group, AB shares, is not granted to designate persons, since new shares will be publicly offered by following proceedings provided by the Securities law.

**REGISTERED**

WITH THE REGISTER OF LEGAL ENTITIES  
on 11 November 2010  
Registration No. 126264360

**AB AGROWILL GROUP**  
**ARTICLES OF ASSOCIATION**

**PART I. GENERAL PROVISIONS**

- 1.1. AB *Agrowill Group* (**hereinafter referred to as the Company**) is autonomous private legal entity with limited civil liability.
- 1.2. The Company has commercial, economic, financial, organisational and legal autonomy.
- 1.3. The activities of the Company are based on the Civil Code of the Republic of Lithuania, the Law of the Republic of Lithuania on Companies, other laws and regulations of the Republic of Lithuania, and these Articles of Association.
- 1.4. The name of the Company shall be *AB Agrowill Group*.
- 1.5. The legal form of the Company shall be a public limited liability company.
- 1.6. The office of the Company shall be at Smolensko g. 10, Vilnius, Republic of Lithuania.
- 1.7. The period of operation of the Company shall be perpetual.
- 1.8. The financial year of the Company shall be the calendar year.

**PART II. GOALS AND OBJECTIVES OF CORPORATE ACTIVITIES.**  
**CORPORATE PERSONALITY**

- 2.1. The goal of the activities of the Company shall be to operate in common interests of the shareholders of the Company by optimising over time the value of shareholders' equity, and to receive profit by efficiently and productively developing business activities in the following areas:
  - 2.1.1. Farming of animals;
  - 2.1.2. Growing of crops combined with farming of animals;
  - 2.1.3. Land purchases and sales;
  - 2.1.4. Service activities;
  - 2.1.5. Trade and real estate activities;
  - 2.1.6. Wholesale and retail;
  - 2.1.7. Construction;
  - 2.1.8. Intermediation (including financial intermediation);
  - 2.1.9. Manufacture of various products;
  - 2.1.10. Advertising;
  - 2.1.11. Letting of own property, renting of vehicles, machinery and equipment;
  - 2.1.12. Other business activities not forbidden by the laws and regulations of the Republic of Lithuania.
- 2.2. The Company may engage in activities that require a licence or a permit only after it obtains all required licences or permits.
- 2.3. Products, goods and services of the Company may be sold/provided or otherwise assigned in the Republic of Lithuania or abroad.



- 2.4. For the purpose of implementing goals established in these Articles of Association, the Company may do the following in compliance with the applicable laws of the Republic of Lithuania:
  - 2.4.1. Conclude contracts and undertake obligations;
  - 2.4.2. Lend and borrow money. However, when borrowing from its shareholders (hereinafter referred to as Shareholders), the Company may not pledge its assets to Shareholders, and the borrowing of the Company from Shareholders under a loan contract must comply with the provisions of the Law on Companies as well as other laws and regulations of the Republic of Lithuania;
  - 2.4.3. Become an incorporator or a member of other legal entities;
  - 2.4.4. Establish branches and representative offices in the Republic of Lithuania and abroad;
  - 2.4.5. Enjoy other rights and have other obligations, provided they are in compliance with the laws of the Republic of Lithuania.
- 2.5. There is nothing in Article 2.1 of the Articles of Association of the Company to restrict the right of the Company to provide charity and sponsorship or to engage in other non-profit making activities, or the right of the Company to change, suspend or terminate its activities.
- 2.6. The accounting of the Company and its organisation and keeping, also the drawing up of the annual financial accounts and the auditing procedure shall be established by the Law on Companies and other laws and regulations of the Republic of Lithuania.

### **PART III. AUTHORISED CAPITAL OF THE COMPANY. NUMBER AND PAR VALUE OF SHARES**

- 3.1. The authorised capital of the Company shall be LTL 71,552,254 (seventy one million five hundred fifty two thousand two hundred and fifty four).
- 3.2. The authorised capital shall be divided into 71,552,254 (seventy one million five hundred fifty two thousand two hundred and fifty four) ordinary registered shares. The par value of each share shall be LTL 1 (one).
- 3.3. Each share held by the Shareholder confers him one vote in the general meeting of shareholders of the Company.
- 3.4. The shares shall be book-entry shares. They shall be recorded as entries in personal securities accounts of Shareholders. Personal securities accounts of Shareholders shall be operated in accordance with the procedure laid down in laws and regulations regulating the securities market.

### **PART IV. RIGHTS CONFERRED BY SHARES**

- 4.1. Shareholders shall have no property obligations to the Company save for the obligation to pay up, in the established manner, all the shares subscribed for at their issue price.
- 4.2. Where the general meeting of shareholders resolves to cover the losses of the Company with additional contributions of Shareholders, Shareholders voting for such resolution shall have to pay the said contributions. Shareholders who did not attend the general meeting of shareholders or voted against such resolution shall have the right to refrain from paying additional contributions.
- 4.3. Shareholders shall have the following property rights:
  - 4.3.1. To receive a part of the profit of the Company (a dividend);
  - 4.3.2. To receive funds of the Company where the authorised capital of the Company is reduced for the purpose of paying the funds of the Company to Shareholders;
  - 4.3.3. To receive a part of assets of the Company in liquidation;
  - 4.3.4. To receive shares without payment where the authorised capital of the Company is increased out of the funds of the Company, except in cases provided by the Law of the Republic of Lithuania on Companies;
  - 4.3.5. To have the pre-emptive right in acquiring the shares or convertible debentures issued by the Company, except when the general meeting of shareholders resolves to withdraw the

- pre-emptive right for all the Shareholders following the procedure provided by the Law of the Republic of Lithuania on Companies;
- 4.3.6. To transfer all or any of the shares to other persons following the procedure established by these Articles of Association and the laws and regulations of the Republic of Lithuania. Shareholders shall have the right to transfer only fully paid up shares to other persons;
- 4.3.7. To lend money to the Company following the procedure and as provided by the laws of the Republic of Lithuania. However, when borrowing from its Shareholders, the Company may not pledge its assets to the Shareholders. When the Company borrows from a Shareholder, the interest may not be higher than the average interest rate offered by commercial banks of the locality where the lender has his place of residence or business, which was in effect on the day of conclusions of the loan agreement. In this case the Company and Shareholders shall be prohibited from negotiating a higher interest rate;
- 4.3.8. Other property rights provided by the laws and the Articles of Association.
- 4.4. Shares shall be paid up and transferred following the procedure laid down in the laws and regulations.
- 4.5. Shareholders shall have the following non-property rights:
- 4.5.1. To attend the general meeting of shareholders with a casting vote, and to vote at the general meeting of shareholders subject to the rights provided by the shares;
- 4.5.2. To receive information about the Company specified in the Law of the Republic of Lithuania on Companies;
- 4.5.3. To file a claim with the court for reparation of damage resulting from nonfeasance or malfeasance by the Executive Manager of the Company and members of the Board of their obligations established by the laws of the Republic of Lithuania and these Articles of Association, as well as in other cases laid down by law of the Republic of Lithuania;
- 4.5.4. Other non-property rights provided by the laws and the Articles of Association.
- 4.6. Only fully paid up shares shall provide the voting right in the general meeting of shareholders. The right to vote at a general meeting of shareholders may be withdrawn or restricted in cases provided by the laws of the Republic of Lithuania, also in cases when the title to a share is contested.

## **PART V. BODIES OF THE COMPANY**

- 5.1. The bodies of the Company shall be as follows:
- 5.1.1. The general meeting of shareholders, which is the supreme body of the Company;
- 5.1.2. The Supervisory Board, which is a collegial supervisory body;
- 5.1.3. The Board, which is a collegial management body;
- 5.1.4. The Executive Manager, which is a single-person management body.
- 5.2. The bodies of the Company must act in compliance with the following principles:
- 5.2.1. All management bodies of the Company must act in furtherance of the declared strategic objectives of the Company in view of the need to optimise Shareholders' equity;
- 5.2.2. The supervisory and management bodies of the Company must act in close co-operation in order to attain maximum benefit for the Company and its Shareholders;
- 5.2.3. The supervisory and management bodies of the Company must ensure that the rights and interests of persons other than the Shareholders (e.g. employees, creditors, suppliers, clients, local community), participating in or connected with the activities of the Company, are duly respected;
- 5.2.4. The supervisory and management bodies of the Company must 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.
- 5.3. By making decisions that fall under their competence per se, the management bodies of the Company must follow the guidelines of the Corporate Governance Code for the Companies Listed on Vilnius Stock Exchange to the extent it is expedient and relevant in accordance with the activities and goals of the Company.

## **PART VI. GENERAL MEETING OF SHAREHOLDERS**

- 6.1. The general meeting of shareholders shall be the supreme body of the Company.
- 6.2. Persons who are Shareholders of the Company at the closing of the accounting day of the general meeting of shareholders of the Company shall have the right to attend the general meeting of shareholders or the adjourned general meeting of shareholders in person (except as otherwise provided by the laws of the Republic of Lithuania) or by proxy, or may be represented by persons with whom an agreement on the transfer of the voting right has been concluded. The accounting day of the meeting of the Company shall be fifth working day prior to the general meeting of shareholders or the fifth working day prior to the adjourned general meeting of shareholders.
- 6.3. Members of the Supervisory Board, members of the Board, the Executive Manager of the Company and the auditor who prepared the conclusion and report shall have the right to attend and speak at the general meeting of shareholders.
- 6.4. The general meeting of shareholders shall have the exclusive right to:
  - 6.4.1. Amend the Articles of Association of the Company, except in cases provided by the Law of the Republic of Lithuania on Companies;
  - 6.4.2. Elect members of the Supervisory Board;
  - 6.4.3. Revoke the Supervisory Board or its members;
  - 6.4.4. Elect and revoke the firm of auditors, fix the terms of payment for auditing services;
  - 6.4.5. Determine the class, number and set the par value and the minimum emission price of the shares issued by the Company;
  - 6.4.6. Resolve to convert the Company's shares of one class into shares of another class, and approve the procedure of the conversion;
  - 6.4.7. Approve the annual financial accounts;
  - 6.4.8. Resolve on the appropriation of profit (loss);
  - 6.4.9. Resolve on the formation, use, reduction and dissolution of the reserves;
  - 6.4.10. Resolve to issue convertible debentures;
  - 6.4.11. Resolve to withdraw the pre-emptive right for all Shareholders to acquire shares or convertible debentures of the specific issue of the Company;
  - 6.4.12. Resolve to increase the authorised capital;
  - 6.4.13. Resolve to reduce the authorised capital, except in cases provided by the Law of the Republic of Lithuania on Companies;
  - 6.4.14. Resolve on the redemption of own shares by the Company;
  - 6.4.15. Resolve on the reorganisation or division of the Company, and to approve the terms and conditions of such reorganisation or division;
  - 6.4.16. Resolve to transform the Company;
  - 6.4.17. Resolve to restructure the Company;
  - 6.4.18. Resolve to liquidate the Company and to revoke the liquidation of the Company, except in cases provided by the Law of the Republic of Lithuania on Companies;
  - 6.4.19. Elect and revoke the liquidator of the Company, except in cases provided by the Law of the Republic of Lithuania on Companies;
  - 6.4.20. Adopt other resolutions that the laws and regulations prescribe for the exclusive competence of the general meeting of shareholders.
- 6.5. The general meeting of shareholders may also deal with other issues, unless the Law of the Republic of Lithuania on Companies attributes them to the competence of other bodies of the Company and unless these issues per se are the functions of the management bodies.
- 6.6. The general meeting of shareholders shall have no right to delegate the issues falling within the scope of its competence to other bodies of the Company.
- 6.7. The procedure of convocation and organisation of the general meeting of shareholders as well as adoption of resolutions thereof are provided by the Law of the Republic of Lithuania on Companies.

## **PART VII. SUPERVISORY BOARD**

- 7.1. The Supervisory Board shall be a collegial body supervising the activities of the Company.

- 7.2. The Supervisory Board shall have 5 (five) members. The Supervisory Board shall be elected for the term of 2 (two) years.
- 7.3. The Supervisory Board shall be directed by its Chairman. The Chairman shall be elected by the Supervisory Board from among its members.
- 7.4. The following persons may not serve as members of the Supervisory Board:
  - 7.4.1. The Executive Manager of the Company, the manager of a subsidiary of the Company or the manager of the parent company;
  - 7.4.2. A member of the Board of the Company, a subsidiary company or the parent company of the Company;
  - 7.4.3. A person who under the legal acts may not serve in this office.
- 7.5. In order to ensure the proper supervision of the management bodies of the Company, the meetings of the Supervisory Board must be convened at least once a quarter according to the approved schedule. The meeting of the Supervisory Board shall be convened by the Chairman of the Supervisory Board. Meetings of the Supervisory Board may also be convened by the decision of at least 1/3 of all members of the Supervisory Board.
- 7.6. The Supervisory Board shall:
  - 7.6.1. Elect members of the Board and remove them from office. If the Company is operating at a loss, the Supervisory Board must consider the suitability of the Board members for their office;
  - 7.6.2. Monitor and control the activities of the Board or the Executive Manager of the Company;
  - 7.6.3. Continuously issue recommendations to the Board and the Executive Manager of the Company regarding the management of the Company;
  - 7.6.4. Make proposals and comments to the general meeting of shareholders on the operating strategy of the Company, annual financial statements, the draft of the profit appropriation and the annual report of the Company, also on the activities of the Board and of the Executive Manager of the Company;
  - 7.6.5. Submit proposals to the Board and the Executive Manager of the Company to revoke their resolutions which conflict with the laws and regulations of the Republic of Lithuania, the Articles of Association or resolutions of the general meeting of shareholders;
  - 7.6.6. Propose the firm of auditors for the general meeting of shareholders;
  - 7.6.7. Consider other issues related to the supervision of the activities of the Company and its management bodies and attributed to the competence of the Supervisory Board by these Articles of Association or resolutions of the general meeting of shareholders; also, adopt resolutions that fall per se under the competence of the Supervisory Board;
  - 7.6.8. Ensure that the general meeting of shareholders properly informs the Shareholders about the affairs and strategies of the Company, risk management and resolution of conflicts of interest;
  - 7.6.9. Ensure integrity and transparency of the financial statements and the control system of the Company;
  - 7.6.10. Following the established procedure, approve 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 persons or legal entities that exert or may exert influence on the management of the Company;
  - 7.6.11. Be liable for the efficient, objective and unbiased supervision of the activities of the management bodies of the Company and of the representation of the interests of the minority Shareholders.
- 7.7. Rules of procedure approved by the Supervisory Board shall establish the working procedure of the Supervisory Board.
- 7.8. The Supervisory Board shall have no right to assign or delegate the functions that the Law of the Republic of Lithuania on Companies and the Articles of Association of the Company attribute to its competence to other bodies of the Company.
- 7.9. In order to increase the efficiency of operations of the Supervisory Board and to ensure that decisions are based on due consideration and that the work is organised with a view to ensuring that decisions the Supervisory Board takes are free of material conflicts of interest, the Supervisory Board may set up committees. Irrespective of the structuring of the committee, the Supervisory Board shall remain fully liable for decisions taken within the scope of its competence.

- 7.10. The procedure of the election of members of the Supervisory Board and removing them from office, and other issues related to the activities of the Supervisory Board and not reflected in these Articles of Association shall be regulated by the Law of the Republic of Lithuania on Companies and by other laws and regulations.

## **PART VIII. BOARD**

- 8.1. The Board shall be a collegial management body of the Company.
- 8.2. The Board shall have 5 (five) members. The Board shall be elected for the term of 2 (two) years.
- 8.3. The Board shall elect a Chairman from among its members.
- 8.4. The following persons may not serve as members of the Board:
- 8.4.1. A member of the Supervisory Board of the Company, a subsidiary company or the parent company of the Company;
- 8.4.2. A person who under the legal acts may not serve in this office.
- 8.5. The Board shall consider and approve:
- 8.5.1. The operating strategy of the Company. The Board shall be responsible for preparation of the operational strategy of the Company. The operational strategy and goals of the Company shall be made public. The implementation of the strategy shall be introduced to the Shareholders at an annual general meeting of shareholders;
- 8.5.2. The annual report of the Company;
- 8.5.3. The structure of management and positions in the Company;
- 8.5.4. The positions to which employees are recruited by holding competitions;
- 8.5.5. Regulations of branches and representative offices of the Company.
- 8.6. The Board shall elect and revoke the Executive Manager of the Company, fix his remuneration and other terms and conditions of the employment contract, approve his job description, provide incentives for him and impose penalties.
- 8.7. The Board shall determine which information shall be considered to be the commercial secret of the Company. Any information which must be publicly available under the Law of the Republic of Lithuania on Companies and under other laws of the Republic of Lithuania may not be considered to be the commercial secret.
- 8.8. The Board shall adopt the following resolutions:
- 8.8.1. Resolutions for the Company to become an incorporator or a member of other legal entities;
- 8.8.2. Resolutions to open branches and representative offices of the Company;
- 8.8.3. Resolutions to invest, transfer or lease the fixed assets the book value whereof exceeds 1/20 of the authorised capital of the Company (calculated individually for every type of transaction);
- 8.8.4. Resolutions to pledge or mortgage the fixed assets the book value whereof exceeds 1/20 of the authorised capital of the Company (calculated for the total amount of transactions);
- 8.8.5. Resolutions to offer surety or guarantee for the discharge of obligations of third parties the amount whereof exceeds 1/20 of the authorised capital of the Company;
- 8.8.6. Resolutions to acquire fixed assets the price whereof exceeds 1/20 of the authorised capital of the Company;
- 8.8.7. Resolutions on transactions of the company with the value exceeding LTL 3,000,000 (three million);
- 8.8.8. Resolutions on taking loans with the value exceeding LTL 3,000,000 (three million);
- 8.8.9. Resolutions to restructure the Company in cases laid down in the Law of the Republic of Lithuania on Restructuring of Enterprises;
- 8.8.10. Resolutions to issue debentures;
- 8.8.11. Other resolutions within the powers of the Board as prescribed by these Articles of Association or the resolutions of the general meeting of shareholders.
- 8.9. Before making a decision on the investment of funds or other assets in another legal entity, the Board must notify thereof the creditors wherewith the Company failed to settle within the prescribed time limit, if the aggregate amount of arrears to these creditors exceeds 1/20 of the authorised capital of the Company.

- 8.10. In order to ensure the continuous solving of the key issues of the management of the Company, the meetings of the Board must be convened at least once a month according to the approved schedule.
- 8.11. The Board shall analyse and evaluate the documents submitted by the Executive Manager of the Company on:
  - 8.11.1. Implementation of the operating strategy of the Company;
  - 8.11.2. Organisation of the activities of the Company;
  - 8.11.3. Financial standing of the Company;
  - 8.11.4. Performance results, income and expenditure estimates, the stocktaking data and other accounting data of changes in the assets.
- 8.12. The Board shall analyse and assess the draft annual financial accounts and the draft of profit (loss) appropriation of the Company, and shall submit them together with the annual report of the Company to the Supervisory Board and the general meeting of shareholders. The Board shall determine the methods used by the Company to calculate the depreciation of tangible assets and the amortisation of intangible assets.
- 8.13. The Board shall be liable for the timely convention and organisation of general meetings of shareholders.
- 8.14. At the request of the Supervisory Board, the Board must provide the Supervisory Board with documents related to the activities of the Company.
- 8.15. Rules of procedure approved by the Board shall establish the working procedure of the Board.
- 8.16. The procedure of the election and removal of the Board, and other issues related to the activities of the Board and not reflected in these Articles of Association shall be regulated by the Law of the Republic of Lithuania on Companies and by other laws and regulations.

### **PART IX. EXECUTIVE MANAGER**

- 9.1. The Executive Manager of the Company is a single-person management body of the Company. A person may not be the Executive Manager of the Company if under the laws and regulations he is not entitled to hold the position.
- 9.2. The Executive Manager of the Company shall be called the Director General.
- 9.3. The Executive Manager of the Company shall be responsible for:
  - 9.3.1. Organisation of the activities and the implementation of the objectives of the Company;
  - 9.3.2. Drawing up of the annual financial accounts and the annual report of the Company;
  - 9.3.3. Conclusion of the contract with the firm of auditors, if the audit is prescribed by the laws or the Articles of Association of the Company;
  - 9.3.4. Provision of information and documents to the general meeting of shareholders, the Supervisory Board and the Board in cases laid down in the Law of the Republic of Lithuania on Companies or at their request;
  - 9.3.5. Provision of documents and particulars of the Company to the Registrar of the Register of Legal Entities;
  - 9.3.6. Provision of documents of the Company to the Securities Commission and to the Central Securities Depository of Lithuania;
  - 9.3.7. Publication of information referred to in the Law of the Republic of Lithuania on Companies in the daily indicated in the Articles of Association of the Company;
  - 9.3.8. Provision of information to Shareholders;
  - 9.3.9. Provision the Board and the Supervisory Board with all information required for proper performance of duties of these collegial bodies;
  - 9.3.10. Performance of other duties laid down in the Law of the Republic of Lithuania on Companies and other laws and regulations as well as in the Articles of Association of the Company and the job description of the Executive Manager of the Company.
- 9.4. The Executive Manager of the Company may enter into transactions with the third party on behalf of the Company the value of which exceeds LTL 200,000 (two hundred thousand) only with the prior written authorisation of the Board. The authorisation granted by the Board shall not void the liability of the Executive Manager of the Company for the entry into transactions described in this paragraph.

- 9.5. The Executive Manager of the Company shall organise daily activities of the Company, hire and dismiss employees, conclude and terminate employment contracts with them, provide incentives and impose penalties.
- 9.6. The Executive Manager of the Company shall set the rates used for calculating asset depreciation in the Company.
- 9.7. The activities of the Executive Manager of the Company shall be based on the laws and regulations, these Articles of Association, resolutions of the general meeting of shareholders, resolutions of the Supervisory Board and the Board, and the job description.
- 9.8. The Executive Manager of the Company alone can issue a procuration. A procuration shall be issued in writing, in three copies; one copy shall remain at the Company, one copy shall be submitted to the Registrar of the Register of Legal Entities, and one copy shall be issued to the procurist. The procuration shall, among other things, state the personal data of the procurist (full name, personal number, domicile) and the scope of powers of the procurist.
- 9.9. The procuration must be registered with the Register of Legal Entities following the procedure established by the law. The procuration shall govern the relationship between the procurist and the third party as of its registration following the procedure established by the law. The procuration shall govern the relationship between the principal and the procurist as of the date of its issue.
- 9.10. The liability of the procurist, the expiration of the procuration and other issues related to the procuration shall be regulated by the Civil Code and other laws and regulations of the Republic of Lithuania.

## **PART X. NOTICES OF THE COMPANY**

- 10.1. Periodic and current information (including information on material events) stated in the Law of the Republic of Lithuania on Securities that the Company has to disclose shall be published as provided in the said law. Other information and notices that have to be published by the Company (including notices on the reorganisation of the Company or the reduction of the authorised capital) shall be announced in the e-publication of the Registrar of Legal Entities for public announcements, or shall be sent to each Shareholder or to another person entitled to the notice by a registered letter or by delivering the notice against the signed acknowledgement of the receipt. Prior to the commencement of the e-publication of the Registrar of Legal Entities, also where notices cannot be published in the said e-publication due to technical reasons, notices shall be published in the *Respublika* daily, or sent to each Shareholder or to another person entitled to the notice by a registered letter or by delivering the notice against the signed acknowledgement of the receipt. Notices of the Company shall be published and/or sent observing the deadlines established by the laws of the Republic of Lithuania, these Articles of Association and respective resolutions of the bodies of the Company. The Executive Manager of the Company shall be liable for the proper publishing or timely delivery of the notices of the Company.

## **PART XI. PROCEDURE FOR PROVIDING DOCUMENTS AND FURTHER INFORMATION OF THE COMPANY TO SHAREHOLDERS**

- 11.1. At the written request of the Shareholder the Company shall, within 7 (seven) days from the date of receipt of the request, grant the Shareholder access to and/or provide him with copies of the following documents: the Articles of Association of the Company, annual financial accounts, annual reports of the Company, auditor's opinions and audit reports, minutes of the general meeting of shareholders and other documents whereby the resolutions of the general meeting of shareholders have been executed, proposals or responses of the Supervisory Board to the general meeting of shareholders, lists of Shareholders, lists of members of the Supervisory Board and the Board, and other documents of the Company that have to be public by law; also, minutes of the meetings of the Supervisory Board and the Board and other documents whereby the resolutions of the said bodies of the Company have been executed, unless they contain commercial secret. A Shareholder or a group of Shareholders who hold or control more than 1/2 of shares shall have the right of access to all documents of the Company upon giving the Company a written pledge in the form prescribed by the Company not to disclose the commercial secret.
- 11.2. Documents and further information of the Company shall be provided to Shareholders in compliance with the following conditions:
  - 11.2.1. Upon providing the Company with a written application in the prescribed form and content;
  - 11.2.2. During the working hours of the Company;





AB Agrowill Group

2011 04 22

Following the law on Securities of the Republic of Lithuania and the Rules for the Drawing up and the Submission of the Periodic and the Additional Information approved by the Lithuanian Securities Commission, hereby confirm that, to the best of our knowledge, the attached Consolidated financial statements of Agrowill Group AB for the years ended 31 December 2008, 2009 and 2010, prepared in accordance with International Financial Reporting Standards, give a true and fair view of the assets, liabilities, financial position and profit or loss of consolidated Agrowill Group AB. Presented Consolidated annual report includes a fair review of the development and performance of the business and the position of the consolidated Group in relation to the description of the main risks and contingencies faced thereby.

ENCLOSURE: Consolidated financial statements and consolidated annual report of Agrowill Group AB for the years ended 31 December 2008, 2009 and 2010.

Chairman of the Board ..... Vladas Bagavičius

Chief Financial Officer ..... Domantas Savičius

AB „Agrowill Group“

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[www.agrowill.lt](http://www.agrowill.lt)

Bankas

AB „DnB NORD bankas“

Banko kodas 40100

A/s LT124010049500254662

**AGROWILL GROUP AB**

*Independent Auditor's Report,  
Consolidated Annual Report and Consolidated  
Financial Statements for the Years Ended  
31 December 2008, 2009, and 2010*

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*Our report has been prepared in Lithuanian and English languages. In all matters of interpretation of information, views or opinions, the Lithuanian language version of our report takes precedence over the English language version.*

## **Independent Auditor's Report**

To the shareholders of Agrowill Group AB

### **Report on the financial statements**

We have audited the accompanying consolidated financial statements ('the financial statements') of Agrowill Group AB and its subsidiaries (collectively 'the Group') set out on pages 17–65 which comprise the consolidated balance sheets as of 31 December 2010, 31 December 2009 and 31 December 2008, and the consolidated statements of comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows for the three years then ended, and a summary of significant accounting policies and other explanatory information.

#### *Management's responsibility for the financial statements*

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

#### *Auditor's responsibility*

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

#### *Basis for Qualified Opinion – Limitation of Scope*

We did not observe the counting of the Group's physical inventory stated at LTL 7,255 thousand as of 31 December 2009 since this date was prior to our appointment as auditors of the statutory financial statements as of 31 December 2009. We were unable to satisfy ourselves as to the inventory quantities at this date by other audit procedures.

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T: +370 (5) 239 2300, F: +370 (5) 239 2301, E-mail: vilnius@lt.pwc.com, www.pwc.com/lt*



### *Qualified Opinion*

In our opinion, except for the possible effect of the matter described in the Basis for Qualified Opinion – Limitation of Scope paragraph, the accompanying financial statements give a true and fair view of the financial position of the Group as of 31 December 2010, 31 December 2009 and 31 December 2008, and of its financial performance and its cash flows for the three years then ended in accordance with International Financial Reporting Standards as adopted by the European Union.

### *Emphasis of Matter*

We draw attention to Note 2.1 in the financial statements which discloses the Group's assumptions about its ability to continue as a going concern. The going concern assumption is dependent on the successful approval and implementation of the Restructuring plans as well as the Group's possibilities to operate at a profit in the future. These conditions, along with other matters as set forth in Note 2.1, indicate the existence of a material uncertainty which may cast significant doubt about the Group's ability to continue as a going concern. Our opinion is not qualified in respect of this matter.

### **Report on other legal and regulatory requirements**

Furthermore, we have read the consolidated Annual Report for the year ended 31 December 2010 set out on pages 5–16, including its Annex set out on pages 66–85, and have not noted any material inconsistencies between the financial information included in it and the audited financial statements for the year ended 31 December 2010.

On behalf of PricewaterhouseCoopers UAB

Rimvydas Jogėla  
Partner  
Auditor's Certificate No.000457  
Authorised to act for and on behalf of PricewaterhouseCoopers, UAB  
based on the Power of Attorney dated 16 June 2010

Vilnius, Republic of Lithuania  
22 April 2011

**CONSOLIDATED ANNUAL REPORT FOR THE YEAR 2010**

**AGROWILL GROUP AB AND THE SUBSIDIARIES CONSOLIDATED  
ANNUAL REPORT FOR THE YEAR 2010**

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

Consolidated annual report was prepared for the year ended 31 December 2010.

**2. Key data on the Group**

Name of the company: Agrowill Group AB (hereinafter – AWG or the Parent Company)  
Share capital: LTL 71,552,254  
Address of headquarters: Smolensko g. 10, LT-03201 Vilnius, Lietuva  
Telephone: (8~5) 233 53 40  
Fax: (8~5) 233 53 45  
E-mail address: [info@agrowill.lt](mailto:info@agrowill.lt)  
Website: [www.agrowill.lt](http://www.agrowill.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 2010 the Group was comprised of the Parent Company and it's 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 „AVG Investment“	Joint company	stock 2005-02-10, Registrar	State 300087691	Smolensko Vilnius st. 10,	(8~5) 233 53 40; fax: (8~5) 233 53 45, email <a href="mailto:info@agrowill.lt">info@agrowill.lt</a>
BUAB “AWG Investment 1”	Joint company	stock 2008-06-18, Registrar	State 301745765	Smolensko Vilnius st. 10,	(8~5) 233 53 40; fax: (8~5) 233 53 45, email <a href="mailto:info@agrowill.lt">info@agrowill.lt</a>
UAB „AVG Investment 2“	Joint company	stock 2008-07-24, Register	State 301807590	Smolensko Vilnius str. 10,	(8~5) 233 53 40; fax: (8~5) 233 53 45, email <a href="mailto:info@agrowill.lt">info@agrowill.lt</a>
UAB „Agrowill Trade“	Joint company	stock 2008-07-24, Register	State 301807601	Smolensko Vilnius str. 10,	(8~5) 233 53 40; fax: (8~5) 233 53 45, email <a href="mailto:info@agrowill.lt">info@agrowill.lt</a>
UAB „Abagrain“	Joint company	stock 2007-04-26, Register	State 300713565	Adutiškio Vilnius str. 3-3,	(8~5) 203 26 86; fax: (8~5) 203 26 87, email <a href="mailto:info@agrowill.lt">info@agrowill.lt</a>
UAB „Grain Lt“	Joint company	stock 2010-03-17, Register	State 302489354	Adutiškio Vilnius str. 3-3,	(8~5) 203 26 86; fax: (8~5) 203 26 87, email <a href="mailto:info@agrowill.lt">info@agrowill.lt</a>
UAB „Baltic farming land management“	Joint company	stock 2008-10-13, Register	State 302003546	Smolensko Vilnius str. 10,	(8~5) 233 53 40; fax: (8~5) 233 53 45, email <a href="mailto:info@agrowill.lt">info@agrowill.lt</a>
ŽŪB „Žemės fondas“	Agricultural entity	2006-04-07, Register	State 300558595	Smolensko Vilnius str. 10,	(8~5) 233 53 40; fax: (8~5) 233 53 45, el. p. <a href="mailto:info@agrowill.lt">info@agrowill.lt</a>
UAB „Žemės vystymo fondas“	Joint company	stock 2004-09-28, Registrar	State 300057335	Smolensko Vilnius st. 10,	(8~5) 233 53 40; fax: (8~5) 233 53 45, email <a href="mailto:info@agrowill.lt">info@agrowill.lt</a>
UAB „Žemės vystymo fondas 1“	Joint company	stock 2005-10-11, Registrar	State 300151101	Smolensko Vilnius st. 10,	(8~5) 233 53 40; fax: (8~5) 233 53 45, email <a href="mailto:info@agrowill.lt">info@agrowill.lt</a>
UAB „Žemės vystymo fondas 2“	Joint company	stock 2005-10-11, Registrar	State 300151126	Smolensko Vilnius st. 10,	(8~5) 233 53 40; fax: (8~5) 233 53 45, email <a href="mailto:info@agrowill.lt">info@agrowill.lt</a>
UAB „Žemės vystymo fondas 3“	Joint company	stock 2005-10-11, Registrar	State 300151165	Smolensko Vilnius st. 10,	(8~5) 233 53 40; fax: (8~5) 233 53 45, email <a href="mailto:info@agrowill.lt">info@agrowill.lt</a>
UAB „Žemės vystymo fondas 4“	Joint company	stock 2006-08-10, Registrar	State 300589669	Smolensko Vilnius st. 10,	(8~5) 233 53 40; fax: (8~5) 233 53 45, email <a href="mailto:info@agrowill.lt">info@agrowill.lt</a>
UAB „Žemės vystymo fondas 5“	Joint company	stock 2006-08-10, Registrar	State 300589683	Smolensko Vilnius st. 10,	(8~5) 233 53 40; fax: (8~5) 233 53 45, email <a href="mailto:info@agrowill.lt">info@agrowill.lt</a>

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<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 „Žemės vystymo fondas 6“	Joint company	stock 2006-08-10, Registrar	State 300589719	Smolensko st. 10, Vilnius	(8~5) 233 53 40; fax: (8~5) 233 53 45, email <a href="mailto:info@agrowill.lt">info@agrowill.lt</a>
UAB „Žemės vystymo fondas 7“	Joint company	stock 2007-01-17, Registrar	State 300634420	Smolensko st. 10, Vilnius	(8~5) 233 53 40; fax: (8~5) 233 53 45, email <a href="mailto:info@agrowill.lt">info@agrowill.lt</a>
UAB „Žemės vystymo fondas 8“	Joint company	stock 2007-07-16, Registrar	State 300921776	Smolensko st. 10, Vilnius	(8~5) 233 53 40; fax: (8~5) 233 53 45, email <a href="mailto:info@agrowill.lt">info@agrowill.lt</a>
UAB „Žemės vystymo fondas 9“	Joint company	stock 2006-03-09, Registrar	State 300547638	Smolensko st. 10, Vilnius	(8~5) 233 53 40; fax: (8~5) 233 53 45, email <a href="mailto:info@agrowill.lt">info@agrowill.lt</a>
UAB „Žemės vystymo fondas 10“	Joint company	stock 2008-01-10, Registrar	State 301522723	Smolensko st. 10, Vilnius	(8~5) 233 53 40; fax: (8~5) 233 53 45, email <a href="mailto:info@agrowill.lt">info@agrowill.lt</a>
UAB „Žemės vystymo fondas 11“	Joint company	stock 2005-05-12, Registrar	State 300114042	Smolensko st. 10, Vilnius	(8~5) 233 53 40; fax: (8~5) 233 53 45, email <a href="mailto:info@agrowill.lt">info@agrowill.lt</a>
UAB „Žemės vystymo fondas 12“	Joint company	stock 2005-03-08, Registrar	State 300094383	Smolensko st. 10, Vilnius	(8~5) 233 53 40; fax: (8~5) 233 53 45, email <a href="mailto:info@agrowill.lt">info@agrowill.lt</a>
UAB „Žemės vystymo fondas 14“	Joint company	stock 2006-08-10, Registrar	State 300589726	Smolensko st. 10, Vilnius	(8~5) 233 53 40; fax: (8~5) 233 53 45, email <a href="mailto:info@agrowill.lt">info@agrowill.lt</a>
UAB „Žemės vystymo fondas 15“	Joint company	stock 2006-08-10, Registrar	State 300589733	Smolensko st. 10, Vilnius	(8~5) 233 53 40; fax: (8~5) 233 53 45, email <a href="mailto:info@agrowill.lt">info@agrowill.lt</a>
UAB „Žemės vystymo fondas 16“	Joint company	stock 2006-08-10, Registrar	State 300589740	Smolensko st. 10, Vilnius	(8~5) 233 53 40; fax: (8~5) 233 53 45, email <a href="mailto:info@agrowill.lt">info@agrowill.lt</a>
UAB „Žemės vystymo fondas 17“	Joint company	stock 2007-01-17, Registrar	State 300634388	Smolensko st. 10, Vilnius	(8~5) 233 53 40; fax: (8~5) 233 53 45, email <a href="mailto:info@agrowill.lt">info@agrowill.lt</a>
UAB „Žemės vystymo fondas 18“	Joint company	stock 2007-01-17, Registrar	State 300634406	Smolensko st. 10, Vilnius	(8~5) 233 53 40; fax: (8~5) 233 53 45, email <a href="mailto:info@agrowill.lt">info@agrowill.lt</a>
UAB „Žemės vystymo fondas 19“	Joint company	stock 2007-06-21, Registrar	State 300886948	Smolensko st. 10, Vilnius	(8~5) 233 53 40; fax: (8~5) 233 53 45, email <a href="mailto:info@agrowill.lt">info@agrowill.lt</a>
UAB „Žemės vystymo fondas 20“	Joint company	stock 2007-06-22, Registrar	State 300887726	Smolensko st. 10, Vilnius	(8~5) 233 53 40; fax: (8~5) 233 53 45, email <a href="mailto:info@agrowill.lt">info@agrowill.lt</a>
UAB „Žemės vystymo fondas 21“	Joint company	stock 2007-07-16, Registrar	State 300921783	Smolensko st. 10, Vilnius	(8~5) 233 53 40; fax: (8~5) 233 53 45, email <a href="mailto:info@agrowill.lt">info@agrowill.lt</a>
UAB „Žemės vystymo fondas 22“	Joint company	stock 2008-01-10, Registrar	State 301522730	Smolensko st. 10, Vilnius	(8~5) 233 53 40; fax: (8~5) 233 53 45, email <a href="mailto:info@agrowill.lt">info@agrowill.lt</a>
ŽŪB „Agrowill Spindulys“	Agricultural entity	1993-04-09, Radviliškis district municipality	171330414	Vaitiekūnai, Grinkiškis mun., LT-82380 Radviliškis distr.	(8~5) 233 53 40; fax: (8~5) 233 53 45, email <a href="mailto:info@agrowill.lt">info@agrowill.lt</a>
ŽŪB „Agrowill Smilgiai“	Agricultural entity	1992-09-16, Panevėžys district municipality	168548972	Panevėžys str. 23, Smilgiai, Smilgiai mun., LT-38375	(8~5) 233 53 40; fax: (8~5) 233 53 45, email <a href="mailto:info@agrowill.lt">info@agrowill.lt</a>
ŽŪB „Agrowill Skėmiai“	Agricultural entity	1992-10-01, Radviliškis district municipality	171306071	Skėmiai, Skėmiai mun., LT-82350 Radviliškis distr.	(8~5) 233 53 40; fax: (8~5) 233 53 45, email <a href="mailto:info@agrowill.lt">info@agrowill.lt</a>
ŽŪB „Agrowill Nausodė“	Agricultural entity	1992-08-11, Anykščiai district municipality	154179675	Kirmėliai, Troškūnai mun., LT-29178 Anykščiai distr.	(8~5) 233 53 40; fax: (8~5) 233 53 45, email <a href="mailto:info@agrowill.lt">info@agrowill.lt</a>
ŽŪB „Agrowill Dumšiškės“	Agricultural entity	1992-09-29, LR Raseiniai district board	172276179	Paraseinis, Paliepiei mun., LT-60194 Raseiniai distr.	(8~5) 233 53 40; fax: (8~5) 233 53 45, email <a href="mailto:info@agrowill.lt">info@agrowill.lt</a>
ŽŪB „Agrowill Žadžiūnai“	Agricultural entity	1992-06-30, Šiauliai district municipality	175706853	Gudeliai str. 30, Žadžiūnai, Kairiai mun. Liepos 6-osios str. 18, Mantviliškis, Dotnuva mun., LT-58332 Kėdainiai distr.	(8~5) 233 53 40; fax: (8~5) 233 53 45, email <a href="mailto:info@agrowill.lt">info@agrowill.lt</a>
ŽŪB „Agrowill Mantviliškis“	Agricultural entity	1992-11-06, Kėdainiai district board	161274230	Kėdainiai distr.	(8~5) 233 53 40; fax: (8~5) 233 53 45, email <a href="mailto:info@agrowill.lt">info@agrowill.lt</a>

**CONSOLIDATED ANNUAL REPORT FOR THE YEAR 2010**

Name	Legal form	Date and place of registration	Company code	Address	Phone, fax and email
ŽŪB „Agrowill Alanta“	Agricultural entity	1992-06-29, Molėtai district municipality	167527719	Ukmergės str. 7, Alanta mun. LT-33312 Molėtai distr.	(8~5) 233 53 40; fax: (8~5) 233 53 45, email <a href="mailto:info@agrowill.lt">info@agrowill.lt</a>
ŽŪB „Agrowill Eimučiai“	Agricultural entity	1992-06-29, Šiauliai district municipality	175705032	Eimučiai, Kairiai mun., 80101 Šiauliai distr.	(8~5) 233 53 40; fax: (8~5) 233 53 45, email <a href="mailto:info@agrowill.lt">info@agrowill.lt</a>
ŽŪB „Agrowill Vėriškės“	Agricultural entity	1992-09-29, Radviliškis district municipality	171305165	Vėriškės, Šeduva mun., LT-77199 Radviliškis distr.	(8~5) 233 53 40; fax: (8~5) 233 53 45, email <a href="mailto:info@agrowill.lt">info@agrowill.lt</a>
ŽŪB „Agrowill Lankesa“	Agricultural entity	1999-04-06, Jonava district municipality	156913032	Ukmergė str. 44, Bukoniai, Bukoniai mun., LT-55075 Jonava distr.	(8~5) 233 53 40; fax: (8~5) 233 53 45, email <a href="mailto:info@agrowill.lt">info@agrowill.lt</a>
ŽŪB „Agrowill Želsvelė“	Agricultural entity	1992-07-03, Marijampolė municipality	165666499	Želsva, Liudvinavas mun., LT-69193 Marijampolė mun.	(8~5) 233 53 40; fax: (8~5) 233 53 45, email <a href="mailto:info@agrowill.lt">info@agrowill.lt</a>
ŽŪB „Agrowill Kairėnai“	Agricultural entity	1993-03-02, Radviliškis district municipality	171327432	Kairėnai, Grinkiškis mun., LT-82031 Radviliškis distr.	(8~5) 233 53 40; fax: (8~5) 233 53 45, email <a href="mailto:info@agrowill.lt">info@agrowill.lt</a>
ŽŪB „Agrowill Jurbarkai“	Agricultural entity	1992-07-31, Jurbarkas district municipality	158174818	Rytas str. 2, Jurbarkai, LT-74205 Jurbarkai distr.	(8~5) 233 53 40; fax: (8~5) 233 53 45, email <a href="mailto:info@agrowill.lt">info@agrowill.lt</a>
Grūduva UAB	Joint stock company	1997-02-24, Šakiai district municipality	174401546	Gotlybiškiai, Šakiai mun., LT-71372, Marijampolė distr.	(8~5) 233 53 40; fax: (8~5) 233 53 45, email <a href="mailto:info@agrowill.lt">info@agrowill.lt</a>
Panevežio region ŽŪB „Gustoniai“	Agricultural entity	1992-12-09, Panevėžys district municipality	168565021	Smolensko str. 10, Vilnius	(8~5) 233 53 40; fax: (8~5) 233 53 45, email <a href="mailto:info@agrowill.lt">info@agrowill.lt</a>
Agrowill group S.R.L.	Closed joint stock company	2008-07-01, Republic of Moldova	100860003153	Kogalniceanu Mihail, 51, Chisinau mun., Moldova	(8~5) 233 53 40; fax: (8~5) 233 53 45, email <a href="mailto:info@agrowill.lt">info@agrowill.lt</a>
Agroprom ZAO	Closed joint stock company	2008-09-01, Russian Federation	108774606123	Baimanskaja st. 7-10, Moscow, Russia	(8~5) 233 53 40; fax: (8~5) 233 53 45, email <a href="mailto:info@agrowill.lt">info@agrowill.lt</a>

The closed joint stock subsidiary companies are engaged in buying and renting land, while subsidiary agricultural entities are engaged in agricultural commodities (milk, grain, and rapeseed) production and realisation.

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

Operations area: Agriculture  
 Main products manufactured: Milk production and sale, grain, rapeseed growth and sale, rent of land.

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

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

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

The Parent Company and FMĮ Orion Securities UAB (A. Tumėno st. 4, B korpusas, LT-01109, Vilnius) have signed and market making agreement regarding Agrowill Group AB shares. The agreement was terminated on 24 May 2009.

### 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 1 (one) LTL.

Reporting period	Price, LTL			Date of last session	Total turnover	
	Max	Min	Last session		Units	LTL, mill
I quarter 2010	0.45	0.32	0.42	2010.03.31	2,998,555	1.129
II quarter 2010	0.68	0.44	0.58	2010.06.30	1,897,348	0.975



**CONSOLIDATED ANNUAL REPORT FOR THE YEAR 2010**

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III quarter 2010	1.40	0.62	1.15	2010.09.30	4,482,263	5.095
IV quarter 2010	1.37	0.76	0.912	2010.12.30	4,445,673	4.890

**CONSOLIDATED ANNUAL REPORT FOR THE YEAR 2010**

On 25 June 2008, the Parent Company issued LTL 16 million of bonds into public trading:

Name of issued securities	369 days duration bonds
Number of issued bonds	160,000 units
Nominal value	LTL 100 or EUR 28.9620
Total nominal value	LTL 16,000,000, or EUR 4,633,920
Price of emission	LTL 88.5478 – 89.0472 or EUR 25.6452 – 25.7899
Currency of emission	LTL or EUR
Interest rate	12 %
Interest amount	LTL 11.4522 – 10.9528 for one bond
Redemption date	29 June 2009
Start of subscription period	6 June 2008
End of subscription period	25 June 2008
Payment date for bonds	On the day of subscription
Interest payment date	29 June 2009
Type of securities emission	Public emission
Restrictions on transfers of securities	None
Conversion of securities	None

All payments related to the payment for bonds emission, redemption of bonds and payment of interest are made in LTL or EUR. The bonds can not be redeemed before the redemption date either on demand by the Issuer, or the investor. The Parent Company did announce that it will not redeem the above mentioned bonds issue on time.

Trading information of Agrowill Group AB bonds on NASDAQ OMX Vilnius Stock Exchange:

Reporting period	Price, %			Date of last session	Total turnover	
	max	min	Last session		Units	LTL, million
I quarter 2010	-	-	-	2010.03.31	-	-
II quarter 2010	-	-	-	2010.06.30	-	-
III quarter 2010	-	-	-	2010.09.30	-	-
IV quarter 2010	-	-	-	2010.12.30	-	-

The Parent Company had also issued three non-public bonds issues, which are not traded in the open market:

Issue date	Term	Redemption date	Nominal value	Interest rate
23 December 2008	90 days	22 March 2009	LTL 2,275,000	12 %
20 January 2009	90 days	20 April 2009	LTL 315,000	14 %
25 June 2008	369 days	29 June 2009	LTL 8,816,000	14 %

The Parent Company did also announce that it will not redeem the above mentioned bonds issues on time.

On 1 March 2010, Vilnius district court has decided to initiate the Restructuring case for Agrowill Group AB. This ruling was sued to the Court of Appeal. On 20 May 2010 Lithuanian Court of Appeal left in force the ruling of a lower Court. After the Companies Restructuring Plan will be approved, the outstanding bonds will be paid back according to the Restructuring plan.

Certain bondholders made agreements with the Parent Company to exchange the monetary claims arising from holding of bonds against newly issued shares in August and October of 2010. As at 31 December 2010, the amount owed to the bondholders amounted to LTL 8,886 thousand.

## **6. Groups financial and operating results analysis, information on personnel**

### **Main performance indicators**

Main financial figures, LTL thousand	2010	2009	2008
Revenues	45,165	48,277	58,712
Direct subsidies	11,448	12,178	9,647
Gross profit	19,018	(9,293)	(2,416)
Operating profit	7,736	(44,487)	(6,772)
Financial expenses,	(6,824)	(12,879)	(13,035)
Net profit	7,297	(54,072)	(34,863)
EBITDA	8,751	(8,186)	4,600
EBITDA margin, %	19.38	(16.96)	7.83

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	<b>2010</b>	<b>2009</b>	<b>2008</b>
<b>Ratios</b>			
ROA, %	2.76	(14.37)	(2.46)
ROE, %	9.49	(86.12)	(44.13)
Liquidity ratio	0.43	0.18	0.37
Quick ratio	0.32	0.13	0.25

The financial indicators of the Group for 2010 are much better than in 2009. The main reason for increase are the improved efficiency of Group's operations which resulted in significant improvement of gross profit. The Group made significant cost cuts as compared to previous years and, together with starting restructuring of the Group entities, the financing costs decreased as well. The consolidated financial statements for the year ended 31 December 2010, 2009, and 2008 are prepared in accordance with International Financial Reporting Standards (IFRS).

*Revenues*

During 2010, the Group generated LTL 45.2 million in agricultural activity revenues (2009 – LTL 48.3 million). The decrease as compared to previous year is influenced by sale of Polva Agro AS subsidiary in the end of 2009, as well as lower levels of production of remaining Group, as all non-profitable production branches were cut. Additionally there were some other cuts in operational size of the Group due to liquidity problems, but the Group will receive back the land temporarily leased out before autumn seeding season of 2011.

*Operating expenses*

The operating expenses totalled LTL 22.0 million (2009: LTL 35.6 million). The operating expenses decreased significantly as compared to previous year because of write-offs of bad debts, rotten feed, inventory and allowances for value of some of the Group's fixed assets were made in 2009 as the Group's management took a conservative approach at evaluating all the current assets. Additionally the Group started Restructuring processes in all the agricultural subsidiaries, which also resulted in additional expenses as compared to other periods. Payments to financial creditors were minimal during the 2009 as the Group experienced liquidity problems, which in turn resulted in fines and late payment invoices. In 2010, the Group experienced some significant accounts receivable write-offs, and some other additional one-off fines, which will not occur in 2011 and subsequent reporting periods.

*Gain on acquisition of subsidiaries*

In 2010, the Group finalized acquisition of agricultural company „Gustoniai“, which was started back in 2007. As the purchase was completed, gain of LTL 2.8 million was calculated and accounted as income.

*Financial expenses*

Financial expenses decreased as compared to 2009 (LTL 6.8 million vs LTL 12.9 million in 2009) mainly due to fact that restructuring cases were approved in most Group companies and interest charges were stopped being calculated.

*Income tax credit*

Over 12 month period ended 31 December 2010, the Group recognised LTL 6.4 thousand income tax credit, mainly as deferred tax asset regarding the accumulated tax losses was created in the subsidiaries which have their Restructuring plans approved, or are not under restructuring at all.

*Balance sheet*

Fixed assets of the Group did not change significantly over the year, as annual depreciation charge was almost offset by acquisition of Gustoniai subsidiary.

The biological assets of the Group in 2010 increased due to increase in the value of the cows and larger area seeded in autumn. Furthermore, as at the date of signing of this Report, no significant uninsured areas effected by winterkill were registered as compared with LTL 4.5 million write-off in 2009.

In 2010, the Group three time increased it's share capital by finalizing year 2008 issue, capitalizing financial debt and also receiving money for issued shares. The share capital after three increases amounts to LTL 71,552,254 (71,552,254 shares at nominal value LTL 1 each).

In June 2009, due to liquidity problems the Group publicly announced about the start of Restructuring processes for Parent company and agricultural subsidiaries. After announcing of processes, the Group classified all the loans and borrowings in restructuring entities as short-term debt due to fact that at the 31 of December 2009 there were no Restructuring plans approved and covenants of bank loans were not met. In 2010, some of the Restructuring plans were already approved, so the Group discounted the liabilities of those companies. Additionally, after approval of restructuring plans, the financial debt is classified as long-term debt according to the restructuring plan. In general, financial liabilities decreased by around LTL 45 million mainly due to capitalization of loans and bonds into equity.

Trade and other payables balances decreased mainly due to capitalized amount of advances received in 2008 (LTL 8.9 million).

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**Personnel**

As at 31 December 2010 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	42	4,043
Agricultural entities management	32	3,279
Agricultural entities workers	370	1,515
<b>Total:</b>	<b>444</b>	

<b>Education</b>	<b>Central office</b>	<b>Agricultural entities</b>
Higher	35	80
Special professional	6	114
Middle	1	120
Primary	-	88
<b>Total:</b>	<b>42</b>	<b>402</b>

Over 2010, the number of employees in the Group stayed on the same level (444 as at 31 December 2010 as compared to 438 at the end of previous year).

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

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

Agrowill 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 largest agricultural land owner in Lithuania – subsidiary land buying entities owned around 13.5 thousand ha of land, agricultural entities own around 1 thousand ha, and additionally around 18 thousand ha were rented from others. As of 31 December 2010 the Group controls 46 subsidiaries: 16 (sixteen) Agricultural Companies (ŽŪB), 21 (twenty one) land management companies and 10 (ten) companies responsible for the Group's acquisitions. As of 31 December 2010 the Group employed 444 employees.

The Group concentrates on two main lines of business – milk production and crop growing. During the last decade, the worldwide commodities markets of these two segments developed positively, and only negative trend was experienced when global financial markets crashed in late 2008. However, during 2010, the markets started rebounding (both milk powder and crop commodities), and by the end of the year commodities prices reached pre-crisis levels. In the future, outlook for agricultural industry is bright, as many analysts in the world are projecting further increases in prices.

The global demand for dairy products has been growing very rapidly in recent years, the growth being driven mainly by the developing economies, but in 2008, together with starting worldwide financial crisis and melanine scandal in China, the demand for milk products decreased significantly. Due to abovementioned influence, the milk prices were on continuous decline until May 2009, when the price bottom was reached – LTL 0.58 per kg of milk (almost half from top price in the end of 2007. Currently, the demand for milk products has increased up to 2007 levels again, with the most rapid growth in the demand for dairy products coming from China, India and Mexico, which are major importers of dairy products. In the end of 2010, the Group sold raw milk at farmgate for a price of LTL 0.94 per kg.

In 2006 and 2007, with increasing global consumption due to growth of population and appliance of grain in biofuel production and world's grain stocks being at the smallest level in the past 34 years the grain prices soared to record highs. Due to that, there were significant increases in the areas of grain, corn, soya, and rapeseed seeded in 2008. The harvests received in whole world in 2008 and 2009 resulted in oversupply and the grain prices gradually fell until reached 2005 – 2006 level. In 2010, due to hazardous weather in Russia, Ukraine and some other major grain and rapeseed producers (as well as in Lithuania), the harvest in the world was lowest over the past 3 years, and grain stocks were significantly reduced. Due to this grain and rapeseed prices rose by 60-80% over the course of the year. It is forecasted that in the future, unless any extraordinary weather conditions, the worldwide grain and rapeseed market will grow slowly but steadily – the prices of the production will depend on harvests yielded in different countries, consumption patterns and world grain stocks level.

The Group's revenues from milk production, in 2010 amounting to LTL 16.8 million or 37% from total revenues of the Group (2009: LTL 25.3 million or 55%) is stable and monthly cash generating activity of the Group. Milk production activities also include raising of heifers. As at 31 December 2010 the Group had around 2,7 thousand milking cow herd.

The main crop growing cultures grown for sales are wheat and rapeseed – there were around 11.6 thousand ha planted and harvested in 2010 (2009: 6.9 thousand ha) 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.

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In the nearest future the Group plans to expand the production capacities of the two main lines of business, also focusing on making these business lines more efficient. It is planned to increase the milking cow herd to around 4 thousand in 2011 with expected increase up until 6 thousand in 3 years time. To establish couple of "programming centers" for growing of heifers in order to specialize different companies and increase efficiency and profitability. In the crops line, the Group intends to shift most of the crop rotation to winter crops, in order to benefit from better harvest and increased profitability of land cultivation business. The Group plans to increase the working area by at least 20 – 25 percent over the next 3 years.

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

#### *Foreign currency exchange rate fluctuation*

The production manufactured by the Group (milk, grain, rapeseed) belongs to the raw material market, the prices for which are set in the worldwide markets, thus the Group faces main currencies (USD and EUR) exchange rate fluctuation risk. Basically, the revenues of produced crops are denominated in EUR, while produced milk revenues in LTL; major expense items of the Group are denominated in LTL. The management of the Group controls the risk by seeking that financial liabilities in different currencies would match the balance of revenues and expenses denominated in different currencies, thus the risk of foreign currency exchange rate fluctuation is limited. As of 1 February 2002, the national currency litas is pegged to Euro at a rate 3.4528 LTL = 1 EUR.

#### *Current development of International and Lithuanian financial markets*

The worldwide liquidity crisis which started in 2008, resulted in decrease of capital markets and banking sector financing capabilities and increases in financing costs of borrowing in certain currencies. The magnitude of the financial crisis and its effect on the world and local economies was huge and up to the date, the global economies struggle to find possible opportunities and terms of recovery. In managements opinion, the crisis influenced the Group's operation, as due to decreased financial capabilities in the end of 2008 and, in turn, inability to change the short-term bridge bonds into long-term loans the Group experienced liquidity problems. In 2009, the world markets started recovering, but it is difficult to predict when the world economies will be healthy again, as 2010 brought yet new challenges to the markets. However, the agriculture sector was influenced less than others, which, together with growing commodities prices, resulted in favorable conditions to the industry development.

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

Historically, the main source of Group's financing (for acquisitions and operational needs) was generated by borrowed funds. In the beginning of 2008, the Group issued a new share capital issue and attracted around LTL 28.3 million of cash into the Group. In the same year, the Group issued several bond issues and attracted additional LTL 28 million of cash. All the proceeds were used for expansion of the Group – 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 above-mentioned financial markets collapse took place, the Group 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 Groups assets are the investment property, owned land, buildings, equipment and cattle herds – long term assets, payback of which is longer than 1-2 year term, while Group's current financial liabilities are larger than current receivables. Due to severely limited additional financing opportunities, the shareholders and management of the Group in June 2009 undertook a decision to initiate restructuring process for most of the Group's entities – for Parent 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 and the processes are ongoing (in different phases) since then.

In 2010, the processes were continuing and by the end of the year Restructuring plans were approved for 5 of the 15 entities under restructuring. According to the plans, the liabilities will be paid out over 4 years term with main portion of payments falling into 4<sup>th</sup> year. Currently Group's management vision coincides with the main creditors vision regarding the activities, future profitability of the Group and the ability to successfully pass the Restructuring process. Additionally in 2010, the Group capitalized around LTL 50 million of various debt into equity, which significantly reduced the debt level.

#### *Weather conditions*

Weather conditions are one of the most important risks involved in agricultural activities. Poor or unfavorable 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. The Group insures the winter rapeseed crops from adverse weather.

#### *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).

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*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 the majority of 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.

**8. Significant post balance sheet events:**

Disclosed in the consolidated Agrowill Group AB financial statements for the year ended 31 December 2010.

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

It is planned that in 2011, the consolidated sales of Agrowill Group AB from the core activities will amount to LTL 80 million while EBITDA from the main activities is estimated to be equal to around LTL 24 million.

It is planned to increase the milking cow herd to around 4 thousand located over 8 separate locations around Lithuania, and to grow the heifers only in 2-3 locations in order to specialize different companies (there will be some specialized only in milk production, and several which will engage in heifer raising only) and achieve better costs of production, work efficiency and, in turn, financial results. The Group also plans to keep producing own combined feed, which ration will be designed for specific needs of Agrowill Group cow herd.

In crop growing sector the Group expects to remain one of the leaders in the country: in autumn 2010, around 10 thousand hectares was planted. It is also planned, that the productivity of crop fields will grow due to modern equipment used for cultivation of fields, which is constantly renewed. Additionally, the Group is expecting to expand steadily by increasing the amount of cultivated hectares. The productivity of new plots added is not necessary high in the first years and give the results only in subsequent years. The international consultants hired in 2009, implemented the modern work organization practices, which enable effective use of human and technical resources.

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

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

**11. Information on own shares:**

The Parent Company has not acquired any own shares.

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

The share capital of Agrowill Group AB as at 31 December 2010 is LTL 71,552,254. The share capital is divided into 71,552,254 ordinary shares. Each issued share has a LTL 1 nominal value and fully paid.

Each share has usual material and intangible rights as per Lithuanian Republic law on Stock companies and Companies statutes.

In the end of 2008, the Parent Company issued new share capital emission of 4,635,045 ordinary shares (with nominal value LTL 1 each), part of which – 1,545,015 ordinary shares was acquired by Finasta rizikų valdymas UAB, while the remaining part of 3,090,030 shares was supposed to be bought by the main shareholder – ŽIA valda UAB. As ŽIA valda UAB rejected the share purchase agreement, the Parent Company took a decision to register the share capital increase in the amount of paid shares – 1,545,015 ordinary shares. Finasta rizikų valdymas UAB sued such action to the court, and court issued temporary security measures by forbidding any registrations of share capital increase until civil case will be solved by the court of Lithuanian Republic.

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On 20 July 2010 Agrowill Group AB and the company UAB Finance Risk Management which belongs to Invalda group (before known as Finasta rizikų valdymas UAB), signed a Peace Agreement regarding the increase of Company's share capital. After finishing the procedures of share capital increase, the share capital of AB Agrowill Group increased by LTL 1.545 million (up to 27.687 million ordinary shares), and the new shares belong to Invalda group. The Capital increase was registered on 4 August 2010.

On 23 August 2010, Agrowill Group AB shareholders undertook the decision to increase the share capital by 37,572,650 shares (with nominal value of LTL 1 each) up to 65,260,397 shares (LTL 65,260,397 share capital). The shares were subscribed by Hermis Capital UAB, Volemer Holdings Limited, Vretola Holdings Limited. The issue was paid up in cash contributions (set off of claims held against the Parent Company to newly issued shares) and the increase in share capital was registered in the State Registrar on 24 August 2010.

On 22 October 2010, Agrowill Group AB shareholders undertook the decision to increase the share capital by 6,525,603 shares (with nominal value of LTL 1 each) up to 71,786,000 shares (LTL 71,786,000 share capital). Actually, the number of shares issued amounted to 6,291,857 as some of bondholders did not sign the share purchase agreements. The issue was paid up in cash contributions (bondholders set off of claims held against the Parent Company to newly issued shares, while 2,888,172 was paid in cash by Volemer Holdings Limited) and the increase in share capital was registered in the State Registrar on 11 November 2010.

**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 companies shareholders agreements for more details).

**14. Shareholders of the Company:**

The shareholders owning more than 5 per cent of all the Parent Company shares as at 31 December 2010 were:

Name, surname / name of the company	Company / personal code	Address	Votes held by shareholder	Shares held by shareholder
Volemer Holdings Limited	HE 268133	Avlonos 1, Nicosia, Cyprus	16,575,672	23.17%
Vretola Holdings Limited	HE 270472	Baarerstrasse 75, Zug, Switzerland	16,360,465	22.87%
Linas Strėlis	-	-	10,418,800	14.56%
Eastern Agro Holdings UAB	300125868	Smolensko st. 10, Vilnius	8,343,609	11.66%
Romualdas Petrošius	-	-	4,751,923	6.64%

No shareholder has special voting rights.

**15. Companies shareholders voting rights restrictions:**

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

**16. Agreements between the shareholders:**

The Group has no indications about any agreements between the shareholders of the Parent Company.

**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 Companies' shareholders.

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

Data on collegial bodies as at 31 December 2010:

Name, Surname	Position	End of current term of office	Period of service as a member
Ramūnas Audzevičius	Chairman of Supervisory Board	Until general meeting of shareholders to be held in 2012	Member of Supervisory Board since 23-08-2010
Česlav Okinčic	Member of Supervisory Board	Until general meeting of shareholders to be held in 2012	Member of Supervisory Board since 23-08-2010
Aurimas Sanikovas	Member of Supervisory Board	Until general meeting of shareholders to be held in 2012	Member of Supervisory Board since 23-08-2010
Gediminas Žiemelis	Member of Supervisory Board	Until general meeting of shareholders to be held in 2012	Member of Supervisory Board since 23-08-2010
Džiuginta Kalvelienė	Member of Supervisory Board	Until general meeting of shareholders to be held in 2012	Member of Supervisory Board since 23-08-2010
Algirdas Pereckas	General director	Term not assigned	General director as of 25-05-2010
Mindaugas Juozaitis	Member of Board	Until general meeting of shareholders to be held in 2011	Member of Board since 01-12-2008
Domantas Savičius	Member of Board	Until general meeting of shareholders to be held in 2011	Member of Board since 14-12-2007
Vladas Bagavičius	Chairman of Board	Until general meeting of shareholders to be held in 2011	Member of Board since 01-12-2008
Linas Strėlis	Member of Board	Until general meeting of shareholders to be held in 2011	Member of Board since 14-12-2007
Marius Žutautas	Member of Board	Until general meeting of shareholders to be held in 2011	Member of Board since 30-08-2010
Robertas Giedraitis	Chief accountant	Term not assigned	Chief accountant since 02-02-2009

Information on the shares of the Parent Company held by the members of the Supervisory Board, the Board and the top management as of 31 December 2010:

Name, Surname	Position	Owned shares in the Company, units	Owned shares in the Company, %
Linas Strėlis	Member of Board	10,418,800	14.56%
Česlav Okinčic	Member of Supervisory Board	419,236	0.59%
Domantas Savičius	Member of Board	19,417	0.03%
Gediminas Žiemelis	Member of Supervisory Board	8,993	0.01%
Robertas Giedraitis	Chief Accountant	6,600	0.01%
Mindaugas Juozaitis	Member of Board	3,695	0.01%

All members of the Supervisory Board, Board of Directors and top management received salaries as the only form of compensation. Since the appointment of the Supervisory Board, Supervisory Board members also receive bonuses. Table below summarises salaries and other payments calculated for top management. Company's Top management includes Members of the Board, General Director and Chief Accountant (total of 7 persons).

	Salaries in 2010	Other payments in 2010	Total payouts in 2010
Average for 1 member of Top Management	29,622	26,094	55,716
Total amount for all members of Top Management	207,355	182,655	390,010



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

The Parent Company or 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 Parent Company and it's 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:**

Agrowill Group AB compliance with the Code of Corporate Governance, which is added to the consolidated annual report in the Annex.

**23. Data on publicly announced information:**

During the period between 1 January 2010 and 31 December 2010 all information was publicly announced by the Group through NASDAQ OMX VILNIUS stock exchange. The content of this information may be accessed in the website of NASDAQ OMX VILNIUS stock exchange by using the following link: <http://www.nasdaqomxbaltic.com/market/?pg=news&lang=en>.

A summary of the Companies' announcements is shown below:

<b>Announcement date</b>	<b>Announcement header</b>
06.12.2010	AVG: CORRECTION: Interim information of Agrowill Group AB for the 9 month period ended 30 September 2010
03.12.2010	AVG: The restructuring plan of the Agrowill Group, AB came into effect
01.12.2010	AVG: Interim information of Agrowill Group AB for the month period ended 30 September 2010
17.11.2010	AVG: Resolutions of extraordinary shareholders meeting of „Agrowill Group“ which took place on November 17, 2010
16.11.2010	AVG: Additional (alternative) draft resolutions of extraordinary shareholders meeting of „Agrowill Group“ which will take place November 17, 2010.
11.11.2010	AVG: New wording of the By-laws of the AB „Agrowill Group“ and increase of share capital have been registered.
10.11.2010	AVG: Draft resolutions of extraordinary shareholders meeting of Agrowill Group, AB which will take place November 17, 2010.
03.11.2010	AVG: Agrowill Group, AB intends to offer its shares at Warsaw Stock Exchange
26.10.2010	AVG: The extraordinary shareholders meeting Agrowill Group, AB
22.10.2010	AVG: Resolutions of extraordinary shareholders meeting of „Agrowill Group“ which took place on October 22, 2010 and Board decisions .
21.10.2010	AVG: Amended draft resolutions of extraordinary shareholders meeting of „Agrowill Group“ which will take place October 22, 2010
19.10.2010	AVG: The restructuring plan of the Agrowill Group, AB approved
18.10.2010	AVG: Agrowill Group AB operations becomes profitable
11.10.2010	AVG: Draft resolutions of extraordinary shareholders meeting of „Agrowill Group“ which will take place October 22, 2010.
06.10.2010	AVG: Agrowill Group, AB Notification on transactions concluded by manager of the company
06.10.2010	AVG: Agrowill Group AB, Notification about acquisition of a block of shares
06.10.2010	AVG: Agrowill Group AB notification about disposal of a block of shares
05.10.2010	AVG: Agrowill Group AB, Notification about acquisition of a block of shares
04.10.2010	AVG: Agrowill Group to present video reports to investors
01.10.2010	AVG: Agrowill Group, AB Notification on transactions concluded by manager of the company
01.10.2010	AVG: Agrowill Group AB notification about disposal of a block of shares
01.10.2010	AVG: The meeting of the creditors of the Agrowill Group, AB
01.10.2010	AVG: The extraordinary shareholders meeting Agrowill Group, AB

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<b>Announcement date</b>	<b>Announcement header</b>
24.09.2010	AVG: Prospectus of the shares of Agrowill Group, AB is approved
23.09.2010	AVG: Regarding Agrowill Group AB proposals as of September 3, 2010 for bondholders concerning possibilities to decrease the level of the debt of the Company
21.09.2010	AVG: Notification on transactions concluded by manager of the company
21.09.2010	AVG: CORRECTION: Interim information of Agrowill Group AB for the 6 month period ended 30 June 2010
20.09.2010	AVG: After writing-off all doubtful amounts in 2009, Agrowill Group AB expects LTL 13 mill. EBITDA in 2010
20.09.2010	AVG: Annual information of Agrowill Group AB for 2009
16.09.2010	AVG: Resolutions of extraordinary shareholders meeting of Agrowill Group AB
15.09.2010	AVG: Draft resolutions of extraordinary shareholders meeting of Agrowill Group AB
06.09.2010	AVG: The chairman of the Board of Agrowill Group, AB is appointed
04.09.2010	AVG: Interim information of Agrowill Group AB for the 6 month period ended 30 June 2010
03.09.2010	AVG: Agrowill Group AB will apply with the petition to extend the term for approval of the restructuring plan
03.09.2010	AVG: Agrowill Group AB proposals for bondholders with regard to possibilities to decrease the level of the debt of the Company
01.09.2010	AVG: On disclosure of AB „Agrowill Group“ interim report for six months of 2010
31.08.2010	AVG: Agrowill Group AB calls meeting with bondholders with regard to possibilities to decrease the level of the debt of the Company
31.08.2010	AVG: Resolutions of extraordinary shareholders meeting of „Agrowill Group“ as of August 31, 2010
30.08.2010	AVG: Notification about acquisition of a block of shares
27.08.2010	AVG: Notification about acquisition (disposal) of a block of shares
26.08.2010	AVG: The extraordinary shareholders meeting Agrowill Group, AB
25.08.2010	AVG: New wording of the By-laws of the AB „Agrowill Group“ and increase of share capital have been registered
24.08.2010	AVG: CORRECTION: Resolutions of extraordinary shareholders meeting of Agrowill Group AB, which took place on 23 August 2010
24.08.2010	AVG: Resolutions of extraordinary shareholders meeting of Agrowill Group AB, which took place on 23 August 2010
20.08.2010	AVG: Additional (alternative) draft resolutions of extraordinary shareholders meeting of the Company as of August 23, 2010
19.08.2010	AVG: Draft resolutions of extraordinary shareholders meeting of „Agrowill Group“ which will take place August 31, 2010.
19.08.2010	AVG: Additional information of Agrowill Group AB on the agenda and draft decisions of the Extraordinary General Meeting to be convened on 23 August 2010
19.08.2010	AVG: CORRECTION: Agenda of extraordinary shareholders meeting of „Agrowill Group“ which will take place August 23, 2010, is amended. Draft resolutions.
12.08.2010	AVG: Agenda of extraordinary shareholders meeting of „Agrowill Group“ which will take place August 23, 2010, is amended. Draft resolutions.
11.08.2010	AVG: Resolutions of the extraordinary shareholders meeting of „Agrowill Group“ as of August 11, 2010
09.08.2010	AVG: Increase of share capital of the AB „Agrowill Group“ has been registered
06.08.2010	AVG: Agrowill Group AB notification about acquisition (disposal) of a block of shares
01.08.2010	AVG: The extraordinary shareholders meeting „Agrowill Group“ AB
20.07.2010	AVG: The Draft decisions of extraordinary shareholders meeting „Agrowill Group“ AB, to be held on August 11, 2010
20.07.2010	AVG: The extraordinary shareholders meeting „Agrowill Group“ AB
20.07.2010	AVG: The dispute over the increase of share capital of AB Agrowill Group between AB Agrowill Group and UAB Finance Risk Management was terminated.
04.06.2010	AVG: „Agrowill Group“ is strengthening management in production companies
01.06.2010	AVG: CORRECTION: On AB „Agrowill Group“ interim report for three months of 2010
01.06.2010	AVG: On AB „Agrowill Group“ interim report for three months of 2010
01.06.2010	AVG: „Agrowill Group“, AB closed selling deal of its subsidiary „Agrowill Eesti“ OÜ
25.05.2010	AVG: New CEO starts at AB „Agrowill Group“
20.05.2010	AVG: Decision of the Court of Appeal of Lithuania with regard to restructuring proceeding of AB „Agrowill Group“
18.05.2010	AVG: AB „Agrowill Group“ reached an Agreement with AB Bank SNORAS regarding Loan Extension
30.04.2010	AVG: The ordinary shareholders meeting „Agrowill Group“ AB
16.04.2010	AVG: Agrowill Group is about to add another agricultural company
03.03.2010	AVG: On AB „Agrowill Group“ interim report for twelve months of 2009
02.03.2010	AVG: On AB „Agrowill Group“ interim report for twelve months of 2009
01.03.2010	AVG: Court initiated restructuring proceeding for AB „Agrowill Group“
26.02.2010	AVG: Notification about disposal of a block of shares

Agrowill Group AB Chairman of the Board Vladas Bagavičius  
22 April 2011

**CONSOLIDATED BALANCE SHEETS**  
**AS OF 31 DECEMBER 2008, 2009, AND 2010**  
(All amounts are in LTL thousand, unless otherwise stated)

	Notes	31 December 2010	31 December 2009 Restated	31 December 2008 Restated
<b>ASSETS</b>				
<b>Non-current assets</b>				
Property, plant and equipment	5	140,442	146,960	161,103
Investment property	6	81,794	82,364	82,364
Intangible assets	7	2,916	2,961	5,246
Long term receivables	12	430	232	588
Financial assets		757	139	310
Deferred tax asset	19	3,543	-	-
Biological assets - livestock	8	13,009	9,981	35,480
<b>Total non-current assets</b>		<b>242,891</b>	<b>242,637</b>	<b>285,091</b>
<b>Current assets</b>				
Biological assets - crops	8	10,384	5,124	12,772
Inventory	9	11,588	7,255	19,578
Trade receivables, advance payments and other receivables	10, 11	22,779	13,497	26,566
Cash and cash equivalents	10, 13	1,322	3,725	3,011
<b>Total current assets</b>		<b>46,073</b>	<b>29,601</b>	<b>61,927</b>
<b>TOTAL ASSETS</b>		<b>288,964</b>	<b>272,238</b>	<b>347,018</b>
<b>EQUITY AND LIABILITIES</b>				
<b>Capital and reserves</b>				
Share capital	14	71,552	26,143	26,143
Share premium		25,595	22,130	22,130
Revaluation reserve		45,885	44,462	24,609
Legal reserve		2,000	2,000	2,000
Retained earnings / (accumulated deficit)		(38,326)	(47,621)	3,576
<b>Equity attributable to equity holders of the parent</b>		<b>106,706</b>	<b>47,114</b>	<b>78,458</b>
Non-controlling interest		2,431	103	4,084
<b>Total equity</b>		<b>109,137</b>	<b>47,217</b>	<b>82,542</b>
<b>Non-current liabilities</b>				
Borrowings	16	26,046	23,046	56,885
Obligations under finance lease	18	3,082	7,081	10,472
Grants	15	9,905	10,650	11,053
Restructured liabilities	17	22,152	-	-
Deferred tax liability	19	10,870	17,919	19,104
<b>Total non-current liabilities</b>		<b>72,055</b>	<b>58,696</b>	<b>97,514</b>
<b>Current liabilities</b>				
Current portion of non-current borrowings	16	66,384	55,007	74,765
Current portion of non-current obligations under finance lease	18	7,008	4,770	3,860
Current borrowings	16	6,128	64,218	45,445
Trade payables		16,084	17,498	24,956
Other payables and current liabilities	20	12,168	24,832	17,936
<b>Total current liabilities</b>		<b>107,772</b>	<b>166,325</b>	<b>166,962</b>
<b>Total liabilities</b>		<b>179,827</b>	<b>225,021</b>	<b>264,476</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>288,964</b>	<b>272,238</b>	<b>347,018</b>

The accompanying explanatory notes presented on pages 21 to 65 are an integral part of these consolidated financial statements.

These consolidated financial statements were approved and signed on 22 April 2011.

**CONSOLIDATED ANNUAL REPORT FOR THE YEAR 2010**

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Vladas Bagavičius  
Chairman of the Board

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Domantas Savičius  
Chief Finance Officer

**CONSOLIDATED INCOME STATEMENTS AND  
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME  
FOR THE YEARS ENDED 31 DECEMBER 2008, 2009, AND 2010**  
(All amounts are in LTL thousand, unless otherwise stated)

**CONSOLIDATED INCOME STATEMENTS**

	Notes	2010	2009 Restated	2008 Restated
Revenues	21	45,165	48,277	58,712
Cost of sales	21, 22	(28,595)	(45,838)	(45,967)
Gain (loss) on changes in fair values of biological assets and on initial recognition of agricultural produce	8	2,448	(11,732)	(15,161)
<b>GROSS PROFIT</b>		<b>19,018</b>	<b>(9,293)</b>	<b>(2,416)</b>
Operating expenses	23	(22,028)	(35,634)	(20,380)
Investment property fair value change gain	6	-	-	15,927
Gain on acquisition of subsidiaries	24	2,843	-	-
Other income	25	7,903	440	97
<b>OPERATING PROFIT</b>		<b>7,736</b>	<b>(44,487)</b>	<b>(6,772)</b>
Finance cost	26	(6,824)	(12,879)	(13,035)
<b>PROFIT (LOSS) BEFORE INCOME TAX</b>		<b>912</b>	<b>(57,366)</b>	<b>(19,807)</b>
Income tax expense	19	6,385	3,175	(5,321)
<b>NET PROFIT/ (LOSS) FROM CONTINUING ACTIVITIES</b>		<b>7,297</b>	<b>(54,191)</b>	<b>(25,128)</b>
<b>NET PROFIT/ (LOSS) FROM DISCONTINUED ACTIVITIES</b>	30	-	119	(9,735)
<b>NET PROFIT / (LOSS) FOR THE YEAR</b>		<b>7,297</b>	<b>(54,072)</b>	<b>(34,863)</b>
<b>ATTRIBUTABLE TO :</b>				
Equity holders of the Parent Company		7,087	(52,594)	(34,572)
Non-controlling interest		210	(1,478)	(291)
		<b>7,297</b>	<b>(54,072)</b>	<b>(34,863)</b>
<b>Basic and diluted earnings (loss) per share (LTL)</b>	27	<b>0.17</b>	<b>(2.01)</b>	<b>(1.41)</b>
<b>CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME</b>		<b>2010</b>	<b>2009 Restated</b>	<b>2008 Restated</b>
<b>NET PROFIT/ (LOSS) FOR THE PERIOD</b>		<b>7,297</b>	<b>(54,072)</b>	<b>(34,863)</b>
<b>Other comprehensive income:</b>				
Revaluation of PPE	5	(576)	23,240	10,363
Tax effect of revaluation of fixed assets		-	(3,486)	(1,554)
Change in net revaluation reserve due to changes in tax rates		4,207	1,496	(3,589)
<b>TOTAL COMPREHENSIVE INCOME FOR THE YEAR</b>		<b>10,928</b>	<b>(32,822)</b>	<b>(29,643)</b>
<b>ATTRIBUTABLE TO :</b>				
Equity holders of the Parent Company		10,718	(31,344)	(29,352)
Non-controlling interest		210	(1,478)	(291)
		<b>10,928</b>	<b>(32,822)</b>	<b>(29,643)</b>

The accompanying explanatory notes presented on pages 21 to 65 are an integral part of these consolidated financial statements.

These consolidated financial statements were approved and signed on 22 April 2011.

Vladas Bagavičius  
Chairman of the Board

Domantas Savičius  
Chief Finance Officer

**CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY  
FOR THE YEARS ENDED 31 DECEMBER 2008, 2009, AND 2010**  
(All amounts are in LTL thousand, unless otherwise stated)

	Share capital	Share premium	Revaluation reserve	Legal reserve	Retained earnings	Equity attributable to the shareholders of the company	Non-controlling interest	Total
<b>Balance as at 31 December 2007</b>	<b>20,000</b>	<b>-</b>	<b>20,596</b>	<b>1,000</b>	<b>37,941</b>	<b>79,537</b>	<b>954</b>	<b>80,491</b>
<i>Comprehensive income</i>								
Net loss of the period (Restated)	-	-	-	-	(34,572)	(34,572)	(291)	(34,863)
<i>Other comprehensive income</i>								
Revaluation of fixed assets, gross amount	-	-	10,363	-	-	10,363	-	10,363
Revaluation of fixed assets, tax effect	-	-	(1,554)	-	-	(1,554)	-	(1,554)
Decrease of revaluation reserve due to change in State tax policy	-	-	(3,589)	-	-	(3,589)	-	(3,589)
Decrease of revaluation reserve due to depreciation, disposals and write-offs of assets	-	-	(1,207)	-	1,207	-	-	-
<b>Total comprehensive income</b>	<b>-</b>	<b>-</b>	<b>4,013</b>	<b>-</b>	<b>(33,365)</b>	<b>(29,352)</b>	<b>(291)</b>	<b>(29,643)</b>
<i>Transactions with shareholders</i>								
Payment for shares	6,143	24,571	-	-	-	30,714	-	30,714
Cost of capital increase (note 14)	-	(2,441)	-	-	-	(2,441)	-	(2,441)
Acquisitions	-	-	-	-	-	-	3,421	3,421
Transfer to reserves	-	-	-	1,000	(1,000)	-	-	-
<b>Total transactions with shareholders</b>	<b>6,143</b>	<b>22,130</b>	<b>-</b>	<b>1,000</b>	<b>(1,000)</b>	<b>28,273</b>	<b>3,421</b>	<b>31,694</b>
<b>Restated balance as at 31 December 2008</b>	<b>26,143</b>	<b>22,130</b>	<b>24,609</b>	<b>2,000</b>	<b>3,576</b>	<b>78,458</b>	<b>4,084</b>	<b>82,542</b>
<i>Comprehensive income</i>								
Net loss of the period (Restated)	-	-	-	-	(52,594)	(52,594)	(1,478)	(54,072)
<i>Other comprehensive income</i>								
Revaluation of fixed assets, gross amount	-	-	23,240	-	-	23,240	-	23,240
Revaluation of fixed assets, tax effect	-	-	(3,486)	-	-	(3,486)	-	(3,486)
Increase of revaluation reserve due to change in State tax policy	-	-	1,496	-	-	1,496	-	1,496
Decrease of revaluation reserve due to depreciation, disposals and write-offs of assets	-	-	(1,397)	-	1,397	-	-	-
<b>Total comprehensive income</b>	<b>-</b>	<b>-</b>	<b>19,853</b>	<b>-</b>	<b>(51,197)</b>	<b>(31,344)</b>	<b>(1,478)</b>	<b>(32,822)</b>
<i>Transactions with shareholders</i>								
Disposals (note 30)	-	-	-	-	-	-	(2,503)	(2,503)
<b>Total transactions with shareholders</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(2,503)</b>	<b>(2,503)</b>
<b>Restated balance as at 31 December 2009</b>	<b>26,143</b>	<b>22,130</b>	<b>44,462</b>	<b>2,000</b>	<b>(47,621)</b>	<b>47,114</b>	<b>103</b>	<b>47,217</b>
<i>Comprehensive income</i>								
Net profit for the period	-	-	-	-	7,087	7,087	210	7,297
<i>Other comprehensive income</i>								
Correction of revaluation of fixed assets	-	-	(576)	-	-	(576)	-	(576)
Increase of revaluation reserve due to change in State tax policy	-	-	4,207	-	-	4,207	-	4,207
Decrease of revaluation reserve due to depreciation, disposals and write-offs of assets	-	-	(2,208)	-	2,208	-	-	-
<b>Total comprehensive income</b>	<b>-</b>	<b>-</b>	<b>1,423</b>	<b>-</b>	<b>9,295</b>	<b>10,718</b>	<b>210</b>	<b>10,928</b>
<i>Transactions with shareholders</i>								
Increase in share capital (note 14)	45,409	3,465	-	-	-	48,874	-	48,874
Acquisition of subsidiary (note 24)	-	-	-	-	-	-	2,118	2,118
<b>Total transactions with shareholders</b>	<b>45,409</b>	<b>3,465</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>48,874</b>	<b>2,118</b>	<b>50,992</b>
<b>Restated balance as at 31 December 2010</b>	<b>71,552</b>	<b>25,595</b>	<b>45,885</b>	<b>2,000</b>	<b>(38,326)</b>	<b>106,706</b>	<b>2,431</b>	<b>109,137</b>

The accompanying explanatory notes presented on pages 21 to 65 are an integral part of these consolidated financial statements.

These consolidated financial statements were approved and signed on 22 April 2011.

Vladas Bagavičius  
Chairman of the Board

Domantas Savičius  
Chief Finance Officer

**CONSOLIDATED STATEMENTS OF CASH FLOWS**  
**FOR THE YEARS ENDED 31 DECEMBER 2008, 2009, AND 2010**  
(All amounts are in LTL thousand, unless otherwise stated)

	2010	2009 Restated	2008 Restated
<b>Cash flows from /(to) operating activities</b>			
Net profit (loss) from continuing activities	7,297	(54,191)	(25,128)
Taxes and deferred taxes	(6,385)	(3,175)	5,321
<b>Net profit (loss) before income tax</b>	<b>912</b>	<b>(57,366)</b>	<b>(19,807)</b>
<b>Adjustments for non-cash expenses (income) items and other adjustments</b>			
Depreciation expense (note 5)	10,643	10,010	7,623
Amortization expense (note 7)	80	129	209
Write offs of PPE	351	511	897
Loss of revaluation of property, plant and equipment (note 5)	-	8,980	-
Profit (loss) on sales of non-current assets	132	416	383
Interest expense (income), net	6,824	15,577	12,594
Investment property fair value change gain (note 6)	-	-	(15,927)
Write-offs of inventory (note 23)	1,690	2,588	1,496
Gain on acquisition of subsidiaries (note 24)	(2,843)	-	-
Impairment of goodwill (note 4, 30)	-	-	12,800
Extinction of payables	(6,695)	-	-
Impairment of accounts receivable (note 11, 23)	2,100	3,686	1,554
Loss (gain) on changes in fair value of biological assets (note 8)	(2,448)	11,732	15,161
Grants, related to assets, recognized as income (note 15)	(1,511)	(1,094)	(1,094)
<b>Changes in working capital</b>			
(Increase) decrease in biological assets	(4,803)	13,148	(7,836)
(Increase) decrease in trade receivables and prepayments	(6,398)	7,729	(5,511)
(Increase) decrease in inventory	(4,718)	6,594	972
(Decrease) increase in trade and other payables	9,323	(1,056)	15,179
Decrease (increase) of net assets of discontinued operations (note 30)	-	(9,943)	(9,735)
	<b>2,639</b>	<b>15,641</b>	<b>8,958</b>
Interest paid, net	(2,506)	(2,098)	(10,138)
<b>Net cash flows from /(to) operating activities</b>	<b>133</b>	<b>13,543</b>	<b>(1,180)</b>
<b>Cash flows from /(to) investing activities</b>			
Acquisition of subsidiaries, net of cash (note 24)	(163)	-	(79,776)
Disposal of subsidiaries, net of cash (note 24)	-	(910)	-
Purchase of non-current tangible assets (note 5)	(1,877)	(3,366)	(27,492)
Purchase of non-current intangible assets (note 7)	(35)	(15)	(138)
Proceeds from sales of non-current assets	592	1,036	192
Grants related to investments (note 15)	691	691	3,829
Other loans granted (repaid)	(198)	356	(317)
<b>Net cash flows from/(to) investing activities</b>	<b>(990)</b>	<b>(2,208)</b>	<b>(103,702)</b>
<b>Cash flows from /(to) financing activities</b>			
Contribution to share capital in cash (note 14)	2,888	-	28,273
Disposal (acquisition) of available for sale investments	(590)	-	(137)
Proceeds from bank and other borrowings	782	3,112	57,507
Amounts paid to banks	(3,726)	(7,806)	-
Other borrowings obtained (paid)	598	(3,925)	21,741
Repayments of obligations under finance lease	(1,498)	(2,002)	(3,912)
<b>Net cash flows from/(to) financing activities</b>	<b>(1,546)</b>	<b>(10,621)</b>	<b>103,472</b>
<b>Net (decrease) / increase in cash and cash equivalents</b>	<b>(2,403)</b>	<b>714</b>	<b>(1,410)</b>
<b>Cash and cash equivalents at the beginning of the period</b>	<b>3,725</b>	<b>3,011</b>	<b>4,421</b>
<b>Cash and cash equivalents at the end of the period</b>	<b>1,322</b>	<b>3,725</b>	<b>3,011</b>

The accompanying explanatory notes presented on pages 21 to 65 are an integral part of these consolidated financial statements.

These consolidated financial statements were approved and signed on 22 April 2011.

\_\_\_\_\_  
Vladas Bagavičius  
Chairman of the Board

\_\_\_\_\_  
Domantas Savičius  
Chief Finance Officer

**EXPLANATORY NOTES**  
**FOR THE YEARS ENDED 31 DECEMBER 2008, 2009, AND 2010**

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

**1. General information**

Agrowill Group AB (hereinafter – „the Parent Company”) was founded and started its operations on 25 June 2003. The Parent Company’s head office is located in Smolensko st. 10, Vilnius, Lithuania. The Parent Company’s main activity is management of agricultural companies.

In 2003 the Parent 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 Parent Company’s name was changed to Agrowill Group AB.

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

Entity / person	31 December 2010		31 December 2009		31 December 2008	
	Number of shares	% owned	Number of shares	% owned	Number of shares	% owned
Volemer Holdings Limited	16,575,672	23.17	-	-	-	-
Vretola Holdings Limited	16,360,465	22.87	-	-	-	-
Linus Strėlis	10,418,800	14.56	4,841,942	18.52	4,841,942	18.52
Eastern Agro Holdings	8,343,609	11.66	-	-	-	-
Romualdas Petrošius	4,751,923	6.64	345,268	1.32	345,268	1.32
SEB AB clients	1,765,000	2.47	2,259,047	8.64	2,182,497	8.35
Swedbank clients	366,703	0.51	148,846	0.57	1,800,743	6.89
Other minor shareholders	12,970,082	18.12	8,027,468	30.71	6,452,121	24.68
ŽIA valda UAB	-	-	7,939,836	30.37	7,939,836	30.37
Invalda AB	-	-	2,580,325	9.87	2,580,325	9.87
<b>Total</b>	<b>71,552,254</b>	<b>100.00</b>	<b>26,142,732</b>	<b>100.00</b>	<b>26,142,732</b>	<b>100.00</b>

The Parent Company’s shareholders’ meeting has the power to amend the financial statements after issue. Starting since 1<sup>st</sup> of April 2008 the Parent Company was listed on Vilnius Stock Exchange Main list, since 30 April 2009, the Parent Company was moved to the Secondary list of NASDAQ OMX Vilnius Stock Exchange. The fiscal year of the Parent Company and its subsidiaries corresponds with calendar year.

The consolidated Group (hereinafter the Group) consists of the Parent Company and forty-seven subsidiaries (2009.12.31: forty-four subsidiaries, 2008.12.31: forty-five subsidiaries). The subsidiaries included in the Group’s consolidated financial statements are indicated below:

Subsidiary	Country	Group ownership interest, %			Profile
		31 Dec 2010	31 Dec 2009	31 Dec 2008	
AVG Investment UAB	Lithuania	100.00%	100.00%	100.00%	Management company
AWG Investment 1 BUAB	Lithuania	100.00%	100.00%	100.00%	Management company
AWG Investment 2 UAB	Lithuania	100.00%	100.00%	100.00%	Management company
Agrowill Trade UAB	Lithuania	100.00%	100.00%	100.00%	Management company
Abagrain UAB	Lithuania	100.00%	-	-	Trade activities
Grain Lt UAB*	Lithuania	100.00%	-	-	Trade activities
Baltic Farming Land Management UAB	Lithuania	100.00%	100.00%	100.00%	Acquisitions and rent of land
Žemės fondas ŽŪB	Lithuania	100.00%	100.00%	-	The subsidiary specializes in rent of land
Agrowill Eesti OU	Estonia	-	-	100.00%	Management company
ZAO „Agroprom”	Russia	75.00%	75.00%	75.00%	Management of subsidiaries
„Agrowill group” S.R.L.	Moldova	100.00%	100.00%	100.00%	Acquisitions and rent of land
Žemės vystymo fondas UAB	Lithuania	100.00%	100.00%	100.00%	Acquisitions and rent of land
Žemės vystymo fondas 1 UAB	Lithuania	100.00%	100.00%	100.00%	Acquisitions and rent of land
Žemės vystymo fondas 2 UAB	Lithuania	100.00%	100.00%	100.00%	Acquisitions and rent of land
Žemės vystymo fondas 3 UAB	Lithuania	100.00%	100.00%	100.00%	Acquisitions and rent of land
Žemės vystymo fondas 4 UAB	Lithuania	100.00%	100.00%	100.00%	Acquisitions and rent of land
Žemės vystymo fondas 5 UAB	Lithuania	100.00%	100.00%	100.00%	Acquisitions and rent of land
Žemės vystymo fondas 7 UAB	Lithuania	100.00%	100.00%	100.00%	Acquisitions and rent of land
Žemės vystymo fondas 8 UAB	Lithuania	100.00%	100.00%	100.00%	Acquisitions and rent of land
Žemės vystymo fondas 9 UAB	Lithuania	100.00%	100.00%	100.00%	Acquisitions and rent of land
Žemės vystymo fondas 10 UAB	Lithuania	100.00%	100.00%	100.00%	Acquisitions and rent of land
Žemės vystymo fondas 11 UAB	Lithuania	100.00%	100.00%	100.00%	Acquisitions and rent of land
Žemės vystymo fondas 12 UAB	Lithuania	100.00%	100.00%	100.00%	Acquisitions and rent of land



**EXPLANATORY NOTES**  
**FOR THE YEARS ENDED 31 DECEMBER 2008, 2009, AND 2010**

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

Žemės vystymo fondas 14 UAB Lithuania 100.00% 100.00% 100.00% Acquisitions and rent of land

Subsidiary	Country	Group ownership interest, %			Profile
		31 Dec 2010	31 Dec 2009	31 Dec 2008	
Žemės vystymo fondas 15 UAB	Lithuania	100.00%	100.00%	100.00%	Acquisitions and rent of land
Žemės vystymo fondas 16 UAB	Lithuania	100.00%	100.00%	100.00%	Acquisitions and rent of land
Žemės vystymo fondas 17 UAB	Lithuania	100.00%	100.00%	100.00%	Acquisitions and rent of land
Žemės vystymo fondas 18 UAB	Lithuania	100.00%	100.00%	100.00%	Acquisitions and rent of land
Žemės vystymo fondas 19 UAB	Lithuania	100.00%	100.00%	100.00%	Acquisitions and rent of land
Žemės vystymo fondas 20 UAB	Lithuania	100.00%	100.00%	100.00%	Acquisitions and rent of land
Žemės vystymo fondas 21 UAB	Lithuania	100.00%	100.00%	100.00%	Acquisitions and rent of land
Žemės vystymo fondas 22 UAB	Lithuania	100.00%	100.00%	100.00%	Acquisitions and rent of land
Agricultural company „Agrowill Spindulys“	Lithuania	99.96%	99.96%	99.96%	Agricultural operations
Agricultural company „Agrowill Smilgiai“	Lithuania	99.95%	99.95%	99.95%	Agricultural operations
Agricultural company „Agrowill Skėmiai“	Lithuania	99.87%	99.87%	99.87%	Agricultural operations
Agricultural company „Agrowill Nausodė“	Lithuania	99.81%	99.81%	99.81%	Agricultural operations
Agricultural company „Agrowill Dumšiškės“	Lithuania	99.36%	99.36%	99.36%	Agricultural operations
Agricultural company „Agrowill Žadžiūnai“	Lithuania	99.02%	99.02%	99.02%	Agricultural operations
Agricultural company „Agrowill Mantviliškis“	Lithuania	98.79%	98.79%	98.79%	Agricultural operations
Agricultural company „Agrowill Alanta“	Lithuania	98.56%	98.56%	98.56%	Agricultural operations
Agricultural company „Agrowill Eimučiai“	Lithuania	98.41%	98.41%	98.41%	Agricultural operations
Agricultural company „Agrowill Vėriškės“	Lithuania	98.41%	98.41%	98.41%	Agricultural operations
UAB „Grūduva“	Lithuania	97.28%	97.28%	97.28%	Agricultural operations
Agricultural company „Agrowill Želsvelė“	Lithuania	97.17%	97.17%	97.17%	Agricultural operations
OU „Polva agro“	Estonia	-	-	96.45%	Agricultural operations
Agricultural company „Agrowill Lankesa“	Lithuania	95.93%	95.93%	95.93%	Agricultural operations
Agricultural company „Agrowill Kairėnai“	Lithuania	94.82%	94.82%	94.82%	Agricultural operations
Agricultural company „Agrowill Jurbarkai“	Lithuania	87.78%	87.78%	87.78%	Agricultural operations
Agricultural company „Gustoniai“	Lithuania	62.81%	-	-	Agricultural operations

In 2010, the Group established Grain Lt UAB, acquired dormant company Abagrain UAB and also acquired agricultural company „Gustoniai“ (for the latter acquisition, see Note 24).

As of 31 December 2010 the Group had 444 employees, 2009 – 438 employees, 2008 – 916 employees.

As at 31 December 2010, the shares of subsidiary company Grūduva UAB were pledged to a major creditor Litagros Prekyba UAB. According to the share pledge agreement and various state court decisions, the shareholders of Grūduva UAB (the Group) are not allowed to conduct shareholder meetings regarding dividend payouts and loan payments to the Group.

Additionally, all remaining agricultural entities of the Group are undergoing Restructuring, during which the companies can not pay dividends until they have settled all the debts.

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## **2. Summary of significant accounting policies**

The principle accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

### **2.1 Basis of preparation**

The accompanying financial statements are prepared on going concern basis. The worldwide liquidity crisis which started in 2008, resulted in decrease of capital markets and banking sector financing capabilities and increases in financing costs of borrowing in certain currencies. The magnitude of the financial crisis and its effect on the world and local economies was huge and up to the date, the global economies struggle to find possible opportunities and terms of recovery. In managements opinion, the crisis influenced the Group's operation, as due to decreased financial capabilities in the end of 2008 the Group experienced liquidity problems.

Historically, the main source of Group's financing (for acquisitions and operational needs) was generated by borrowed funds. In the beginning of 2008, the Group issued a new share capital issue and attracted around LTL 28.3 million of cash into the Group. In the same year, the Group issued several bond issues and attracted additional LTL 28 million of cash. All the proceeds were used for expansion of the Group – 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 for modern agricultural equipment and machinery). After the abovementioned financial markets collapse took place, the Group had to abandon several investment projects, as bridge-type borrowings in the form of short-term bonds were used while the Group negotiated the Bank loans. The Banks closed all the financing, in turn the Group finished one of the acquisitions from own cash flows, which in several months (in the end of 2008) resulted in significant liquidity problems.

The major part of Groups assets are the investment property, owned land, buildings, equipment and cattle herds – long term assets, payback of which is longer than 1-2 year term, while Group's current financial liabilities are larger than current receivables. Due to severely limited additional financing opportunities, the shareholders and management of the Group in June 2009 undertook a decision to initiate restructuring process for most of the Group's entities – for Parent 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 the companies.

In 2010, the processes were continuing and by the end of the year Restructuring plans were approved for 5 of the 15 entities under restructuring. According to the plans, the liabilities will be paid out over 4 years term with main payments falling into 4<sup>th</sup> year. Currently Group's management vision coincides with the main creditors vision regarding the activities, future profitability of the Group and the ability to successfully pass the Restructuring process.

The Restructuring process is regulated by the Law of Republic of Lithuania on Restructuring. According to the law, the whole process has following steps (in order of occurrence):

- a) Approval of Restructuring by shareholders of a company;
- b) Initial main creditors meeting, 50% of the aggregate amount of total creditors have to approve the claim to court to start Restructuring;
- c) Claim to Court to start Restructuring procedures;
- d) The Court approves initiation of Restructuring case;
- e) Court decision becomes effective;
- f) The company together with administrator prepares Restructuring Plan. Term for preparation 4 months after Court decision becomes effective;
- g) The Plan is prepared and discussed with main creditors;
- h) Creditors meeting for approval of Restructuring Plan is convened;
- i) Creditors meeting (creditors with at least 75% of all the proven aggregate amount of claims must vote in favor) approve the Restructuring Plan, authorize companies manager to file documents with Court;
- j) The Court approves the Restructuring Plan;
- k) The Restructuring process starts, company has the term established in Restructuring Plan (usually 4 years) to earn funds and repay the creditors.

All of the processes can and are taking longer if there are any creditors unhappy with certain taken decisions, as they have legal right to go to Court. In some cases, the time period between shareholders approval of process and approval of Restructuring Plan by the Court could take more than 1 year time.

Since the date when the Restructuring is approved (d), all the overdue liabilities on that day are subject to the Restructuring – this effectively means, that the company can not pay those liabilities, while the creditors can not demand the repayment earlier than it will be according to the Restructuring plan. Such process enables the company to focus on the main activities, generate revenues and profits and earn the amount needed to repay the restructured amounts. Usual term in practice is 4 years with an option (binding creditors approval) to prolong it for 1 year.

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**2.1 Basis of preparation (continued)**

Group companies are in following phases of Restructuring process:

<u>Group entity</u>	<u>Current phase</u>	<u>Phase as at 31 Dec 2010</u>
Agrowill Group AB	Phase (k);	Phase (k);
Agrowill Zelsvele ŽŪB	Phase (i);	Phase (f);
Agrowill Jurbarkai ŽŪB	Phase (k);	Phase (f);
Agrowill Dumšiškės ŽŪB	Phase (k);	Phase (f);
Agrowill Spindulys ŽŪB	Phase (k);	Phase (k);
Agrowill Eimučiai ŽŪB	Phase (k);	Phase (f);
Agrowill Žadžiūnai ŽŪB	Phase (k);	Phase (f);
Agrowill Smilgiai ŽŪB	Phase (k);	Phase (f);
Agrowill Kairėnai ŽŪB	Phase (k);	Phase (k);
Agrowill Vėriškės ŽŪB	Phase (k);	Phase (k);
Agrowill Skėmiai ŽŪB	Phase (k);	Phase (k);
Agrowill Mantviliškis ŽŪB	Phase (k);	Phase (f);
Agrowill Lankesa ŽŪB	Phase (k);	Phase (f);
Agrowill Nausodė ŽŪB	Phase (k);	Phase (f);
Agrowill Alanta ŽŪB	Phase (i);	Phase (f).

The are no other Group entities engaged in Restructuring processes. The Management believes that significant majority of Group entities will have their Restructuring Plans approved by the Courts by the end of 1st half 2011.

Although some of the loans had their covenants breached as at 31 December 2008, 2009, and 2010 no major loan terminations were initiated by the banks, as they are in favor of management's taken approach, i.e. initiation of restructuring processes.

In addition to started Restructuring processes and increased production efficiency, the Group's management takes active steps in order to attract new investors into the Group. On 20 July 2010 Agrowill Group AB and the company Finance Risk Management UAB which belongs to Invalda group (before known as Finasta rizikų valdymas UAB), signed a Peace Agreement on the increase of Company's share capital. After finishing the procedures of share capital increase, the share capital of Agrowill Group AB increased by LTL 1.5 million (27.7 million ordinary shares), and the new shares belong to Invalda group. By this agreement, the Group's total liabilities decreased by LTL 8.9 million, as the amount received for shares in 2008 was classified as liability in Financial Statements for the year 31 December 2009.

On 23 of August 2010, the Group's shareholders approved the new share capital issue of 37,572,650 million shares, which were all acquired by three investors: Hermis Capital UAB, Volemer Holdings Limited, and Vretola Holdings Limited. The shares hold nominal value of LTL 1 each and all were paid up by offsetting the Group's payables to the above mentioned companies. The increase in share capital was registered on 24 August 2010.

On 22 October 2010, Agrowill Group AB shareholders undertook the decision to increase the share capital by 6,525,603 shares (with nominal value of LTL 1 each) up to 71,786,000 shares (LTL 71,786,000 share capital). Actually, the number of shares issued amounted to 6,291,857 as some of bondholders did not sign the share purchase agreements. The issue was paid up in cash contributions (bondholders set off of claims held against the Parent Company to newly issued shares, while 2,888,172 was paid in cash by Volemer Holdings Limited) and the increase in share capital was registered in the State Registrar on 11 November 2010.

After these changes, the Group's liabilities decreased to around LTL 160 million (without deferred tax and capital grants) by the end of year 2010, and increased the equity up to around LTL 105 million, which makes the Group more healthier and, in management opinion, will allow the Group to continue as a going concern.

The Group is also taking steps to improve it's operating results and profitability. Over the course of last couple of years, the Group decreased personnel numbers without taking significant cuts in operational activity, couple of market experts were hired to implement best market practices in milk segment as well as crop growing segment. The Group performed land examinations in all farms, determined the precise composition of soil structure and all seeding and fertilizing plans are made accordingly. The target of the Group has been set to achieve at least LTL 500 gross profit from 1 ha cultivated. In milk production segment, the focus is on producing high quality milk, which enables the farmers and companies in Lithuania to receive additional bonuses to milk price, as well as increase the productivity of current herd up to EU levels. Increased attention is being paid to own feed preparation as in this area alone, the Group expects to save up at least 5% of total milk cost of sales, as production of good quality corn silage and haylage will lead to lesser amounts of combined feed needed for cows to produce the same amount of milk. The results of the Group for 12 months ended 31 December 2010 show, that the Group is on the right way with further improvements in efficiency of production activities, and, in turn, the financial results of the Group are within reach.

Finally, the Group is planning an additional share issue of up to 25 million ordinary shares in the Warsaw Stock Exchange in June 2011. The attracted funds will allow the Group to grow and increase operating efficiency faster and will ensure, that the restructuring process will be carried out smoothly.

The accompanying financial statements are prepared in accordance with International Financial Reporting Standards (IFRS's) as adopted by the European Union (EU). The consolidated financial statements have been prepared on the historical cost

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basis, as modified by the revaluation of property, plant and equipment, investment property and biological assets (livestock and crops).

**2.1 Basis of preparation (continued)**

The preparation of financial statements in conformity with IFRS 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.

In 2010 the Group has 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 its operations and effective for accounting periods beginning on 1 January 2010:

a) *Standards, amendments and interpretations effective from 1 January 2010 and applicable to the Group:*

**IFRS 3, Business Combinations** (revised January 2008; effective for business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1 July 2009). The revised IFRS 3 allows entities to choose to measure non-controlling interests using the existing IFRS 3 method (proportionate share of the acquiree's identifiable net assets) or at fair value. The revised IFRS 3 is more detailed in providing guidance on the application of the purchase method to business combinations. The requirement to measure at fair value every asset and liability at each step in a step acquisition for the purposes of calculating a portion of goodwill has been removed. Instead, in a business combination achieved in stages, the acquirer has to remeasure its previously held equity interest in the acquiree at its acquisition-date fair value and recognise the resulting gain or loss, if any, in profit or loss for the year. Acquisition-related costs are accounted for separately from the business combination and therefore recognised as expenses rather than included in goodwill. An acquirer has to recognise a liability for any contingent purchase consideration at the acquisition date. Changes in the value of that liability after the acquisition date are recognised in accordance with other applicable IFRSs, as appropriate, rather than by adjusting goodwill. The revised IFRS 3 brings into its scope business combinations involving only mutual entities and business combinations achieved by contract alone. The revised standard was applied to the acquisition of new subsidiary in June 2010. See note 24 for further details of the business combination that occurred in 2010.

**IAS 27, Consolidated and Separate Financial Statements** (revised January 2008; effective for annual periods beginning on or after 1 July 2009). The revised IAS 27 requires an entity to attribute total comprehensive income to the owners of the parent and to the non-controlling interests (previously "minority interests") even if this results in the non-controlling interests having a deficit balance (the previous standard required the excess losses to be allocated to the owners of the parent in most cases). The revised standard specifies that changes in a parent's ownership interest in a subsidiary that do not result in the loss of control must be accounted for as equity transactions. It also specifies how an entity should measure any gain or loss arising on the loss of control of a subsidiary. At the date when control is lost, any investment retained in the former subsidiary has to be measured at its fair value. The revised IAS 27 did not have material impact on these financial statements.

b) *Standards, amendments and interpretations effective from 1 January 2010 and not applicable or having no material impact to the Group:*

**IFRIC 12, Service Concession Arrangements** (IFRIC 12 as adopted by the EU is effective for annual periods beginning on or after 30 March 2009). The interpretation contains guidance on applying the existing standards by service providers in public-to-private service concession arrangements.

**IFRIC 15, Agreements for the Construction of Real Estate** (IFRIC 15 as adopted by the EU is effective for annual periods beginning after 31 December 2009). The interpretation applies to the accounting for revenue and associated expenses by entities that undertake the construction of real estate directly or through subcontractors, and provides guidance for determining whether agreements for the construction of real estate are within the scope of IAS 11 or IAS 18. It also provides criteria for determining when entities should recognise revenue on such transactions.

**Embedded Derivatives – Amendments to IFRIC 9 and IAS 39, issued in March 2009** (amendments to IFRIC 9 and IAS 39 as adopted by the EU are effective for annual periods beginning after 31 December 2009). The amendments clarify that on reclassification of a financial asset out of the 'at fair value through profit or loss' category, all embedded derivatives have to be assessed and, if necessary, separately accounted for.

**IFRIC 16, Hedges of a Net Investment in a Foreign Operation** (IFRIC 16 as adopted by the EU is effective for annual periods beginning after 30 June 2009). The interpretation explains which currency risk exposures are eligible for hedge accounting and states that translation from the functional currency to the presentation currency does not create an exposure to which hedge accounting could be applied. The IFRIC allows the hedging instrument to be held by any entity or entities within a group except the foreign operation that itself is being hedged. The interpretation also clarifies how the currency translation gain or loss reclassified from other comprehensive income to profit or loss is calculated on disposal of the hedged foreign operation. Reporting entities apply IAS 39 to discontinue hedge accounting prospectively when their hedges do not meet the criteria for hedge accounting in IFRIC 16.

**IFRIC 17, Distributions of Non-Cash Assets to Owners** (IFRIC 17 as adopted by the EU is effective for annual periods beginning after 31 October 2009). The interpretation clarifies when and how distribution of non-cash assets as dividends to the owners should be recognised. An entity should measure a liability to distribute non-cash assets as a dividend to its owners at the fair value of the assets to be distributed. A gain or loss on disposal of the distributed non-cash assets is recognised in profit or loss for the year when the entity settles the dividend payable.

## 2.1 Basis of preparation (continued)

**IFRIC 18, Transfers of Assets from Customers** (IFRIC 18 as adopted by the EU is effective for annual periods beginning after 31 October 2009). The interpretation clarifies the accounting for transfers of assets from customers, namely, the circumstances in which the definition of an asset is met; the recognition of the asset and the measurement of its cost on initial recognition; the identification of the separately identifiable services (one or more services in exchange for the transferred asset); the recognition of revenue, and the accounting for transfers of cash from customers.

**Improvements to International Financial Reporting Standards (issued in April 2009; amendments to IFRS 2, IAS 38, IFRIC 9 and IFRIC 16 are effective for annual periods beginning on or after 1 July 2009; amendments to IFRS 5, IFRS 8, IAS 1, IAS 7, IAS 17, IAS 36 and IAS 39 are effective for annual periods beginning on or after 1 January 2010).** The improvements consist of a mixture of substantive changes and clarifications in the following standards and interpretations: clarification that contributions of businesses in common control transactions and formation of joint ventures are not within the scope of IFRS 2; clarification of disclosure requirements set by IFRS 5 and other standards for non-current assets (or disposal groups) classified as held for sale or discontinued operations; requiring to report a measure of total assets and liabilities for each reportable segment under IFRS 8 only if such amounts are regularly provided to the chief operating decision maker; amending IAS 1 to allow classification of certain liabilities settled by entity's own equity instruments as non-current; changing IAS 7 such that only expenditures that result in a recognised asset are eligible for classification as investing activities; allowing classification of certain long-term land leases as finance leases under IAS 17 even without transfer of ownership of the land at the end of the lease; providing additional guidance in IAS 18 for determining whether an entity acts as a principal or an agent; clarification in IAS 36 that a cash generating unit shall not be larger than an operating segment before aggregation; supplementing IAS 38 regarding measurement of fair value of intangible assets acquired in a business combination; amending IAS 39 (i) to include in its scope option contracts that could result in business combinations, (ii) to clarify the period of reclassifying gains or losses on cash flow hedging instruments from equity to profit or loss for the year and (iii) to state that a prepayment option is closely related to the host contract if upon exercise the borrower reimburses economic loss of the lender; amending IFRIC 9 to state that embedded derivatives in contracts acquired in common control transactions and formation of joint ventures are not within its scope; and removing the restriction in IFRIC 16 that hedging instruments may not be held by the foreign operation that itself is being hedged. In addition, the amendments clarifying classification as held for sale under IFRS 5 in case of a loss of control over a subsidiary published as part of the Annual Improvements to International Financial Reporting Standards, which were issued in May 2008, are effective for annual periods beginning on or after 1 July 2009. The amendments did not have a material impact on these financial statements.

**Amendment to IFRS 5, Non-current Assets Held for Sale and Discontinued Operations (and consequential amendments to IFRS 1)** (effective for annual periods beginning on or after 1 July 2009). This amendment to IFRS 5 is part of the IASB's annual improvements project published in May 2008. The amendment clarifies that an entity committed to a sale plan involving loss of control of a subsidiary would classify the subsidiary's assets and liabilities as held for sale. The revised guidance should be applied prospectively from the date at which the entity first applied IFRS 5. The amendment is not expected to have any impact on the Group's operations.

**Eligible Hedged Items—Amendment to IAS 39, Financial Instruments: Recognition and Measurement** (effective with retrospective application for annual periods beginning on or after 1 July 2009). The amendment clarifies how the principles that determine whether a hedged risk or portion of cash flows is eligible for designation should be applied in particular situations. This is not currently applicable to the Group, as hedge accounting is not applied.

**IFRS 1, First-time Adoption of International Financial Reporting Standards** (following an amendment in December 2008, effective for the first IFRS financial statements for a period beginning on or after 1 July 2009). The revised IFRS 1 retains the substance of its previous version but within a changed structure in order to make it easier for the reader to understand and to better accommodate future changes. This is not relevant to the Group, as they are existing IFRS preparers.

**Group Cash-settled Share-based Payment Transactions - Amendments to IFRS 2, Share-based Payment** (effective for annual periods beginning on or after 1 January 2010). The amendments provide a clear basis to determine the classification of share-based payment awards in both consolidated and separate financial statements. The amendments incorporate into the standard the guidance in IFRIC 8 and IFRIC 11, which are withdrawn. The amendments expand on the guidance given in IFRIC 11 to address plans that were previously not considered in the interpretation. The amendments also clarify the defined terms in the Appendix to the standard. This is not currently applicable to the Group, as they have no such transactions.

**Additional Exemptions for First-time Adopters - Amendments to IFRS 1, First-time Adoption of IFRS** (effective for annual periods beginning on or after 1 January 2010). The amendments exempt entities using the full cost method from retrospective application of IFRSs for oil and gas assets and also exempt entities with existing leasing contracts from reassessing the classification of those contracts in accordance with IFRIC 4, 'Determining Whether an Arrangement Contains a Lease' when the application of their national accounting requirements produced the same result. This is not relevant to the Group, as they are existing IFRS preparers.

*c) Standards, amendments and interpretations that are issued, but not yet effective and have not been early adopted by the Group:*

At the date of authorization of these financial statements, the following amendments to existing standards have been published and are mandatory for the Group's accounting periods beginning on or after 1 January 2010 or later periods, but

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the Group has not early adopted them. None of them (with the exception of changes to IFRIC 19, see below) are expected to have an impact on the Group's financial statements:

## 2.1 Basis of preparation (continued)

**IFRIC 19, Extinguishing Financial Liabilities with Equity Instruments** (effective for annual periods beginning on or after 1 July 2010). This IFRIC clarifies the accounting when an entity renegotiates the terms of its debt with the result that the liability is extinguished through the debtor issuing its own equity instruments to the creditor. A gain or loss is recognised in profit or loss based on the fair value of the equity instruments compared to the carrying amount of the debt. Before adoption of the interpretation the Group accounts for extinguishment of debt with own equity instruments based on the carrying amount of the extinguished liability. Therefore there is no gain or loss on such transactions in these financial statements. The interpretation is applicable retrospectively. It means that extinguishment transactions that occurred during the comparative period in the financial statements for which the interpretation will be effective (financial statements ending 31 December 2011 for the Group) will be restated in accordance to the interpretation. Transactions closed before the beginning of the comparative period are not required to be restated, because the restatement would result only in reclassification in equity. The Group undertook certain debt extinguishment transactions where it issued equity instruments to the creditors to settle its liabilities during 2010. These transactions will be restated and management expects that the effect of the restatement will be additional expenses in the income statement reducing the net profit for the period or generating net loss for the period. Management is in the process of assessing specific impact of the interpretation on the financial statements.

**Classification of Rights Issues - Amendment to IAS 32** (issued on 8 October 2009; effective for annual periods beginning on or after 1 February 2010). The amendment exempts certain rights issues of shares with proceeds denominated in foreign currencies from classification as financial derivatives. The Group do not expect the amendments to have any material effect on the financial statements.

**Amendment to IAS 24, Related Party Disclosures** (issued in November 2009 and effective for annual periods beginning on or after 1 January 2011). IAS 24 was revised in 2009 by: (a) simplifying the definition of a related party, clarifying its intended meaning and eliminating inconsistencies; and by (b) providing a partial exemption from the disclosure requirements for government-related entities. The Group do not expect the amendments to have any material effect on the financial statements.

**Prepayments of a Minimum Funding Requirement - Amendment to IFRIC 14** (effective for annual periods beginning on or after 1 January 2011). This amendment will have a limited impact as it applies only to companies that are required to make minimum funding contributions to a defined benefit pension plan. It removes an unintended consequence of IFRIC 14 related to voluntary pension prepayments when there is a minimum funding requirement. The Group do not expect the amendments to have any material effect on the financial statements.

**Limited exemption from comparative IFRS 7 disclosures for first-time adopters - Amendment to IFRS 1** (effective for annual periods beginning on or after 1 July 2010). Existing IFRS preparers were granted relief from presenting comparative information for the new disclosures required by the March 2009 amendments to IFRS 7, *Financial Instruments: Disclosures*. This amendment to IFRS 1 provides first-time adopters with the same transition provisions as included in the amendment to IFRS 7. The Group do not expect the amendments to have any effect on the financial statements.

## 2.2. Adjustments since last issued Financial Statements

Since last accounts were issued on 15 September 2010, for the year ended 31 December 2009, the Group management corrected some of previously incorrectly accounted entries. Management performed purchase price allocation of Polva Agro A/S acquisition, tested the goodwill of Polva Agro for impairment and as a result recognized impairment for major part of goodwill in 2008, also adjusted the biological assets valuation as of 31 December 2008.

Management believes that reclassifications and restatements provide reliable and more relevant information. The effects of restatement on 2008 and 2009 financial statements is summarized below:

	Nota- tion	2008 previously reported	Adjustments		2008 currently reported
			1	2	
<b>ASSETS</b>					
Property, plant and equipment	DR	153,700	7,403	-	161,103
Intangible assets	DR	32,363	(27,117)	-	5,246
Biological assets – livestock	DR	33,296	7,894	(5,710)	35,480
<b>EQUITY</b>					
Retained earnings	CR	22,086	(12,800)	(5,710)	3,576
Non-controlling interest	CR	3,104	980	-	4,084
<b>INCOME STATEMENT</b>					
Gain (loss) on changes in fair values of biological assets and on initial recognition of agricultural produce	CR	(9,451)	-	(5,710)	(15,161)
Net profit / (loss) from discontinued activities	CR	3,065	(12,800)	-	(9,735)

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**2.2. Adjustments since last issued Financial Statements (continued)**

	Notation	2009 previously reported	Adjustments		2009 currently reported
			1	2	
<b>EQUITY</b>					
Retained earnings	CR	(47,621)	-	-	(47,621)
<b>INCOME STATEMENT</b>					
Gain (loss) on changes in fair values of biological assets and on initial recognition of agricultural produce	CR	(12,842)	-	1,110	(11,732)
Cost of sales	DR	50,438	-	(4,600)	45,838
Net profit / (loss) from discontinued activities	CR	(12,681)	12,800	-	119

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).

1) In 2008, the Group acquired subsidiary company Polva Agro A/S, however, the Group did not measure the fair value of acquired property, plant and equipment and biological assets, recognized at LTL 14,757 thousand and LTL 2,067 thousand, respectively, at their fair values. Later the Group performed purchase price allocation by increasing the net assets of subsidiary acquired (valuation of land, buildings and livestock was performed) and in turn the business combination resulted in smaller goodwill. Additionally, the Management tested the goodwill for impairment as at 31 December 2008 and received results that goodwill is impaired. The amount of goodwill impairment loss was LTL 12,800 thousand. The amount of goodwill written-off was justified in the following year, as sales of discontinued activities in 2009 amounted to gain of LTL 119 thousand. See further information on Polva Agro A/S acquisition related goodwill impairment in Note 4.

2) In 2008, the Group inaccurately estimated the fair value of biological assets (livestock). After making the more detailed estimations and calculations the value of livestock was further decreased by LTL 5,710 thousand. In 2009, as most of cattle was realized the cost of sales were reduced by LTL 4,600 thousand (accordingly, the breakdown of COGS in note 21 was adjusted), while remaining LTL 1,110 thousand were adjusted by decreasing the loss on changes in fair values of biological assets.

Additionally, the Earnings per share (note 27) was changed due to all of the above corrections and adjustments being made:

	<b>2009 previously reported</b>	<b>2009 restated</b>
Net profit attributable to equity holders of the Company	(71,104)	(52,594)
Weighted average number of shares	26,142,732	26,142,732
<b>Earnings per share (LTL)</b>	<b>(2.72)</b>	<b>(2.01)</b>
	<b>2008 previously reported</b>	<b>2008 restated</b>
Net profit attributable to equity holders of the Company	(16,062)	(34,572)
Weighted average number of shares	24,607,049	24,607,049
<b>Earnings per share (LTL)</b>	<b>(0.65)</b>	<b>(1.41)</b>

No adjustments were made to the opening balance sheet as of 1 January 2008.

**2.3 Consolidation**

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.

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 statement of comprehensive income.



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### **2.3 Consolidation (continued)**

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. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

### **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'). The consolidated financial statements are presented in Lithuanian Litas (LTL), which is the Parent Company's functional and the Group's presentation 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 statement of comprehensive income.

Foreign exchange gains and losses that relate to borrowings and cash equivalents are presented in the Income statement within 'other income'. All other foreign exchange gains and losses are presented in the income statement within 'other income'.

#### *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.

### **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 are shown at revalued amounts less subsequent accumulated depreciation and subsequent impairment losses.

Land and buildings comprise mainly of agricultural land, cow farms, machinery yards and grain storage buildings. Constructions and machinery comprise of agricultural equipment and milking farm equipment. All the property, plant and equipment, except for construction in progress and those buildings and structures where no legal title was obtained by the Group, are shown at fair value, based on periodic, but at least triennial, valuations by external independent valuers, less subsequent depreciation. Any accumulated depreciation at the date of revaluation is eliminated against the gross carrying amount of the asset, and the net amount is restated to the revalued amount of the asset.

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 property, plant and equipment 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. Each year the difference between depreciation based on the revalued carrying amount of the asset charged to the income statement and depreciation based on the asset's original cost is transferred from 'revaluation reserve' to 'retained earnings'.

## 2.6 Property, plant and equipment (continued)

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

Buildings	20 – 50	years
Constructions and machinery	5 – 20	Years
Vehicles, equipments and other assets	1 – 10	years

Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets.

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.

## 2.7 Investment property

Investment property, principally comprising of 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 open 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.

## 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 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 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 cost 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 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.

## **2.9 Impairment of non-financial assets**

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. 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.

## **2.10 Biological assets**

Biological assets are measured on initial recognition and at each balance sheet date at its fair value less estimated cost 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 cost 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.

A gain or loss arising on initial recognition of a biological asset at fair value less estimated cost to sell and from a change in fair value less estimated cost to sell of a biological asset shall be included in profit or loss for the period in which it arises as "Gain (loss) arising from changes in fair value of biological assets".

The Group's biological assets consist of livestock and crops.

Livestock is measured at fair value less estimated point-of-sale costs. Fair value is determined using current market value of livestock groups or market values of similar groups of livestock by age, breed and adjusting them adequately, if necessary.

Crops are measured at their fair value less estimated cost to sell. At initial recognition the crops are measured at the 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. During the current period the Group did not hold any investments in available-for-sale and at fair value through profit or loss category.

#### *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.

### **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 method. Held to maturity investments are carried at amortised costs using the effective interest method, net of a provision for incurred impairment losses.

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**

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Inventories are stated at the lower of cost and 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 attribute 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 method, less provision for impairment. A provision for 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 the provision 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 statement of comprehensive income.

### **2.14 Cash and cash equivalents**

For the purposes of the cash flow statement, cash and cash equivalents includes 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 Grants**

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 non-current liabilities in the balance sheet. The grants are setup as 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 to compensate.

#### *Grants related to biological assets*

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

### **2.17 Trade payables**

Trade payable are obligations to pay for goods or services that have been acquired in 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 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 method.

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

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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 cost 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*

Where the Group is a lessee in a lease which transferred substantially all the risks and rewards incidental to ownership to the Group is classified as finance lease. 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 sheets 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 the 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 or directly in equity. In this case, the tax is also recognised in other comprehensive income, or 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 Parent Company's subsidiaries 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 consolidated financial statements. However, the 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.

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 can be utilised.

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.

Profit for 2010 is taxable at a rate of 15% (2009: 20%, 2008: 15%) in accordance with Lithuanian regulatory legislation on taxation. Lithuanian Parliament at 28 December of 2009 appointed new profit tax rates from 1 January 2010 at 15%. Following this, the Group calculated its deferred tax liability as of 31 December 2009 using 15% rate.

Certain tax provisions are applicable to the agricultural entities: if the share of agricultural products supplied and services provided to the entities engaged in agricultural activities exceed 50% of the total sales of the legal entities producing agricultural products and specialised service companies, these entities were not subject to income tax till 1 January 2009.

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Such entities include all the agricultural subsidiaries of Agrowill Group AB. For 2010 and the following years the tax rate is 5%, therefore, deferred tax assets and liabilities arising from agricultural companies transactions are created using 5% rate.

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 is probable that future taxable profit will be available against which the temporary differences and unused tax losses can be utilised.

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

According to Lithuanian legislation, tax losses accumulated as of 31 December 2009 are carried forward indefinitely.

Deferred tax assets and liabilities are offset only where International Accounting Standard No. 12 allows this treatment.

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

**2.22 Revenue 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 entity 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.

*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, either 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*

Interest income is recognized on a time proportion basis, by reference to the principal outstanding and at the effective interest rate applicable. Received interest is recorded in the cash flow statement as cash flows from investing activities.

**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.

*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 balance sheet date are discounted to present value.

*Bonus plans*

The 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**

**AGROWILL GROUP AB**

Company code 126264360, Smolensko str. 10, LT-03201 Vilnius

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Management has determined the operating segments based on the reports reviewed by Director of production and finance department that are used to make strategic decisions. The main business segments defined by the Group are stock-breeding, crop growing, trading, and other sales and services.

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

**2.24 Segment information (continued)**

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 (in all three years). As of 31 December 2010 and 2009, all Group's non-current assets are located in Lithuania. As of 31 December 2008 non-current assets of LTL 30,831 thousand were located in Estonia, the rest were located in Lithuania.

**2.25 Related parties**

Related parties are defined as shareholders, members of the management board, their close relatives and companies that directly, or indirectly through one or more intermediaries, control, or are controlled by, or are under common control with, the Group, provided the listed relationship empowers one of the parties to exercise the control or significant influence over the other party in making financial and operating decisions.

**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.

### **3. Financial risk management**

#### **3.1 Financial risk factors**

The Group's and the Parent Company's activities expose it 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 Group does not use derivative financial instruments to hedge certain risk exposures.

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

#### ***Market risk***

(i) Foreign exchange risk

The Group has a policy to synchronize the cash flows from expected sales in the future with the expected purchases and other expenses in each foreign currency. In order to manage foreign currency risk the Group borrows only in LTL or EUR. Group's purchase / sale contracts are also concluded in LTL and EUR. Borrowings by currencies are provided in Note 16.

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 operates in Lithuania and Estonia and accordingly has two functional currencies that all are pegged with EUR, therefore the Group is not exposed to any significant foreign exchange risk.

(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. The subsidiaries are owned and controlled directly. The Group influences the results of subsidiaries by directly participating in management of the subsidiaries.

(iii) 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 unfavorable 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.

The Group management each year decides whether to insure the crops or not. In prior years the insurance conditions were not favorable and it was not useful to insure, as less possible compensations for damages received would be less than the insurance expenses incurred. In 2010, the only crop insurance company operating in Lithuania changed its policies and conditions of insurance, therefore the management insured the most capricious crop – around 2,600 ha of winter rapeseed.

#### ***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).

Usually the Group agrees for crop delivery contracts in spring of each year. The management controls this risk by fixing the price of its crop production (in certain bulk amounts) over the period of time starting May 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 the majority of 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.

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



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**3.1 Financial risk factors (continued)**

(iv) Cash flow and fair value interest rate risk

The Group's interest rate risk arises from 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. Absolute majority of bank borrowings and finance lease liabilities are repriced each 6 months. Other borrowings are repriced each month or 12 months.

As at 31 December 2010 the Group's bonds were classified with restructured liabilities and had a fixed rate of 10,1% (2009, 2008: 12% to 14%). Trade and other receivables and payables are interest-free and have settlement dates within one year.

The Group's cash flow and fair value 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 2010, total Group borrowings at variable rates amount to LTL 91.1 million (2009: LTL 101 million, 2008: LTL 143 million), LTL 11.5 million (2009: LTL 10 million, 2008: LTL 12 million) of which is denominated in LTL, while the remaining LTL 79.6 million (2009: LTL 91 million, 2008: LTL 131 million) borrowings are denominated in EUR. If floating rate interest (influenced by EURIBOR or VILIBOR) changed by 1 percentage point, the annual effect on the Group would amount to LTL 911 thousand before taxes (2009: LTL 1,010 thousand, 2008: LTL 1,430 thousand).

**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 Parent 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 moderate credit history. The Group has no credit concentration risk as the sales are distributed among several clients. 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.

See Notes 10, and 11 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.

*(i) Recent development of International and Lithuanian financial markets*

The Recent development of International and Lithuanian financial markets are discussed in detail in Note 2.1 Basis of preparation.

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

The Borrowed capital is discussed in detail in Note 2.1 Basis of preparation.

*(iii) Restructuring situation*

The Restructuring process and progress is discussed in detail in Note 2.1 Basis of preparation.

The table below analyses the Group's financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balance sheet amounts payable within one year reflect fair value of the liabilities, as the influence of discounting is not significant.

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**3.1 Financial risk factors (continued)**

	<b>Payable on demand</b>	<b>Within one year</b>	<b>Within second year</b>	<b>Within third and fourth year</b>	<b>Within fifth year and later</b>
<b>31 December 2010</b>					
Borrowings	63,049	10,351	26,405	1,069	331
Finance lease liabilities	4,871	2,400	1,645	1,691	-
Restructured amounts	-	-	-	28,637	-
Trade and other payables	-	19,325	-	-	-
<b>Total</b>	<b>67,920</b>	<b>32,076</b>	<b>28,050</b>	<b>31,397</b>	<b>331</b>
<b>31 December 2009</b>					
Borrowings	51,264	44,242	3,405	5,836	18,682
Guarantee issued (Note 28)	36,185	-	-	-	-
Bonds	-	34,868	-	-	-
Finance lease liabilities	-	5,254	3,104	4,754	-
Trade and other payables	-	20,916	-	-	-
<b>Total</b>	<b>87,449</b>	<b>105,280</b>	<b>6,509</b>	<b>10,590</b>	<b>18,682</b>
<b>31 December 2008</b>					
Borrowings	70,331	23,180	24,836	11,851	47,468
Bonds	-	31,203	-	-	-
Finance lease liabilities	-	4,294	3,663	5,563	1,906
Trade and other payables	-	27,725	-	-	-
<b>Total</b>	<b>70,331</b>	<b>86,402</b>	<b>28,499</b>	<b>17,414</b>	<b>49,374</b>

Payable on demand includes those loans which have their covenants breached and guarantees issued by the Group. It also includes all the loans of subsidiaries which restructuring plans were not approved as at 31 December 2010. As all the plans will be approved in 2011, the payable on demand will decrease significantly. Of all the loans with breached covenants, neither one was demanded to be paid back by the creditors..

In October 2009 the Group issued guarantee for the loan of Agrowill Eesti OU to Swedbank for the amount of LTL 35.8 million. At the date of signing of these financial statements the guarantee was terminated as all the contractual clauses and obligations of Agrowill Eesti OU sale were met.

As at 31 December 2010, 2009, and 2008 the operating capital of the Group was negative and equaled LTL (61,699) thousand, LTL (136,724) thousand, and LTL (105,035) thousand respectively. The liquidity ratio of the Group amounted to 0.43 (2009: 0.18, 2008: 0.37), while quick ratio was 0.32 (2009: 0.13, 2008: 0.25).

**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 the majority of agricultural entities and Parent Company are undergoing Restructuring, the main focus of Group's management is 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 the accumulated creditors claims which are currently under Restructuring.

Due to fact that Group companies are under Restructuring, the covenants in Bank agreements are no longer calculated or being taken into account for all companies under restructurization except Grūduva UAB (the sole agricultural entity which is not under Restructuring) and land management entities. Grūduva UAB meets all the covenants according to it's agreements with the banks.

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 LTL 100,000 and LTL 10,000, respectively, and the shareholders' equity should not be lower than 50 per cent of the company's registered share capital. As at 31 December 2010 all Group companies, except Žemės vystymo fondas 20 UAB, Žemės vystymo fondas 9 UAB, Žemės vystymo fondas 10 UAB, AWG Investment 2 UAB, Agrowill Trade UAB, and AVG Investment UAB, complied with these requirements. As at 31 December 2009 all Group companies, except Žemės vystymo fondas 20 UAB, AWG Investment 2 UAB, AWG Investment 3 UAB (currently name is changed to Agrowill Trade UAB), and AVG Investment UAB, complied with these requirements. As at 31 December 2008 all companies of the Group met the requirements. The Board of such company must convene a shareholders meeting to solve the problem of capital level. However, there are no sanctions described in the acts of law if the board of the company does not take any decisions to meet the capital requirements as per Law on Stock companies. The Group is not using these externally implied requirements, or any other means for capital management.

**AGROWILL GROUP AB**  
Company code 126264360, Smolensko str. 10, LT-03201 Vilnius

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### 3.3 Fair value estimation

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 less impairment provision of trade receivables and payables are assumed to approximate their fair values.

The fair value of long-term and short term borrowings is based on the quoted market price for the same or similar issues or on the current rates available for borrowings with the same maturity profile.

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

	<b>Liabilities with fixed interest rate</b>	<b>Liabilities with floating interest rate</b>
<b>2010</b>		
Loans from financial institutions	22,725	66,980
Bonds	-	-
Finance lease liabilities	1,632	8,458
Other borrowings	3,125	5,728
<b>Total</b>	<b>27,482</b>	<b>81,166</b>
	<b>Liabilities with fixed interest rate</b>	<b>Liabilities with floating interest rate</b>
<b>2009</b>		
Loans from financial institutions	22,426	78,466
Other borrowings	154	10,672
Bonds	30,553	-
Finance lease liabilities	-	11,851
<b>Total</b>	<b>53,133</b>	<b>100,989</b>
	<b>Liabilities with fixed interest rate</b>	<b>Liabilities with floating interest rate</b>
<b>2008</b>		
Loans from financial institutions	17,741	120,194
Other borrowings	768	8,777
Bonds	29,615	-
Finance lease liabilities	-	14,332
<b>Total</b>	<b>48,124</b>	<b>143,303</b>

The fair value of non-current borrowings with variable interest rates approximates their carrying amounts. Average effective interest rate of borrowings with variable rate at 31 December 2010 equals 3.81 per cent (2009: 4.1 per cent, 2008: 6.11 per cent).

Fair value of non-current borrowings with fixed interest rate could not be estimated reliably, as main companies of the Group are under Restructuring process since 2009. The Group renegotiated the loan terms with bank Snoras (the only fixed interest rate financial institution borrowing) in 2010 extending the loan by 2 years and reducing the fixed interest rate from 13% to 5% (Snoras loan was the last loan taken by the Group in November of 2008 – January 2009, i.e. no new loans were taken subsequent to January 2009). The public bonds issued by Parent Company had no trade volumes since 2009 so relevant market price is difficult to determine, however in spring 2010 some of bondholders sold their bonds for 28 percent of nominal bonds value (i.e. at a discount of 72 percent). These facts show that as of 31 December 2010 fair value of the Group's financial liabilities with fixed interest rates could be below their carrying amounts.

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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.

##### *Income taxes*

Tax authorities have right to examine accounting records of the Parent Company and its Lithuanian subsidiaries at anytime during the 5 year period after the current tax year (the Estonian subsidiary – 6 year period after the current year respectively) 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 the Group.

The Group has created deferred tax liability on revaluation amounts of investment property and own assets. The applicable tax rate used was 15% (for land management entities and SPV's) and 5% (for agricultural subsidiaries), as it is planned that assets will be realized (if will be realized) after 2011 when the 15% corporate tax effect will be applicable to all Group's entities, excluding the agricultural subsidiaries which are currently taxed at 5% rate (2010: 5%, 2009: 5%, 2008: nil %).

The Group has accumulated tax losses amounting to LTL 61 million as at 31 December 2010 (Note 18). Management recognises a deferred tax asset for separate companies deferred tax losses only when possible future returns can be realiaibly estimated and confirmed. As at 31 December 2010, the deferred tax asset on accumulated tax losses of land management entities was created in the amount of LTL 1,127 thousand (2009: LTL 601 thousand, 2008: LTL nil). The Group also created deferred tax asset for the companies, for which the restructuring plans were approved as at 31 December 2010 and Grūduva UAB (LTL 3,543 thousand). No deferred tax asset on other accumulated losses was created as at 31 December 2009 and 2008 as there were no clear evidences that the tax losses will be used.

##### *Valuation of property, plant and equipment (except land)*

The Group makes an assessment, at least annually, whether there are any indications that construction in progress have suffered any impairment. If that is the case, the Group company makes an impairment test in accordance with the accounting policy set out in Note 2.5. The recoverable amount of cash-generating units is determined based on value-in-use calculations. As of 31 December 2010, 2009, and 2008 there were no indications that construction in progress might have been impaired.

The Group performed following tests regarding valuation of PPE for the year end of 2009. All the land and buildings were evaluated by the independent valutors Krivita UAB as at 30 July 2010. The valuation was performed based on comparable market prices and cost of replacement method. The primary valuation model used was the comparable market prices, but for assets which are seldomly sold via the open market – the alternative valuation method was applied. Additionally, the land market review was obtained from independent valuator Oberhaus UAB, as well as report on the valuations provided by Krivita UAB. The land market review stated that since 31 December 2009 prices of large plots of agricultural land were quite stable. The valuations of PPE results showed that certain items have current market value less than amounts stated in balance sheet and most of the values are larger than balance sheet figures. The Group made LTL 6 million write-off of PPE (total fair value loss amounted to LTL 8.2 million, LTL 2.2 million of which was attributable to the revaluation reserve) in the financial statements as well as booked an LTL 24.1 million increase in fair value in revaluation reserve, gross of taxes. If the values of PPE in independent valuations would have been 10% larger, the Group would have written of LTL 0.6 million smaller amount of PPE and have booked an LTL 4.7 million additional increase in revaluation reserve net of taxes.

The increase in the values of PPE in 2009 occurred mainly due to the rise in value of buildings which the Group had used in its agricultural activities in previous periods, and for which the Group completed the process of obtaining the legal title during 2009.

The Group performed various detailed tests for evaluating whether it's machinery and equipment is impaired. Total amount of equipment tested amounted to almost 74% (or LTL 32 million out of LTL 43 million) of total net value of Group's equipment ('Constructions and machinery' and 'Vehicles, equipment and other PPE' balances) as at 31 December 2009.

The Group performed internal valuation of it's machinery (included in constructions and machinery balance) by obtaining market quotes for similar equipment from external sources (international and local sales points). The tests performed showed, that current market prices of such equipment are higher by LTL 4 million (around 15%) than accounting values. The management additionally estimated that additional point of sale and transportation costs of 10%-15% would decrease the surplus, arriving at fair values not significantly different from the current equipment values stated in the financial statements. Therefore, the management decided to not adjust the values of equipment in the accounts. Sensitivity tests showed, that if the market quotes values would be decreased by 10%, the market values would be still larger by LTL 1.4 million (by around 6%) than net book values of equipment used in tests.

There are no clear-cut market quotes for used farm equipment such as milking parlours, farm programs, and refrigerators (included in constructions and machinery balance). Most of the Group's farm equipment was acquired in 2006 – 2007 by using the State run program "modernization of milk farms". The management believes and there are market tendencies that prices of milk equipment correlate to raw milk prices in Lithuania and the world, as in 2008, when the milk prices peaked there were tendencies that milking equipment prices were also larger than in previous years. Currently market prices for milk are roughly 10-15% larger than those in 2006 and 2007, thus the management believes that there are no signs of fair

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

value decline or increase of farm equipment, as the useful lives used for calculating depreciation are similar than those recommended by the suppliers of equipment.

Additionally, the Group hired independent valutors Korporacija Matinkai UAB to evaluate a grain elevator owned by the Group in August 2010. The elevator ('Construction and machinery' class of PPE) was evaluated at LTL 5.3 million LTL, while net book value of the asset totaled LTL 4.8 million. The Group made the according adjustment in the Financial Statements as at 31 December 2010. The Group also identified a mistake in calculating revaluation effect in the previous years and adjusted for it in 2010 (amount of LTL 1,076 thousand).

As no significant differences were observed while testing the fair value of equipment in detail, the management believes that the values represented in the Financial Statements of the Group for the above mentioned groups of equipment are appropriate. However, there are items in Group's possession which are outdated and heavily depreciated, therefore after detailed evaluation of representative sample of such PPE and their fair value less cost to sell management accounted for LTL 3 million impairment loss as at 31 December 2009 for all such items (their net book value before impairment loss amounted to LTL 13 million).

No property, plant and equipment valuations by independent valutors were performed in 2008, as the Group has valued its PP&E for the financial year ended 31 December 2006. The Group management valued only agricultural land owned in 2008 (see section *Valuation of investment property and cultivated agricultural land* below for more details).

As too little time passed since last detailed evaluation (as at 31 December 2010) of all of the Group's assets and there are no indications from the market and industry regarding possible impairment of Group's fixed assets the management decided not to perform detailed asset value testing as at 31 December 2010.

##### *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.

##### *Impairment of goodwill*

The Group tests annually whether goodwill been impaired, in accordance with the accounting policy stated above. The recoverable amounts of cash-generating units are determined based on value-in-use calculations. The Group annually evaluates whether the goodwill recognized on acquisitions is impaired by evaluating the past and forecasted results of subsidiaries. As of 31 December 2009 the goodwill that arises from acquisition of two subsidiaries Agrowill Kairėnai ŽŪB and Agrowill Žadžiūnai ŽŪB was impaired (impaired goodwill as at 31 December 2009 amounted to LTL 147 thousand and LTL 676 thousand respectively), as tests did not show appropriate amounts of profits earned, and appropriate entries of goodwill adjustments very made in the Financial Statements. No other goodwill impairment tests generated results that would require additional adjustments. Goodwill of LTL 1,818 thousand resulting from Grūduva UAB acquisition (Note 23) was tested for impairment using the following assumptions: average growth in revenues over 3-year period is 11%, weighted average cost of capital (WACC), before taxes, is 11.4%, and 0% growth to perpetuity. Results showed that recoverable amount of non-current assets tested for impairment (including goodwill) was 11% higher than their carrying amounts. If WACC used for calculations is increased by 1 percentage point (i.e. to 12.4%), then recoverable amount would still be higher than carrying amount of non-current assets tested by 3%, consequently, no goodwill impairment would be needed. Although Grūduva UAB operates in several segments (crop-growing, stock-breeding, as well as trade, see Note 20 for segment reporting), Group's management does not monitor assets split by those segments and therefore all Grūduva UAB was tested as one cash generating unit. The estimates used in 2010 were not changed compared to 2009 and tests provided similar results, proving that no impairment charge is needed.

In the end of 2008 (a couple months after acquisition of Polva Agro A/S) the global financial crisis peaked - with it, many financial markets, including milk commodities started declining at a fast pace and lost around 10 per cent over couple of months. As raw milk prices further decreased 2009, the newly acquired subsidiary Polva Agro A/S was incurring losses from operations. Therefore, goodwill of LTL 14,037 thousand resulting from Polva Agro A/S acquisition in 2008 (Note 23) was tested for impairment using the following assumptions: drop in revenues for 2009 by 14%, and an average growth in revenues over 3-year period (starting 2010) is 4%, weighted average cost of capital (WACC), before taxes, is 10.4%, and 2% growth to perpetuity. Results showed that recoverable amount of non-current assets tested for impairment (including goodwill) was significantly less than their carrying amounts. The amount of goodwill written off was LTL 12,800 thousand. Management believes that the result of Polva Agro A/S in 2009 serves as a good justification that goodwill was impaired as of 31 December 2008.

##### *Valuation of investment property and cultivated agricultural land*

Land plots which are owned by agricultural companies were valued by independent valuator Krivita UAB (see valuation of PPE above). Carrying value of such land (before revaluation) as of 31 December 2009 was LTL 5,021 thousand, and fair value gain of LTL 1,335 thousand accounted for by the Group in 2009 (Note 5) which was credited to revaluation reserve.

In addition, the Group owns around 13,500 ha of land via land management entities, part of which are leased and used by the Group's agricultural entities. The Group applies similar valuation principles for these two parts of assets. As at 31 December

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2008, the Group's management determined the value of land portfolio via analysis of market and independent estimates of about 1/3 of total land owned performed by valuers Korporacija Matininkai UAB. As at 31 December 2009, the

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

Group did not have an independent valuation on whole portfolio, rather the Group selected a representative sample of land plots which matched the general outlook of land portfolio and which valuation was performed by the external valuers Korporacija Matininkai UAB in July 2010. The valuation method used to determine the market values of land plots by the valuator was the comparable market price method.

The results of valuations showed that the average 1 ha values of land plots in the Financial statements are on the same level as market values. Additionally, the agricultural land market review was obtained from independent valuator Oberhaus UAB which stated that since 31 December 2009 prices of large plots of agricultural land were quite stable. Due to that, the management decided that carrying amount of land plots approximates their fair values at 31 December 2009. As small amount of time has passed since valuation performed in July and no significant changes in real estate market have happened, the management believes that carrying amount of land plots approximates their fair values at 31 December 2009.

As last valuation was performed in July 2010, the management believes that market values did not change significantly over the period until the year end of 2010, therefore land values in the balance sheet as of 31 December 2010 approximate their fair values.

1% change in value of 1 ha of land equals to around LTL 1 million of change in total land portfolio held by Group (own cultivated land plus investment property).

*Valuation of biological assets*

The Group's biological assets are measured at fair value less sale costs at each balance sheet date (value at 31 December 2010: LTL 23,393 thousand, value at 31 December 2009: LTL 15,105 thousand; value at 31 December 2008: LTL 48,252 thousand). Due to the specifics of the agricultural production, fair value of some animals groups can not 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 use of market value. Therefore the fair value is sometimes determined using the alternative. The use of alternative methods of fair value estimation requires the Group to refer to latest transactions and use price averages, or to use cost as an approximation of fair value.

For valuation of livestock the Group calculates the fair value by taking the average price of meat per kilo. The lowest values represent the value of old cows sold to meat processors, while the highest value is equal to the price of 1 kilo of pregnant heifer just before it's first calving. For remaining group's of animal, the value of livestock is determined by using the market values of meat (different for different groups of animals) and multiplying the price of 1kg by total weight of specific group of animals.

For the valuation purposes, as at 31 December 2008 the average value of 1 animal was adjusted based on prevailing market prices for raw milk. As the milk prices dropped in year 2008 as compared to average price of previous year, the average value of 1 cow was determined to be LTL 3,000. As at 31 December 2009, taking into account that the milk prices in 2009 dropped by around 20% as compared to 2008, the average value of 1 cow was decreased to LTL 2,500. As at 31 December 2010, the milk price was above the milk prices of previous periods, as well as good indication of cow prices from the market was obtained, the average value of 1 animal was determined at LTL 3,500.

Crops are valued at the year end at the prevailing market prices less estimated costs of sale. Market prices are obtained from 3 largest grain buyers in Lithuania and average value is taken for calculations. Own produced feed market price is determined by examining advertisements in agricultural newspapers and similar transaction performed in own and neighbouring farms.

Were the actual prices for the biological assets higher by 10% from management's estimates, the net profit for 2010 would increase by LTL 1,300 thousand, if the prices were lower by 10%, the net profit would decrease by the similar amount.

*Restructuring of liabilities*

For calculating the fair value of financial liabilities that are renegotiated in the restructuring process, the management determines the discount rate by using the interest rates of last applicable bank loans and leasing liabilities. In case the Group's transactions with external parties were made in earlier periods, the Group analyses the impact of market trends in interest rates since the transaction, as well as assesses the potential impact of change in the Group's credit risk. The Group has estimated that appropriate discount rate is 10,1 %. The applicable interest rate was calculated by taking the interest rate of bonds issued by the Parent Company in 2008 (14 per cent), subtracting the July 2008 Euribor rate and adding current Euribor rate.

Should interest rate for other payables increase by 5 p.p., to 15.1%, the Group's net profit for 2010 would increase by LTL 1,800 thousand.

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**5. Property, plant and equipment**

	Land	Buildings	Constructions and machinery	Vehicles, equipment and other property, plant and equipment	Construction in progress	Total
<b>Carrying amount</b>						
<b>As of 31 December 2007</b>	<b>24,629</b>	<b>24,745</b>	<b>27,586</b>	<b>1,840</b>	<b>350</b>	<b>79,150</b>
- additions	584	656	13,739	939	11,574	27,492
- acquisition of subsidiaries (note 23)	6,876	21,762	19,520	2,132	3,070	53,360
- disposals and write-offs	-	(267)	(893)	(479)	-	(1,639)
- revaluation to fair value	10,363	-	-	-	-	10,363
- depreciation	-	(1,512)	(5,576)	(535)	-	(7,623)
- reclassifications	-	3,799	13	-	(3,812)	-
<b>As of 31 December 2008</b>	<b>42,452</b>	<b>49,183</b>	<b>54,389</b>	<b>3,897</b>	<b>11,182</b>	<b>161,103</b>
- additions	113	269	503	1,108	1,373	3,366
- disposal of subsidiaries (note 29)	(4,351)	(11,976)	(3,260)	(206)	-	(19,793)
- gain on revaluation (note 4)	1,335	24,147	-	-	-	25,482
- loss on revaluation (note 4)	-	(8,224)	-	-	-	(8,224)
- disposals and write-offs	-	(28)	(1,055)	(837)	(44)	(1,964)
- depreciation	-	(1,734)	(7,379)	(897)	-	(10,010)
- reclassifications	-	5,402	126	-	(5,528)	-
- impairment charge (note 4)	-	-	(2,500)	(500)	-	(3,000)
<b>As of 31 December 2009</b>	<b>39,549</b>	<b>57,039</b>	<b>40,824</b>	<b>2,565</b>	<b>6,983</b>	<b>146,960</b>
- additions	19	206	940	367	345	1,877
- acquisition of subsidiaries (note 24)	381	1,649	1,011	263	3	3,307
- disposals and write-offs	-	(218)	(100)	(160)	(5)	(483)
- depreciation	-	(3,408)	(6,618)	(617)	-	(10,643)
- revaluation of assets	-	(576)	-	-	-	(576)
- reclassifications	-	5,616	(5,737)	125	(4)	-
<b>As of 31 December 2010</b>	<b>39,949</b>	<b>60,308</b>	<b>30,320</b>	<b>2,543</b>	<b>7,322</b>	<b>140,442</b>
<b>Acquisition cost as at</b>						
31 December 2008	42,452	51,446	60,263	4,311	11,182	169,654
31 December 2009	39,549	57,039	51,772	3,234	6,983	158,577
31 December 2010	39,949	66,309	44,680	3,659	7,322	161,919
<b>Accumulated depreciation and impairment losses as at</b>						
31 December 2008	-	(2,263)	(5,874)	(414)	-	(8,551)
31 December 2009	-	-	(10,948)	(669)	-	(11,617)
31 December 2010	-	(6,001)	(14,360)	(1,116)	-	(21,477)
<b>Carrying amount as of 31 December 2008</b>	<b>42,452</b>	<b>49,183</b>	<b>54,389</b>	<b>3,897</b>	<b>11,182</b>	<b>161,103</b>
<b>Carrying amount as of 31 December 2009</b>	<b>39,549</b>	<b>57,039</b>	<b>40,824</b>	<b>2,565</b>	<b>6,983</b>	<b>146,960</b>
<b>Carrying amount as of 31 December 2010</b>	<b>39,949</b>	<b>60,308</b>	<b>30,320</b>	<b>2,543</b>	<b>7,322</b>	<b>140,442</b>

As of 31 December 2010 the carrying amount of property, plant and equipment in the amount of LTL 79,285 thousand (2009: LTL 78,447 thousand, 2008: LTL 67,528 thousand) have been pledged as security for bank borrowings. The leased assets are pledged according to the finance lease agreements.

As the majority of Group's companies are undergoing restructuring processes, there were certain items with restricted title. As at 31 December 2009, almost all the PPE of all agricultural entities (except for the ones pledged to the Banks) of the Group was arrested based on claims from various creditors. Total amount of such assets amount to around LTL 68 million. The Group carries on using the PPE which title is restricted, however it can not be sold or its title transferred otherwise. As soon as the initiation of restructuring case is approved in the court, the sanctions are lifted by the court. As at 31 December 2010, all arrests were lifted as the initiation of restructuring cases were approved by the court and recovery processes were banned.



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

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

	<u>2010</u>	<u>2009</u>	<u>2008</u>
Constructions and machinery	20,112	20,367	19,369
Acquisition cost / revalued amount	(6,665)	(5,068)	(3,059)
Less Accumulated depreciation			
Carrying amount	13,446	15,299	16,310

Should no revaluations of property, plant and equipment had taken place, carrying amounts would have been the following:

	<u>Land</u>	<u>Buildings</u>	<u>Constructions and machinery</u>	<u>Vehicles, equipment and other property, plant and equipment</u>	<u>Construction in progress</u>	<u>Total</u>
Carrying amount of PPE without revaluation effect as at 31 December 2008	26,506	36,729	52,759	3,256	11,182	130,431
Carrying amount of PPE without revaluation effect as at 31 December 2009	22,268	29,017	40,019	2,141	6,983	100,427
Carrying amount of PPE without revaluation effect as at 31 December 2010	22,668	33,696	30,494	2,036	7,321	96,214

## 6. Investment property

As of 31 December 2010 the Group's investment property consisted of the following:

	<u>Agricultural land</u>
<b>Fair value</b>	
<b>as at 31 December 2007</b>	<b><u>57,646</u></b>
- acquisition cost of assets	8,791
- increase in fair value of assets	<u>15,927</u>
<b>as at 31 December 2008</b>	<b><u>82,364</u></b>
<b>as at 31 December 2009</b>	<b><u>82,364</u></b>
- sales of land	<u>(570)</u>
<b>as at 31 December 2010</b>	<b><u>81,794</u></b>

As of 31 December 2010 the carrying amount of investment property in the amount of LTL 74.8 million (as of 31 December 2009: LTL 77.9 million, 2008: LTL 80.3 million) have been pledged as security for bank borrowings.

The investment property of the Group consists of agricultural land plots. As at 31 December 2010, the Group had ownership rights to 13,453 ha of land (2009: 13,370 ha, 2008: 13,370 ha). Approximately 2,940 ha of them was used by the Group and therefore accounted for as PPE, see Note 5 above, and around 9,893 ha is rented out to third persons and companies, and approximately 610 ha were held for capital appreciation as at 31 December 2010.

As at 14 May 2010, the Group sold 3 land management entities (Žemės vystymo fondas 17 UAB, Žemės vystymo fondas 18 UAB, and Žemės vystymo fondas 21 UAB) to RN Investicijos UAB with a buy-back right until 28 February 2011. The Group then prolonged the buy-back period until 29 July 2011. As the term for buy-back option was not expired on 31 December 2010 and the date of signing these financial statements, the Group consolidates these three companies.

Additionally in July - September 2010, the Group sold 63 ha of land to farmers.

The total value of Investment property leased out to third parties amounted to around LTL 64.4 million as at 31 December 2010 (2009: LTL 74 million, 2008: 74 million).

### Change in fair value of investment property

No change in fair value of investment property in 2010 and 2009. Methods used to determine it are disclosed in Note 4.

## 7. Intangible assets

As of 31 December 2010 the Group's intangible assets consisted of the following:

	<b>Goodwill</b>	<b>Software</b>	<b>Other intangible assets</b>	<b>Total</b>
<b>Acquisition cost</b>				
<b>Balance as of 31 December 2007</b>	<b>1,860</b>	<b>158</b>	<b>210</b>	<b>2,228</b>
- additions	-	1	136	137
- acquisitions of subsidiaries (note 23)	15,855	26	143	16,024
- reclassification	-	(69)	69	-
- impairment of goodwill (note 4)	(12,800)	-	-	(12,800)
<b>As of 31 December 2008</b>	<b>4,915</b>	<b>116</b>	<b>558</b>	<b>5,589</b>
- additions	-	7	8	15
- disposal of subsidiaries (note 23)	(1,237)	-	(112)	(1,349)
- impairment charge	(824)	(25)	-	(849)
- reclassification	-	(73)	73	-
<b>As of 31 December 2009</b>	<b>2,855</b>	<b>25</b>	<b>526</b>	<b>3,406</b>
- additions	-	35	-	35
<b>As of 31 December 2010</b>	<b>2,855</b>	<b>60</b>	<b>526</b>	<b>3,441</b>
<b>Accumulated amortization</b>				
<b>As of 31 December 2007</b>	<b>-</b>	<b>24</b>	<b>68</b>	<b>92</b>
- amortization	-	17	190	207
- acquisitions of subsidiaries (note 23)	-	19	25	44
- reclassification	-	(5)	5	-
<b>As of 31 December 2008</b>	<b>-</b>	<b>55</b>	<b>288</b>	<b>343</b>
- amortization	-	8	120	128
- disposal of subsidiaries (note 23)	-	(26)	-	(26)
- reclassification	-	(21)	21	-
<b>As of 31 December 2009</b>	<b>-</b>	<b>16</b>	<b>429</b>	<b>445</b>
- amortization	-	11	69	80
<b>As of 31 December 2010</b>	<b>-</b>	<b>27</b>	<b>498</b>	<b>525</b>
<b>Carrying amount</b>				
<b>As of 31 December 2008</b>	<b>4,915</b>	<b>61</b>	<b>270</b>	<b>5,246</b>
<b>As of 31 December 2009</b>	<b>2,855</b>	<b>9</b>	<b>97</b>	<b>2,961</b>
<b>As of 31 December 2010</b>	<b>2,855</b>	<b>33</b>	<b>28</b>	<b>2,916</b>

The amortization of intangible assets is included in Operating expenses. The gross amount of goodwill as at 31 December 2010 amounts to LTL 3,679 thousand, while accumulated impairment is LTL 824 thousand.

### 8. Biological assets

The Group's livestock quantity consisted of the following:

	Milk cows	Heifers	Other livestock	Total
<b>As of 31 December 2007</b>	<b>4,116</b>	<b>3,984</b>	<b>350</b>	<b>8,450</b>
Acquisition of subsidiaries	1,978	1,265	793	<b>4,036</b>
Additions	58	1,129	25	<b>1,212</b>
Increase (birth)	-	2,328	2,911	<b>5,239</b>
Transfers from other groups (+)	3,253	4,033	1,718	<b>9,004</b>
Transfers to other groups (-)	(2,462)	(6,269)	(273)	<b>(9,004)</b>
Sales	(300)	(1,088)	(3,935)	<b>(5,323)</b>
Write offs and natural mortality	(231)	(452)	(407)	<b>(1,090)</b>
<b>As of 31 December 2008</b>	<b>6,412</b>	<b>4,930</b>	<b>1,182</b>	<b>12,524</b>
Disposal of subsidiaries	(1,086)	(404)	(732)	<b>(2,222)</b>
Additions	-	32	-	<b>32</b>
Increase (birth)	-	2,180	2,189	<b>4,369</b>
Transfers from other groups (+)	1,074	255	1,340	<b>2,669</b>
Transfers to other groups (-)	(1,114)	(1,545)	(10)	<b>(2,669)</b>
Sales	(1,377)	(3,919)	(3,457)	<b>(8,753)</b>
Write offs and natural mortality	(278)	(333)	(346)	<b>(957)</b>
<b>As of 31 December 2009</b>	<b>3,631</b>	<b>1,196</b>	<b>166</b>	<b>4,993</b>
Acquisition of subsidiaries	162	114	97	373
Additions	23	379	-	402
Increase (birth)	-	1,215	1,366	2,581
Transfers from other groups (+)	303	305	2	610
Transfers to other groups (-)	-	(601)	(9)	(610)
Sales	(1,147)	(32)	(720)	(1,899)
Write offs and natural mortality	(315)	(278)	(249)	(842)
<b>As of 31 December 2010</b>	<b>2,657</b>	<b>2,298</b>	<b>653</b>	<b>5,608</b>

The Group's livestock value consisted of the following:

	Milk cows	Heifers	Other livestock	Total
<b>As of 31 December 2007</b>	<b>15,149</b>	<b>10,490</b>	<b>172</b>	<b>25,811</b>
Acquisition of subsidiaries (Note 24)	8,306	7,302	325	<b>15,933</b>
Additions	229	4,477	31	<b>4,737</b>
Increase (birth)	-	479	523	<b>1,002</b>
Makeweight	11	8,841	1,323	<b>10,175</b>
Transfers from other groups (+)	15,174	11,151	6,267	<b>32,592</b>
Transfers to other groups (-)	(9,360)	(22,821)	(411)	<b>(32,592)</b>
Sales	(623)	(3,969)	(7,225)	<b>(11,817)</b>
Write offs and natural mortality	(800)	(320)	(137)	<b>(1,257)</b>
Loss arising from changes in biological assets fair value (note 21)	(7,238)	(1,837)	(29)	<b>(9,104)</b>
<b>As of 31 December 2008</b>	<b>20,848</b>	<b>13,793</b>	<b>839</b>	<b>35,480</b>
Disposal of subsidiaries (Note 30)	(4,646)	(5,206)	(504)	<b>(10,356)</b>
Additions	-	101	-	<b>102</b>
Increase (birth)	-	511	429	<b>940</b>
Makeweight	5	4,085	665	<b>4,755</b>
Transfers from other groups (+)	5,003	2,131	4,590	<b>11,724</b>
Transfers to other groups (-)	(3,897)	(7,796)	(31)	<b>(11,724)</b>
Sales	(5,747)	(6,048)	(5,747)	<b>(17,542)</b>
Write offs and natural mortality	(1,217)	(225)	(151)	<b>(1,593)</b>
Loss arising from changes in biological assets fair value (note 21)	(1,264)	(499)	(41)	<b>(1,804)</b>
<b>As of 31 December 2009</b>	<b>9,085</b>	<b>847</b>	<b>49</b>	<b>9,981</b>
Acquisition of subsidiaries (Note 24)	312	158	22	<b>492</b>
Additions	48	615	-	<b>663</b>
Increase (birth)	-	315	423	<b>738</b>
Makeweight	5	2,626	872	<b>3,498</b>
Transfers from other groups (+)	857	672	1	<b>1,520</b>
Transfers to other groups (-)	-	(1,512)	(8)	<b>(1,520)</b>
Sales	(2,859)	(55)	(537)	<b>(3,451)</b>
Write offs and natural mortality	(827)	(149)	(190)	<b>(1,166)</b>
Gain (loss) arising from changes in biological assets fair value (note 21)	2,627	(220)	(153)	<b>2,354</b>
<b>As of 31 December 2010</b>	<b>9,233</b>	<b>3,297</b>	<b>479</b>	<b>13,009</b>

**8. Biological assets (continued)**

The Group's crops consisted of the following:

	<b>Winter crops</b>	<b>Summer crops</b>	<b>Winter rapeseed</b>	<b>Feed crops</b>	<b>Total</b>
<b>2010</b>					
Total ha planted (land prepared)	6,198	5,927	2,516	4,253	<b>18,893</b>
Total expenses incurred	4,668	867	2,372	2,477	<b>10,384</b>
Average expenses per 1 ha (LTL)	753	146	943	583	<b>550</b>
<b>2009</b>					
Total ha planted (land prepared)	7,106	4,609	2,350	4,581	<b>18,646</b>
Total expenses incurred	2,770	739	247	1,368	<b>5,124</b>
Average expenses per 1 ha (LTL)	390	160	105	299	<b>275</b>
<b>2008</b>					
Total ha planted (land prepared)	7,193	979	1,375	8,807	<b>18,354</b>
Total expenses incurred	7,373	368	1,550	3,481	<b>12,772</b>
Average expenses per 1 ha (LTL)	1,025	376	1,127	395	<b>696</b>

Total hectares planted (land prepared) shows both the actual hectares planted as at 31 December, as well as forecasted spring sowing number of hectares, for which the Group has prepared the land and incurred expenses in autumn. In 2009, the Group made a writedown of LTL 4.5 million for winter crops and rapeseed as due to harsh start of winter in December over 2,000 ha of crops were lost and all other were severely damaged. No severe weather conditions were experienced up to 31 December 2010.

The movement of biological assets (crops) of the Group was following:

	<b>Crops</b>
<b>Balance as of 31 December 2007</b>	<b>5,907</b>
Spring sowing and other expenses until harvest	26,101
Harvest of crops	(32,008)
Autumn sowing and land preparation for spring	12,772
<b>Balance as of 31 December 2008</b>	<b>12,772</b>
Spring sowing and other expenses until harvest	22,804
Crops sold	(2,164)
Change in fair value of crops	(3,189)
Harvest of crops	(30,223)
Autumn sowing and land preparation for spring	9,644
Writedown for winterkill of crops	(4,520)
<b>Balance as of 31 December 2009</b>	<b>5,124</b>
Spring sowing and other expenses until harvest	24,211
Acquisition of subsidiaries (Note 24)	1,102
Harvest of crops	(30,437)
Autumn sowing and land preparation for spring	10,384
<b>Balance as of 31 December 2010</b>	<b>10,384</b>

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.

In 2010 the Group harvest amounted to 41,849 tons of grains and rapeseed (2009: 46,265 tons, 2008: 41,535 tons).

## 9. Inventory

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

	2010	2009	2008
Raw materials	4,130	2,464	3,265
Finished goods (agriculture produce)	8,737	7,010	22,370
<b>Total</b>	<b>12,867</b>	<b>9,474</b>	<b>25,635</b>
Less: Writedown to net realizable value of agricultural produce	(1,279)	(2,219)	(6,057)
<b>Carrying amount</b>	<b>11,588</b>	<b>7,255</b>	<b>19,578</b>

No inventory balances are pledged as security for loans.

## 10. Financial instruments by category

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

### Financial assets as per balance sheet as of 31 December:

	2010	2009	2008
Non-current trade and other receivables	430	232	588
Non-current financial assets	757	139	130
Current trade and other receivables	18,768	10,503	20,005
Cash and cash equivalents	1,322	3,725	3,011
<b>Total</b>	<b>21,277</b>	<b>14,599</b>	<b>23,734</b>

### Financial liabilities as per balance sheet as of 31 December:

Borrowings	98,558	142,271	177,095
Finance lease liabilities	10,090	11,851	14,332
Restructured liabilities	22,152	-	-
Trade payables	16,084	17,498	24,956
Other payables and current liabilities	3,151	3,418	2,769
<b>Total</b>	<b>150,035</b>	<b>175,038</b>	<b>219,152</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 in bank balances with the banks which have Standart&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 and deferred tax.

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 2010, there was LTL 986 thousand (2009: LTL 1,090 thousand, 2008: LTL 534 thousand) receivable for sold grain, and around LTL 947 thousand (2009: LTL 1,090 thousand, 2008: 2,218 thousand) receivable from milk buyers which was fully recovered on due time in January 2011.

### Credit quality of financial assets

As of 31 December, Group's financial assets had following structures:

Year 2010	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		
Total trade accounts receivable, gross	4,864	1,187	1,829	82	6,384	14,346
Impairment charge	-	-	-	-	(3,003)	(3,003)
<b>Total trade accounts receivable, net</b>	<b>4,864</b>	<b>1,187</b>	<b>1,829</b>	<b>82</b>	<b>3,381</b>	<b>11,343</b>
Receivables from NPA	6,052	-	-	-	-	6,052
Receivables from employees	-	757	-	-	-	757
Non-current receivables, gross	200	231	-	-	246	677
Impairment charge attributable to non-current receivables	-	-	-	-	(246)	(246)
Other receivables	-	615	-	-	-	615

<b>Total</b>	<b>11,116</b>	<b>2,790</b>	<b>1,829</b>	<b>82</b>	<b>3,381</b>	<b>19,198</b>
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**10. Financial instruments by category (continued)**

Year 2009	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		
Total trade accounts receivable, gross	-	1,641	1,318	503	2,563	6,025
Impairment charge	-	-	-	-	(1,695)	(1,695)
<b>Total trade accounts receivable, net</b>	<b>-</b>	<b>1,641</b>	<b>1,318</b>	<b>503</b>	<b>868</b>	<b>4,330</b>
Receivables from NPA	5,868	-	-	-	-	5,868
Receivables from employees	-	77	-	-	-	77
Non-current receivables, gross	-	232	-	-	246	478
Impairment charge attributable to non-current receivables	-	-	-	-	(246)	(246)
Other receivables	-	167	56	5	-	228
<b>Total</b>	<b>5,868</b>	<b>2,117</b>	<b>1,374</b>	<b>508</b>	<b>868</b>	<b>10,735</b>

Year 2008	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		
Total trade accounts receivable, gross	-	5,381	1,994	996	1,930	10,301
Impairment charge	-	-	-	-	(665)	(665)
<b>Total trade accounts receivable, net</b>	<b>-</b>	<b>5,381</b>	<b>1,994</b>	<b>996</b>	<b>1,265</b>	<b>9,636</b>
Receivables from NPA	9,637	-	-	-	-	9,637
Receivables from employees	-	65	-	-	-	65
Non-current receivables, gross	-	588	-	-	-	588
Other receivables	-	453	125	89	-	667
<b>Total</b>	<b>9,637</b>	<b>6,487</b>	<b>2,119</b>	<b>1,085</b>	<b>1,265</b>	<b>20,593</b>

Receivables from National Payment Agency are the direct subsidies receivable for crops and milk which are due until 1 May of the following year.

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

As of December 31 the Group's trade receivables, advance payments and other receivables consisted of the following:

	2010	2009	2008
Trade receivables	14,348	6,025	10,301
Subsidies and grants receivable from NPA	6,052	5,868	9,637
Advance payments and deferred expenses	5,796	5,589	7,411
VAT receivable	2,556	1,370	703
Accounts receivable private individuals	757	77	65
Other receivables	615	228	667
<b>Total</b>	<b>30,124</b>	<b>19,157</b>	<b>28,784</b>
Less: allowance for doubtful financial assets	(3,003)	(1,695)	(665)
Less: allowance for non-financial receivables	(4,342)	(3,965)	(1,553)
<b>Carrying amount</b>	<b>22,779</b>	<b>13,497</b>	<b>26,566</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 2010, 2009, and 2008, some of the trade receivables

are past due, for which provisions are made. In the opinion of the Group's management, all other trade receivables, advance payments and other receivables approximate their fair value.

#### 11. Trade receivables, advance payments and other receivables (continued)

The movement of provisions for doubtful receivables consisted of the following:

	2010	2009	2008
<b>Carrying amount as of 1 January</b>	<b>5,660</b>	<b>2,218</b>	<b>1,362</b>
Allowance for doubtful receivables (Note 23)	2,100	3,442	1,554
Write-offs of bad receivables	(415)	-	(698)
<b>Carrying amount as of 31 December</b>	<b>7,345</b>	<b>5,660</b>	<b>2,218</b>

In 2008, a LTL 1,554 thousand provision for doubtful receivable from Darkwol Intl. was established. The advance to the abovementioned company was made for planned Group acquisitions in Russian Federation. As the global financial crisis occurred, the sellers did not meet their obligations and the recovery of amount became in doubt. The decrease in provision during 2008 resulted from write-offs of bad past receivables. In 2009, the increase in provisions was influenced by establishment of provision for the remaining amount due from Darkwol Intl. and several other bankrupt companies. In 2010, the Group formed provision for doubtful receivable from TKB "Kotenas" in the amount of LTL 2,1 million.

#### 12. Long term receivables

	2010	2009	2008
The loan to UAB "Želsvelės mėsa" UAB (LTL), maturity in 2011	246	246	284
Receivable from Corporate Finance UAB, maturity in 2012	200	-	-
The loan to ŽVF projektai UAB (LTL), maturity in 2012	123	123	103
The loan to ŽVF projektai UAB (LTL), maturity in 2012	107	107	100
The loan to ŽIA Valda AB (LTL), maturity in 2010	-	-	85
The loan to Tomas Žilinskas (LTL), maturity in 2010	-	-	16
The loan to Stambus ūkis (LTL), maturity in 2010	-	2	-
Provision for receivable from UAB "Želsvelės mėsa"	(246)	(246)	-
	<b>430</b>	<b>232</b>	<b>588</b>

#### 13. Cash and cash equivalents

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

	2010	2009	2008
Cash in banks	501	3,483	2,945
Cash on hand	821	242	66
<b>Carrying amount</b>	<b>1,322</b>	<b>3,725</b>	<b>3,011</b>

#### 14. Share capital

As of 31 December 2007, the share capital consisted of 20,000,000 ordinary registered shares with par value LTL 1 each. All shares were fully paid.

In 2008, Parent Company issued a new share emission of 6,142,732 shares with a nominal value of 1 LTL each. The shares were sold in an open market as IPO and Group attracted LTL 30,714 thousand (each share was sold at LTL 5 each) and incurred LTL 2,441 thousand of direct capital increase costs (net amount attracted equals LTL 28,273 thousand).

The share capital of Agrowill Group AB as at 31 December 2008 and 2009 is LTL 26,142,732. The share capital is divided into 26,142,732 ordinary shares. Each issued share has a LTL 1 nominal value and fully paid.

In the end of 2008, the Parent Company issued new share capital emission of 4,635,045 ordinary shares (with nominal value LTL 1 each), part of which – 1,545,015 ordinary shares was acquired by Finasta rizikų valdymas UAB, while the remaining part of 3,090,030 shares was supposed to be bought by the main shareholder – ŽIA valda UAB. As ŽIA valda UAB rejected the share purchase agreement, the Parent Company took a decision to register the share capital increase in the amount of paid shares – 1,545,015 ordinary shares. Finasta rizikų valdymas UAB sued such action to the court, and court issued temporary security measures by forbidding any registrations of share capital increase until civil case will be solved by the court of Lithuanian Republic.

In July 2010, the Parent Company signed the peace treaty with Invalda Group regarding registration of previously suspended share issue which enabled the additional 1,545,015 shares to be registered in the beginning of August. The Group made

**AGROWILL GROUP AB**

Company code 126264360, Smolensko str. 10, LT-03201 Vilnius

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additional related agreements connected with the share registration, including the sale - buyback of three land management subsidiaries.



#### 14. Share capital (continued)

Transactions related to the legal registration of 1,545,015 shares could be summarised as follows:

Situation immediately before the transactions	Situation after completion of the transactions
Loan of LTL 4,730 thousand repayable to RN Investicijos UAB, a company related to Invalda AB	Loan of LTL 4,730 thousand repayable to other third party
LTL 8,961 payable to Finansta rizikos valdymas UAB, a company related to Invalda AB (amount being litigated in the court)	<ul style="list-style-type: none"> <li>• LTL 525 thousand repaid in cash to Finansta rizikų valdymas UAB;</li> <li>• Registered increase in share capital by LTL 1,545 thousand;</li> <li>• LTL 3,526 thousand loan payable to RN Investicijos, a company related to Invalda AB</li> <li>• LTL 3,465 thousand credited to share premium reserve</li> <li>• LTL 100 thousand receivable from other third party</li> </ul>
3 land management companies legally belong to Agrowill Group AB	3 land management companies sold for nil to RN Investicijos UAB with the option to buy back (at the same nil) on or before 28 February 2011 (prolonged until 29 July 2011), contingent on repayment of above mentioned LTL 3,526 thousand loan payable to the same party

On 23rd of August 2010, the Group's shareholders approved the new share capital issue of 37,572,650 million shares, which were all acquired by three investors: Hermis Capital UAB, Volemer Holdings Limited, and Vretola Holdings Limited. The shares hold nominal value of LTL 1 each and all were paid up by offsetting the Group's payables to the above mentioned companies. The increase in share capital was registered on 24 August 2010.

On 22 October 2010, Agrowill Group AB shareholders undertook the decision to increase the share capital by 6,525,603 shares (with nominal value of LTL 1 each) up to 71,786,000 shares (LTL 71,786,000 share capital). Actually, the number of shares issued amounted to 6,291,857 as some of bondholders did not sign the share purchase agreements. The issue was paid up in cash contributions (bondholders set off of claims held against the Parent Company to newly issued shares, while 2,888,172 was paid in cash by Volemer Holdings Limited) and the increase in share capital was registered in the State Registrar on 11 November 2010.

Each share has usual material and intangible rights as per Lithuanian Republic law on Stock companies and Companies statutes.

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 Group equaled LTL 2 000 thousand as at 31 December 2010 and 2009.

A revaluation reserve is formed when the Group revalues its own used assets according to the accounting policies described above. The amounts credited to this reserve are net of taxes, and the reserve is depreciated over the useful lives of the assets which were revaluated. The revaluation reserve (net of taxes) of the Group equaled LTL 45,885 thousand as at 31 December 2010.

#### 15. Grants

For the year ended as of 31 December the movement of grants consisted of the following:

	<u>2010</u>	<u>2009</u>	<u>2008</u>
<b>Carrying amount as of 1 January</b>	<b>10,650</b>	<b>11,053</b>	<b>5,218</b>
Grants, subsidies received	691	691	3,829
Acquisition of subsidiaries (note 24)	75	-	3,100
Release of grants related to property, plant and equipment to income	(1,511)	(1,094)	(1,094)
<b>Carrying amount as of 31 December</b>	<b><u>9,905</u></b>	<b><u>10,650</u></b>	<b><u>11,053</u></b>

**16. Borrowings**

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

	<b>2010</b>	<b>2009</b>	<b>2008</b>
<i>Borrowings from banks</i>			
Land management entities	60,445	40,335	21,767
Agricultural entities	38,065	37,260	14,236
Parent Company	-	-	59,462
Trade companies and SPV's	1,950	-	36,185
<i>Long-term payment to 3<sup>rd</sup> parties</i>			
Long-term payable to the State	459	458	-
Long-term payable to creditor	2,666	-	-
<b>Total</b>	<b>103,585</b>	<b>78,053</b>	<b>131,650</b>
<b>Less:</b> amounts, payable within one year (breached covenants)	(31,267)	(16,197)	-
<b>Less:</b> amounts, payable within one year (companies under restructuring)	(24,738)	(35,543)	-
<b>Less:</b> amounts, payable within one year (cancelled agreements)	(7,044)	-	-
<b>Less:</b> amounts, payable within one year (according to agreements)	(3,335)	(3,267)	(74,765)
<b>Less:</b> amounts under approved restructuring plans (Note 17)	(11,155)	-	-
<b>Total long term borrowings</b>	<b>26,046</b>	<b>23,046</b>	<b>56,885</b>

10 agricultural companies loans are currently classified as amounts payable within one year because, as stipulated in the loans agreements, these loans became repayable on demand on the date when entering into restructuring lawsuit. Additionally some land management entities have breached some minor covenants, and as some of the companies are under restructuring – such situation triggers the possible payback of other loans. Plus, 4 companies have their agreements terminated, with negotiations ongoing regarding payment of the amounts. The amount of such reclassification (breached covenants, companies under restructuring and cancelled agreements) was LTL 63,049 thousand as of 31 December 2010. As significant number of restructuring plans of the group companies are already approved (see Note 2) and only some of them are still pending approval, the Management believes that all amount of LTL 24,738 thousand will be restructured in 2011. As the Group is returning to normal operations, Management believes that the most of LTL 31,267 thousand liability will no longer have breached covenants and will be reclassified as long-term payables by the end of 2011. The loans taken by the entities which restructuring plans are approved are classified as restructured liabilities in the balance sheet. Such loans amount to LTL 11,155 thousand as at 31 December 2010 (Note 17).

The Group owes payable amount to the State of LTL 459 thousand for land acquisition made by Group in 2008 and 2010. The payable amount to State is over 15 year period. The Group owes long-term payable of LTL 2,666 to the creditor – Litagros Prekyba AB which is due until 2013.

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

	<b>2010</b>	<b>2009</b>	<b>2008</b>
<i>Borrowings from banks</i>			
Land management entities	-	22,426	-
Agricultural entities	400	413	6,283
<i>Bonds issued by the Parent Company, maturity in 2009</i>	8,887	30,553	29,615
<i>Borrowings from legal entities by the Group</i>	5,728	579	4,986
<i>Borrowings from private individuals by the Group</i>	-	10,247	4,561
<b>Total</b>	<b>15,015</b>	<b>64,218</b>	<b>45,445</b>
<b>Less:</b> amounts under approved restructuring plans (Note 17)	(8,887)	-	-
<b>Total short term borrowings</b>	<b>6,128</b>	<b>64,218</b>	<b>45,445</b>

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

	<b>2010</b>	<b>2009</b>	<b>2008</b>
Within second year	24,685	2,524	20,709
Within third and fourth year	1,018	5,040	6,871
After fifth year and later	343	15,482	29,305
<b>Total</b>	<b>26,046</b>	<b>23,046</b>	<b>56,885</b>

Property, plant and equipment (note 5) and investment property (note 6) of the Group were pledged to the banks as collateral to secure the loans payable.

During 2009, the Group defaulted on Bonds payments (amount payable at the year end 2009 amounted to LTL 30,553 thousand). Additionally the Group had defaulted on loan and interest payments to local banks amounting to LTL 12,383

thousand. Although the amounts overdue are large, all of them fell under restructuring in different companies and will have to be paid back over the 4 year period after the court approves the restructuring plans.

### 17. Restructured liabilities

In 2009, the Group initiated 15 restructuring processes – 14 for subsidiary agricultural entities and for the Parent Company. In 2010, first restructuring plans were approved, and the creditors agreed to be paid back the overdue amounts in following schedule: year 2011 – 0%, year 2012 – 0%, year 2013 – 15% and year 2014 – 85% (see Note 2 for details). In the balance sheet drafted as at 31 December 2010, the Group made certain reclassifications from long term liabilities and short term liabilities in order to present restructured liabilities separately.

The restructured liabilities as at 31 December have originated from and consists of the following:

	2010	2009	2008
Long term borrowings (Note 16)	11,155	-	-
Short term financial liabilities (Note 16)	8,887	-	-
Leasing liabilities (Note 18)	533	-	-
Trade and other payables	8,062	-	-
<b>Total before debt extinguishment</b>	<b>28,636</b>	<b>-</b>	<b>-</b>
<b>Less:</b> gain from debt extinguishment (Note 25)	(6,695)	-	-
<b>Add:</b> interest expense (Note 26)	211	-	-
<b>Total restructured liabilities</b>	<b>22,152</b>	<b>-</b>	<b>-</b>

Additionally, the Parent Company made debt extinguishment by discounting the restructured liabilities by applicable interest rates (bank loans: by actual interest rate set, and trade and other liabilities: 10,1% [rate described in Note 4]). The gain on extinguished amount is presented in the profit and loss account as other income, while amortization of this gain will be included in interest expenses over the 4 year period.

### 18. Obligations under finance lease

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

	2010		2009		2008	
	Minimum lease payments	Present value of minimum lease payments	Minimum lease payments	Present value of minimum lease payments	Minimum lease payments	Present value of minimum lease payments
Gross amount payable within one year	7,803	7,541	5,254	4,770	4,294	3,860
<b>Less:</b> transferred to restructured amounts	(533)	(533)	-	-	-	-
Net amount payable within one year	7,270	7,008	5,254	4,770	4,294	3,860
In the second to fifth years inclusive	3,336	3,082	7,858	7,081	11,132	10,472
<b>Minimum lease payments</b>	<b>10,606</b>	<b>10,090</b>	<b>13,112</b>	<b>11,851</b>	<b>15,426</b>	<b>14,332</b>
Less: future finance charges	(516)	-	(1,261)	-	(1,094)	-
<b>Present value of minimum lease payments</b>	<b>10,090</b>	<b>10,090</b>	<b>11,851</b>	<b>11,851</b>	<b>14,332</b>	<b>14,332</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.

### 19. Income tax

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

	<b>2010</b>	<b>2009</b>	<b>2008</b>
Profit tax for the year	-	-	-
Deferred tax (credit) debit	(6,385)	(3,175)	5,321
<b>Total income tax charge</b>	<b>(6,385)</b>	<b>(3,175)</b>	<b>5,321</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:

	<b>2010</b>	<b>2009</b>	<b>2008</b>
Profit (loss) before tax	1,469	(57,366)	(19,807)
Tax calculated at a tax rate of 15% (2009: 20%, 2008: 18%)	(296)	(5,450)	294
Tax calculated at a tax rate of 15% (2009: 5%, 2008: 0%)	172	(1,506)	-
<b>Total theoretical tax</b>	<b>(124)</b>	<b>(6,956)</b>	<b>294</b>
Non-taxable income, agricultural companies	(664)	(668)	-
Non-taxable income, non-agricultural companies	(1,577)	-	-
Non-deductible expenses, agricultural companies	583	1,847	-
Non-deductible expenses, non-agricultural companies	-	1,318	90
Gain from previously unrecognised tax losses, agricultural companies	(671)	-	-
Gain from previously unrecognised tax losses, non-agricultural companies	(2,335)	-	-
Deferred tax asset not recognized, agricultural companies	-	2,332	-
Deferred tax asset not recognized, non-agricultural companies	-	1,782	2,107
Change in tax rate	(1,597)	(2,830)	2,830
<b>Total income tax charge</b>	<b>(6,385)</b>	<b>(3,175)</b>	<b>5,321</b>

Profit for 2010 is taxable at a rate of 15% (2008: 20%, 2008: 15%) in accordance with Lithuanian regulatory legislation on taxation. Lithuanian Parliament at 28 December of 2009 appointed new profit tax rates from 1 January 2010 at 15%. Following this, the Group calculated its deferred tax liability as of 31 December 2009 using 15% rate. As at 23 November 2010, the Lithuanian Parliament appointed new profit tax rates for agricultural companies setting them at 5%.

Certain tax provisions are applicable to the agricultural companies: if the share of agricultural products supplied and services provided to the entities engaged in agricultural activities exceed 50% of the total sales of the legal entities producing agricultural products and specialized service companies, these entities were not subject to income tax till 1 December 2009. Such entities include all the agricultural subsidiaries of Agrowill Group AB. For 2010, the applicable tax rate is 10% (2009 – 5%, and for 2008 and earlier periods – 0% rate).

#### Deferred tax

	<b>2010</b>	<b>2009</b>	<b>2010</b>
Assets (Liability) as at 1 January	(17,919)	(19,104)	(6,741)
Income statement charge (credit)	6,385	3,175	(5,321)
Acquired in a business combination (Note 23)	-	-	(1,901)
Recognized in shareholder equity	4,207	(1,990)	(5,141)
<b>Assets (Liability) as at 31 December</b>	<b>(7,327)</b>	<b>(17,919)</b>	<b>(19,104)</b>

As of 31 December 2010 deferred income tax was calculated using 15% income tax rate (2009: 15%, 2008: 20%), except for tax provisions applicable to agricultural entities.

#### Deferred tax asset

	<b>2010</b>	<b>2009</b>	<b>2008</b>
Tax loss carried forward	4,670	601	-
<b>Deferred tax asset</b>	<b>4,670</b>	<b>601</b>	<b>-</b>

#### Deferred tax liability

	<b>2010</b>	<b>2009</b>	<b>2008</b>
Revaluation of Investment property	8,490	8,747	11,321
Revaluation of PPE	3,507	9,773	7,783
<b>Deferred tax liability</b>	<b>11,997</b>	<b>18,520</b>	<b>19,104</b>

**19. Income tax (continued)**

Amounts of deferred tax asset netted against deferred tax liability in the balance sheet amount to LTL 1,127 thousand as at 31 December 2010 (2009: LTL 601 thousand).

As of 31 December 2010 the deferred tax liability recognized by the Group is LTL 6,558 thousand which relates to revaluations of Investment property and PPE. Deferred tax asset in 2010 is created on tax losses carried forward of subsidiary ZVF entities, Grūduva UAB, and Group companies for which restructuring plans are approved. The deferred tax asset is not created on agricultural companies tax loss carried forward, as at 31 December 2010 it was not clear that the companies will be able to use the accumulated tax losses (due to unapproved restructuring plans).

In the Management 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.

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

	<b>2010</b>	<b>2009</b>	<b>2008</b>
Total tax loss carried forward	61,289	56,963	28,126
Less: deferred tax asset created from tax loss carried forward	40,899	4,006	-
<b>Total tax loss carried forward for which no deferred tax asset created</b>	<b>20,390</b>	<b>52,957</b>	<b>28,126</b>

According to Profit Tax Law amendment, starting from 2008, taxable results can be retained for unlimited time. As of 1 January 2010, according to the new amendments to the Income tax law, the companies belonging to a holding structure can offset taxable profit with other holding companies tax losses carried forward.

**20. Other payables and current liabilities**

As of 31 December the Group's other payables and current liabilities consisted of the following:

	<b>2010</b>	<b>2009</b>	<b>2008</b>
Advances received	2,058	9,398	9,060
Taxes payable	3,384	6,565	1,908
Payroll related liabilities	2,679	4,331	2,099
Vacation reserve	896	1,120	2,100
Other payables	3,151	3,418	2,769
<b>Total</b>	<b>12,168</b>	<b>24,832</b>	<b>17,936</b>

## 21. Segment information

Income statement	Stock-breeding					Crop growing						
	Total	Milk	Cattle meat	Total stock-breeding		Wheat	Barley	Rapeseed	Other crops	Total crop growing	Trade	Other segments
<b>2010</b>												
Sales	99,895	17,085	6,164	23,249	19,960	2,083	13,121	2,537	2,537	37,701	21,637	17,308
Total cost of sales	(92,116)	(15,938)	(8,472)	(24,410)	(20,421)	(2,073)	(12,267)	(2,642)	(2,642)	(37,403)	(21,670)	(8,633)
Gross profit as reported to management of the Group	7,689	1,147	(2,308)	(1,161)	(461)	10	854	(105)	(105)	298	(33)	8,585
Intergroup eliminations												
Intergroup sales	(54,730)	(283)	(4,312)	(4,595)	(8,055)	(1,343)	(6,404)	(1,087)	(1,087)	(16,889)	(19,352)	(13,894)
Intergroup cost of sales	51,959	283	4,312	4,595	12,495	1,076	8,039	750	750	22,360	19,904	5,100
Eliminations, net	(2,771)	-	-	-	4,440	(267)	1,635	(337)	(337)	5,471	552	(8,794)
Total revenues from external customers	45,165	16,802	1,852	18,654	11,905	740	6,717	1,450	1,450	20,812	2,285	3,234
Direct subsidies	11,562	2,251	605	3,232						8,402	-	304
Gain on changes in biological assets fair value	2,448		2,286	2,286						162	-	-
<b>Gross profit</b>	<b>19,018</b>			<b>3,981</b>						<b>14,333</b>	<b>519</b>	<b>185</b>
Depreciation included in cost of sales	3,456	1,051	108	1,159	1,017	106	669	130	130	1,922	-	375

'Other segments' include accounting and management services provided by the Parent Company to subsidiaries, also land rent income (both inside and outside the Group). 'Trade' segment supplies combined feed as well as fertilizer and chemicals. '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 prepared feed for cows (corn silage, hay, haylage) and sells to cattle growing segment
- Trade segment produces combined feed for cows and sells to cattle growing segment
- Trade segment supplies the crop growing segment with fertilizer and chemicals and buys grain and rapeseed as the mean of payment.

In 2008, 27 per cent of Group's revenues were from one customer – Marijampolės Pieno Konservai UAB (buyer of milk), also 12 per cent was received from buyer of grain Agrochema UAB. In 2009, 17.3 per cent of total revenues were received from Pieno Žvaigždės AB (buyer of milk) and 10 per cent was received from Linas Agro AB (buyer of grain). In 2010, 16.7 per cent of total revenues were received from Pieno Žvaigždės AB, 14.5 per cent – from Linas Agro AB, 14.4 per cent from Vilkyškių pieninė AB (buyer of milk), and 13.7 per cent from Kauno Grūdai AB (buyer of grain).

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 1 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.

According to the Republic of Lithuanian Ministry of Agriculture „Rules on additional national subsidies payments for livestock for 2005“, the Group companies are entitled to subsidies for livestock sold for realization. These subsidies reduce the cost of sales of cattle-breeding activities. According to the Republic of Lithuania Ministry of Agriculture „Rules on subsidies

payments to milk producers<sup>1)</sup>, the Group companies are entitled to subsidies for the amount of milk sold during the year. These subsidies reduce the cost of sales of cattle-breeding activities.

**21. Segment information (continued)**

Income statement	Stock-breeding						Crop growing					
	Total	Milk	Cattle meat	Total stock-breeding	Wheat	Barley	Rapeseed	Other crops	Total crop growing	Trade	Other segments	
<del>2009</del>												
Sales	92,505	22,558	18,459	41,017	10,373	636	3,934	4,741	19,684	15,941	15,863	
Total cost of sales	(97,169)	(19,898)	(32,789)	(52,687)	(12,421)	(972)	(3,292)	(5,579)	(22,264)	(16,307)	(5,911)	
Gross profit as reported to management of the Group	(4,664)	2,660	(14,330)	(11,670)	(2,048)	(336)	642	(838)	(2,580)	(366)	9,952	
Intergroup eliminations	(44,228)	(1,949)	(11,870)	(13,819)	(2,263)	(73)	-	(1,600)	(3,936)	(15,547)	(10,926)	
Intergroup sales	39,153	1,845	16,930	18,775	2,334	103	-	1,737	4,174	15,917	287	
Intergroup cost of sales	(5,075)	(104)	5,060	4,956	71	30	-	137	238	370	(10,639)	
Eliminations, net												
Total revenues from external customers	48,277	20,609	6,589	27,198	8,110	563	3,934	3,141	15,748	394	4,937	
Direct subsidies	12,178			3,232					8,946			
Gain on changes in biological assets fair value	(11,732)			(1,805)					(9,927)			
<b>Gross profit</b>	<b>(9,293)</b>	<b>2,556</b>	<b>(9,270)</b>	<b>(5,287)</b>	<b>(1,977)</b>	<b>(306)</b>	<b>642</b>	<b>(701)</b>	<b>(3,323)</b>	<b>4</b>	<b>(687)</b>	
Depreciation included in cost of sales	4,092	1,704	1,127	2,831	650	40	247	297	1,234	27	-	
<b>Income statement</b>												
<b>2008</b>												
Sales	70,227	28,028	5,911	33,939	12,210	3,214	7,652	674	23,750	393	12,145	
Total cost of sales	(60,623)	(22,913)	(11,672)	(34,585)	(11,942)	(4,369)	(6,330)	(500)	(23,141)	(376)	(2,521)	
Gross profit as reported to management of the Group	9,604	5,115	(5,761)	(646)	268	(1,155)	1,322	174	609	17	9,624	
Intergroup eliminations	(11,515)	-	(1,861)	(1,861)	(372)	-	(190)	-	(562)	(393)	(8,699)	
Intergroup sales	5,009	-	1,956	1,956	277	-	164	-	441	376	2,236	
Intergroup cost of sales	(6,506)	-	95	95	(95)	-	(26)	-	(121)	(17)	(6,463)	
Eliminations, net												
Total revenues from external customers	58,712	28,028	4,050	32,078	11,838	3,214	7,462	674	23,188	-	3,446	
Direct subsidies	9,647			1,364					8,283			
Loss on changes in biological assets fair value	(15,161)			(9,104)					(6,057)			
<b>Gross profit</b>	<b>(2,416)</b>	<b>5,115</b>	<b>(5,666)</b>	<b>(8,291)</b>	<b>173</b>	<b>(1,155)</b>	<b>1,296</b>	<b>174</b>	<b>2,714</b>	<b>-</b>	<b>3,161</b>	
Depreciation included in cost of sales	4,003	1,402	1,202	2,604	688	181	431	38	1,338	61	-	



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**21. Segment information (continued)**

The Group management monitors the assets and liabilities on a higher level, i.e on a company basis. Therefore, assets of an agricultural entity contain the only split of biological assets between stock-breeding and crop-growing, whereas all other assets (as well as liabilities) are reported in aggregate and are not further split between segments. For land rent companies, financial liabilities are monitored.

Main intercompany eliminations include eliminations of intercompany balances on consolidation (i.e. intergroup accounts payable and receivable, intergroup loans granted and received, as well as eliminations of cost of investments in agricultural and land rent companies of investment management companies).

See table below for assets and liabilities breakdown by different segments:

	Agricultural companies			Land rent companies	Investment management companies	Intergroup eliminations	Total
	Stock-breeding	Crop-growing	Not attributable to stock-breeding or crop-growing				
<b>Assets</b>							
2010	13,009	10,384	202,936	227,255	238,438	(403,120)	288,902
2009	9,981	5,124	194,291	230,794	229,367	(397,319)	272,238
2008	35,480	12,772	175,415	94,334	297,131	(268,114)	347,018
<b>Acquisitions of PP&amp;E and Investment property</b>							
2010	-	-	4,827	-	357	-	5,184
2009	-	-	3,206	-	160	-	3,366
2008	-	-	80,695	8,791	157	-	89,643
<b>Liabilities</b>							
2010	-	-	149,918	175,356	108,165	(251,961)	181,478
2009	-	-	140,017	166,204	143,414	(224,614)	225,021
2008	-	-	92,377	54,781	197,317	(79,999)	264,476

**22. Cost of sales by nature**

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

	<b>2010</b>	<b>2009</b>	<b>2008</b>
Payroll expenses	5,410	11,333	8,224
Social security expenses	1,677	3,474	2,524
Fertilizer	6,982	8,818	6,521
Feed for animals	6,856	8,718	19,051
Property, plant and equipment depreciation (Note 21)	3,456	4,092	4,003
Land rent	2,785	3,819	2,153
Services from contractors	2,718	1,624	1,254
Fuel costs	2,508	3,103	2,974
Chemicals	2,035	3,044	1,625
Spare parts and inventory	1,591	1,985	1,588
Seed	1,617	1,440	1,526
Electricity	930	1,244	882
Medicine	743	920	561
Veterinary and insemination	82	459	557
Other expenses	475	3,943	2,171
Less: direct subsidies from State	(11,270)	(12,178)	(9,647)
<b>Total</b>	<b>28,595</b>	<b>45,838</b>	<b>45,967</b>

### 23. Operating expenses

As of 31 December the Group's operating expenses consisted of the following:

	<b>2010</b>	<b>2009</b>	<b>2008</b>
Payroll expenses	3,264	4,041	4,821
Social security expenses	1,012	1,253	1,494
Fines and late payments	3,470	4,070	341
Property, plant and equipment depreciation	2,890	2,704	1,198
Impairment of accounts receivable (Note 11)	2,100	3,686	1,554
Consultations and business plan preparations	2,082	1,548	561
Write-off of inventory	1,635	2,588	1,496
Insurance and tax expense	1,083	1,996	1,473
Selling expenses	741	1,011	1,573
Fuel costs	468	359	410
Real estate registration and notaries	268	173	446
Rent and utilities	208	200	180
Transportation costs	164	465	301
Write-off of property, plant and equipment	21	511	1,396
Impairment and loss of revaluation of PPE (Note 5)	-	8,980	-
Impairment of goodwill	-	824	-
Loss on sale of PPE	-	227	(117)
Other expenses	2,622	998	3,253
<b>Total</b>	<b>22,028</b>	<b>35,634</b>	<b>20,380</b>

Expense for defined contribution plans amount to LTL 2,689 thousand in 2010 (2009: LTL 4,727 thousand, 2008: LTL 4,018 thousand). Defined contribution plan payments consist of payments to State social security fund only, with the amount calculated equaling 31 per cent from the gross salary expense of all employees.

### 24. Business combinations

In June 2010, the Group acquired control over a subsidiary entity Gustoniai ŽŪB and at the same time acquired additional ownership interest in that company of 41.35% resulting in total ownership interest of 62.81% after this transaction. The Group acquired part of the company in 2007 (previously held interest of 21.46%) with a goal to expand activities, however, due to ongoing legal cases, only in 2010 the acquisition of control was achieved.

<b>Acquisitions of subsidiaries</b>	<b>Gustoniai June 2010</b>
<i>Non-current assets</i>	
PPE (Note 5)	3,307
Biological assets (Note 8)	1,594
<i>Current assets</i>	
Cash and cash equivalents	136
Trade receivables and other current assets	591
Inventory	748
<i>Long term liabilities</i>	
Borrowing and obligations under financial lease	-
Grants	(75)
Deferred tax	-
<i>Short term liabilities</i>	
Borrowing and obligations under financial lease	-
Other financial liabilities	(1)
Trade payables and other current liabilities	(604)
Net assets at acquisition date	<b>5,696</b>
Acquired share capital, %	62.81
Interest in net assets acquired	3,577
Previously held interest at fair value	1,200
Cash paid upon acquisition acquired	299
Direct costs relating to acquisition	-
Total purchase consideration	<b>(1,499)</b>
<b>Total negative goodwill</b>	<b>2,078</b>

**24. Business combinations (continued)**

The carrying value of tangible and intangible assets and biological assets at the date of acquisition amounts to LTL 1,667 thousand and LTL 1,697 thousand respectively. Fair values of other assets and liabilities corresponded to their carrying amounts. The gain on acquisition of Gustonys subsidiary occurred because the Group paid for the stake acquired in June 2010 price that was based on a court ruling to determine the price with reference to the price that previous management of Gustoniai ŽŪB paid in 2007 for acquisition of some treasury shares of that company.

**Gain on acquisition of a subsidiary**

Gain on revaluation of previously held interest	765
Negative goodwill charged to the income statement	2,078
	<b>2,843</b>

Total gain on acquisition of subsidiary

The combined effect of the acquisition to the profit and loss account of the Group of 2010 since the day of acquisitions till the end of reporting period amounts to LTL 339 thousand. Had the acquisitions occurred at the 1 January 2010, the combined Group's annual revenues in 2010 would have amounted to LTL 45,804 thousand (Gustoniai: LTL 3,137 thousand total revenues in 2010, of which LTL 639 thousand is revenues in 2010 before the acquisition, and LTL 2,498 thousand is revenues in 2010 after acquisition).

Had the acquisitions occurred at the 1 January 2010, the combined Group's annual net profit for 2010 from continuing activities would have amounted to LTL 7,237 thousand (Gustoniai: LTL 279 thousand total net profit in 2010, of which net loss of LTL 60 thousand was incurred in 2010 before the acquisition, and net profit of LTL 339 thousand was earned in 2010 after acquisition).

The were no business combinations in 2009.

In May 2008, the Group established a subsidiary entity Agrowill Eesti OU, with a purpose to acquire sub-subsidiary Polva Agro OU. The acquisition took place in the June 2008. In September 2008, Agrowill Group AB via the subsidiary company AWG Investment 1 UAB acquired controlling stake in subsidiary Grūduva UAB.

<b>Acquisitions of subsidiaries</b>	<b>Polva Agro</b>	<b>Grūduva</b>	<b>Polva Agro</b>	<b>Grūduva</b>
	<b>June 2008</b>	<b>September 2008</b>	<b>Carrying amount of assets, where different from fair values</b>	
<i>Non-current assets</i>				
Tangible and intangible assets	22,160	31,206	14,757	21,700
Biological assets (Note 8)	9,961	5,972	2,067	5,776
<i>Current assets</i>				
Cash and cash equivalents	5,244	244		
Trade receivables and other current assets	1,675	4,434		
Inventory	3,262	14,193		
<i>Long term liabilities</i>				
Borrowing and obligations under financial lease	(586)	(8,123)		
Grants	-	(3,100)		
Deferred tax	-	(1,901)		-
<i>Short term liabilities</i>				
Borrowing and obligations under financial lease	(182)	(1,526)		
Other financial liabilities	-	(573)		
Trade payables and other current liabilities	(2,439)	(7,093)		
Net assets at acquisition date	<b>39,095</b>	<b>33,733</b>		
Acquired share capital, %	93.60	97.28		
Net assets acquired	36,593	32,816		
Cash paid upon acquisition acquired	50,080	34,500		
Direct costs relating to acquisition	550	134		
Total purchase consideration	<b>(50,630)</b>	<b>(34,634)</b>		
<b>Total goodwill</b>	<b>14,037</b>	<b>1,818</b>		

Goodwill, arising at acquisition of subsidiaries is accounted for as intangible assets in the Group's consolidated financial statements. The acquired goodwill is attributable to the acquired companies technological know-how, staff expertise, and economies of scale expected from combining the operations of the Group, Polva Agro OU, and Grūduva UAB.

The combined effect of these two acquisitions to the profit and loss account of the Group of 2008 since the day of acquisitions till the year end amounts to loss of LTL 13,372 thousand (Polva: loss of LTL 9,735 thousand, including results of Agrowill Eesti OU, and Grūduva: loss of LTL 3,637 thousand). The effect of Grūduva UAB acquisition to revenues of the Group since the acquisition day till the year end amounted to LTL 6,146 thousand.

#### 24. Business combinations (continued)

Had the acquisitions occurred at the 1 January 2008, the combined Group's annual revenues in 2008 would have amounted to LTL 67,608 thousand (Polva: LTL 0 thousand because it is treated as discontinued operations, see Note 29, and therefore does not have an impact on the Group's revenues; and Grūduva: LTL 15,042 thousand total revenues in 2008, of which LTL 8,896 thousand is revenues in 2008 before the acquisition, and LTL 6,146 thousand is revenues in 2008 after acquisition).

Had the acquisitions occurred at the 1 January 2008, the combined Group's annual net loss for 2008 from continuing activities would have amounted to LTL 22,026 thousand (Grūduva: LTL 535 thousand total net loss in 2008, of which net profit of LTL 3,102 thousand was earned in 2008 before the acquisition, and net loss of LTL 3,637 thousand was incurred in 2008 after acquisition). The combined Group's annual total net loss for 2008 would have amounted to LTL 29,125 thousand (Polva: LTL 5,701 thousand total net profit in 2008, of which LTL 2,636 thousand earned in 2008 before acquisition, and LTL 3,065 thousand after acquisition; Grūduva: LTL 535 thousand net loss in 2008, as described in this paragraph above).

The information about of sale of Agrowill Eesti OU group (together with Polva Agro OU) is presented in Note 30.

#### Net cash paid to acquire subsidiaries

	<u>2010</u>	<u>2009</u>	<u>2008</u>
Acquisition cost paid in cash	299	-	85,264
Less: cash and cash equivalents of acquired subsidiaries	(136)	-	(5,488)
	<u>163</u>	<u>-</u>	<u>79,776</u>

#### Net cash received from disposals of subsidiaries

	<u>2010</u>	<u>2009</u>	<u>2008</u>
Proceeds of sales in cash	-	8	-
Less: cash and cash equivalents of disposed subsidiaries	-	(918)	-
	<u>-</u>	<u>(910)</u>	<u>-</u>

#### 25. Other income

	<u>2010</u>	<u>2009</u>	<u>2008</u>
Extinguishment of debt, net (Note 17)	6,695	-	-
Fines	297	225	-
Interest income	36	5	52
Other income	875	210	45
<b>Total</b>	<u>7,903</u>	<u>440</u>	<u>97</u>

#### 26. Finance cost

For the year ended as of 31 December the Group's finance cost consisted of the following:

	<u>2010</u>	<u>2009</u>	<u>2008</u>
Bank interest expenses	4,244	6,268	6,128
Other liabilities interest expenses	1,564	3,097	1,980
Other borrowings interest expenses	636	3,154	3,315
Restructured liabilities interest expense (Note 17)	211	-	-
Other financial expenses	169	360	1,612
<b>Total</b>	<u>6,824</u>	<u>12,879</u>	<u>13,035</u>

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

	<b>2010</b>	<b>2009</b>	<b>2008</b>
Net profit (loss) from continuing activities attributable to equity holders of the Parent Company	7,087	(52,713)	(24,837)
Net profit (loss) from discontinued activities attributable to equity holders of the Parent Company	-	119	(9,735)
Net profit (loss) attributable to equity holders of the Parent Company	<u>7,087</u>	<u>(52,594)</u>	<u>(34,572)</u>
Weighted average number of shares	40,893,272	26,142,732	24,607,049
Earnings per share (LTL) from continuing activities	0.17	(2.02)	(1.01)
Earnings per share (LTL) from discontinued activities	-	0.01	(0.40)
<b>Earnings per share (LTL)</b>	<b><u>0.17</u></b>	<b><u>(2.01)</u></b>	<b><u>(1.41)</u></b>

The Parent Company had no dilutive options outstanding during 2010, 2009, and 2008 or as of 31 December 2010, 2009, and 2008. Weighted average number of shares for 2010 is calculated as following:

	<b>Weighted number of shares</b>
Share capital of 26,142,732 shares for 221 days	15,828,887
Share capital of 27,687,747 shares for 15 days	1,137,853
Share capital of 65,260,397 shares for 79 days	14,124,853
Share capital of 71,552,254 shares for 50 days	9,801,679
<b>Weighted number of shares for 2010</b>	<b><u>40,893,272</u></b>

Weighted average number of shares for 2008 is calculated as following:

	<b>Weighted number of shares</b>
Share capital of 20,000,000 shares for 3 months	5,000,000
Share capital of 26,142,732 shares for 9 months	19,607,049
<b>Weighted number of shares for 2008</b>	<b><u>24,607,049</u></b>

**28. Related party transactions**

Over the years ended 31 December 2010, 2009, and 2008 the average number of Senior Management was 7, 6, and 7 respectively. Senior management includes Board of Directors, General Director and chief accountant of the Parent Company.

*i) Payments to Board Members and Senior management*

In 2009, salaries and other payments to the Board Members and Senior Management of the Parent Company amounted to LTL 390 thousand (2009: LTL 302 thousand, 2008: LTL 556 thousand).

*(ii) Other transactions with related parties*

All the shareholders of Agrowill 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:

	<b>2010</b>				
	<b>Accounts receivable</b>	<b>Borrowings</b>	<b>Accounts payable</b>	<b>Purchases</b>	<b>Sales</b>
<i>Parties related to Board Member Marius Žutautas</i>					
ŽIA valda UAB	-	-	10	228	-
<i>Parties related to Board Member Linas Strėlis</i>					
Vilkyškių pieninė AB	528	-	-	-	6,451
<i>Board Member Mindaugas Juozaitis</i>	696	-	-	-	-
<i>Parties related to general director Mindaugas Juozaitis</i>					
MJ Holding UAB	-	-	-	108	-
<b>Total</b>	<b><u>1,224</u></b>	<b><u>-</u></b>	<b><u>10</u></b>	<b><u>336</u></b>	<b><u>6,451</u></b>

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

	<b>2009</b>				
	<b>Accounts receivable</b>	<b>Borrowings</b>	<b>Accounts payable</b>	<b>Purchases</b>	<b>Sales</b>
<i>Shareholders</i>					
ŽIA valda UAB	-	-	9	131	-
<i>Parties related to general director Mindaugas Juozaitis</i>					
3MD UAB	-	-	-	143	-
<b>Total</b>	<b>-</b>	<b>-</b>	<b>9</b>	<b>274</b>	<b>-</b>

	<b>2008</b>				
	<b>Accounts receivable</b>	<b>Borrowings</b>	<b>Accounts payable</b>	<b>Purchases</b>	<b>Interest</b>
<i>Shareholders</i>					
Linas Strėlis	-	4,484	554	-	554
Invalda AB	-	3,870	282	-	430
ŽIA valda UAB	96	425	120	159	57
<i>Parties related to shareholder Linas Strėlis</i>					
Kelmės pieninė AB	-	-	-	-	70
<i>Parties related to shareholder Žia valda AB</i>					
Žia valda real estate UAB	-	-	-	82	-
<b>Total</b>	<b>96</b>	<b>8,779</b>	<b>956</b>	<b>241</b>	<b>1,111</b>

**29. Commitments and contingencies**

The Group leases agricultural land, some passenger cars, and premises under operating lease agreements. Total amount of such expenses included in the profit (loss) account for years ended 31 December 2010, 2009, and 2008 equals to LTL 3,755 thousand, LTL 3,819 thousand, and LTL 2,153 thousand respectively. These contracts are with an average term of 5 – 6 years. All contracts are registered in State Registrar, so the lessor can not 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 wishes to acquire the land, the rent contract stays valid until the original term expires.

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

	<b>2010</b>	<b>2009</b>	<b>2008</b>
Not later than 1 year	3,453	3,248	3,926
Later than 1 year, but not later than 5 years	10,079	9,293	10,779
After 5 years	1,459	2,285	4,047
<b>Total future lease payments</b>	<b>14,991</b>	<b>14,826</b>	<b>18,752</b>

The Group leases out agricultural land to third parties. Total amount of such revenues included in the profit (loss) account for years ended 31 December 2010, 2009, and 2008 equals to LTL 2,262 thousand, LTL 2,293 thousand, and LTL 1,652 thousand respectively. The future aggregate minimum lease receivables under non-cancellable agreements:

	<b>2010</b>	<b>2009</b>	<b>2008</b>
Not later than 1 year	2,299	2,214	2,293
Later than 1 year, but not later than 5 years	9,104	8,681	6,935
After 5 years	12,044	12,756	9,742
<b>Total future lease receivables</b>	<b>23,447</b>	<b>23,651</b>	<b>18,970</b>

In October 2009 the Group signed an agreement regarding the sales of Agrowill Eesti shares. Agrowill Eesti is the controlling company of Polva Agro OU. According to the agreement the shares were transferred for the nominal value of shares – LTL 9 thousand. Until further contract conditions are met Agrowill Group AB had issued a guarantee for the loan of Agrowill Eesti OU to Swedbank A/S (LTL 36,185 thousand). As all conditions of contract were met in the beginning of 2010, the guarantee became terminated as of 15 April 2010.

### 29. Commitments and contingencies (continued)

The main legal cases where Group is participating are the Restructuring cases for 14 agricultural subsidiaries and the Parent Company. All remaining legal cases where Group parties are involved are regarding legal adjudgement of the amounts payable by the Group. As the Group companies are in Restructuring process, all such cases are being merged into Restructurisation case of each company after such case has been appointed by the court of Lithuania. The Group management believes that no significant additional liabilities will arise upon the completion of these legal cases.

There are no other ongoing or pending legal cases which might result in possible additional losses for the Group.

### 30. Discontinued activities

The activities of Agrowill Eesti OU and Polva Agro OU for the period from June 2008 up to October 2009 are disclosed in the discontinued activities part. The analysis of net result is presented below:

	<b>2009</b>	<b>2008</b>
Revenues	4,641	5,211
Cost of sales	(4,139)	(2,913)
Gain (loss) on changes in fair values of biological assets	-	2,782
<b>Gross profit</b>	<b>502</b>	<b>5,080</b>
Operating expenses	(3,433)	(1,107)
Other income	45	204
Impairment of goodwill	-	(12,800)
<b>Operating profit</b>	<b>(2,886)</b>	<b>(8,623)</b>
Finance cost	(3,057)	(1,112)
Income tax expense	-	-
<b>Profit (loss) after income tax</b>	<b>(5,943)</b>	<b>(9,735)</b>
<b>Gain on disposal</b>	<b>6,062</b>	<b>-</b>
<b>TOTAL PROFIT / (LOSS) FROM DISCONTINUED ACTIVITIES</b>	<b>119</b>	<b>(9,735)</b>

The gain on disposal includes loans written off during disposal (LTL 9,803 thousand) – loans issued by the Parent Company to the subsidiary sold (Agrowill Eesti OU), which at the date of transaction were written – off as part of agreement, and net assets disposed off (LTL 15,865 thousand). The subsidiaries were sold in October 2009:

<b>Disposal of subsidiaries</b>	<b>Agrowill Eesti Group October 2009</b>
<i>Non-current assets</i>	
Tangible and intangible assets	19,994
Goodwill	1,237
Long – term receivables and investments	9,611
Biological assets (Note 8)	10,356
<i>Current assets</i>	
Cash and cash equivalents	917
Trade receivables and other current assets	1,654
Inventory	1,053
<i>Long term liabilities</i>	
Borrowing and obligations under financial lease (including liabilities to the Parent Company)	(55,376)
<i>Short term liabilities</i>	
Borrowing and obligations under financial lease	(17)
Trade payables and other current liabilities	(2,791)
<b>Total net assets disposed off</b>	<b>(13,362)</b>
Net assets attributable to non-controlling at disposal date	<b>2,503</b>
<b>Net assets attributable to equity holders of the Parent company at disposal date</b>	<b>(15,865)</b>

### 31. Subsequent events

In February 2011, the Group acquired subsidiary in Moldova "Natur Agro Grup" SRL for LTL null as part of payment for previously written-off account receivable. The subsidiary is engaged in land management business.

<b>Acquisitions of subsidiaries</b>	<b>Natur Agro GRUP SRL</b>
	<b>February 2010</b>
<i>Non-current assets</i>	
Tangible and intangible assets	408
Biological assets (Note 8)	-
<i>Current assets</i>	
Cash and cash equivalents	1
Trade receivables and other current assets	3
<i>Long term liabilities</i>	
Grants	-
Deferred tax	-
<i>Short term liabilities</i>	
Net assets at acquisition date	<b>412</b>
Acquired share capital, %	100.00
Net assets acquired	412
Cash paid upon acquisition acquired	-
Direct costs relating to acquisition	-
Total purchase consideration	-
<b>Total negative goodwill</b>	<b>(412)</b>

On 25 March 2011, the Shareholders of the Group convened and, among other decisions, decided the following:

#### *Regarding increase of share capital of the Company.*

- To increase the share capital by issuing 25,000,000 new ordinary registered shares with nominal value of LTL 1 each. To authorise the Board of the Company to set the issue price for 25,000,000 new shares, which issue price shall be not less than nominal value.
- To authorise the Board of the Company, in accordance with decisions of this extraordinary shareholders meeting and laws, to prepare, approve and to apply to Securities Commission of the Republic of Lithuania with regard to approval of the prospectus of public offering in Poland and another jurisdictions defined by the Board and listing of newly issued Company's shares on a regulated market Warsaw Stock Exchange.
- The payment for new shares will be done in cash contribution. Other conditions, not covered by decisions of the shareholders meeting (such as issue price, issue timing, payment period and etc.) will be defined by the Board of the Company.
- If during the defined period of time not all new emission shares are subscribed, the share capital will be increased by the nominal value of shares subscribed. Based on this, the Board of the Company will have to amend the share capital and number of shares in the Articles of Association accordingly, and to provide amended Articles of Association to the State Register.
- To initiate public offering and admission of all of Company's shares (including all new shares) to a trading on a regulated market Warsaw Stock Exchange and authorise the Board of the Company to take all necessary actions.

#### *Regarding the recall of priority right to acquire the new share issue.*

- To recall the priority right of all shareholders to acquire the newly issued 25,000,000 ordinary registered shares of Agrowill Group AB, based on the Law of Companies of the Republic of Lithuania article 20, part 1, p. 13, and article 57, part. 5, p. 7.
- Reason for the recall is public offering by following proceedings provided by the Securities law.

#### *Regarding granting priority rights to acquire the new share issue.*

- The priority right to acquire new shares, i.e. ordinary registered Agrowill Group, AB shares, is not granted to designate persons, since new shares will be publicly offered by following proceedings provided by the Securities law.

In April 2011 the Parent Company obtained LTL 5 million from „Žia Valda" UAB and „Amber Capital Partners" UAB with a 20 per cent annual interest rate.

In April, the Supervisory board approved change in the Board of Directors – Mamertas Krasauskas was elected instead of Mindaugas Juozaitis.



**AGROWILL GROUP AB**  
Company code 126264360, Smolensko str. 10, LT-03201 Vilnius



**EXPLANATORY NOTES**  
**FOR THE YEAR ENDED 31 DECEMBER 2008, 2009, AND 2010**  
(All amounts are in LTL thousand, unless otherwise stated)

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**AGROWILL GROUP AB DISCLOSURE CONCERNING THE COMPLIANCE WITH THE GOVERNANCE CODE FOR THE COMPANIES LISTED ON THE REGULATED MARKET IN 2010**

The public company Agrowill 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 prospectuses-reports, which are provided on the company's and Vilnius Stock Exchange website.
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 ethic 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.
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 supervisions of companies 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.

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 5 (five) 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 year 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 departure from these recommendations, it should furnish information on the measures it has taken to ensure impartiality of the supervision.	Yes	The CEO of the Company is elected by the Board of the company.  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></p>		
<p><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></p>		
3.1. The mechanism of the formation of a collegial body to be elected by a general shareholders' meeting (hereinafter in this Principle referred to as the 'collegial body') should ensure objective and fair monitoring of the company's management bodies as well as representation of non-controlling shareholders.	Yes	When electing collegial body, the shareholders can access the thorough information about each candidate before the shareholders meeting and during it.  The company's Supervisory Council operates impartially, objectively and represents the interests of all shareholders equally.

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 prospectuses- reports.</p> <p>The information about the Supervisory Council members is constantly updated and released to the shareholders.</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>

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>

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
<p><b>Principle IV: The duties and liabilities of a collegial body elected by the general shareholders' meeting</b></p>		
<p><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<sup>1</sup> of the company's management bodies and protection of interests of all the company's shareholders.</b></p>		
<p>4.1. The collegial body elected by the general shareholders' meeting (hereinafter in this Principle referred to as the 'collegial body') should ensure integrity and transparency of the company's financial 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.</p>	<p>Yes</p>	<p>The company's Supervisory Council performs all supervision functions set forth in the legal acts of the Republic of Lithuania.</p>
<p>4.2. Members of the collegial body should act in good faith, with care and responsibility for the benefit and in the interests of the company and its shareholders with due regard to the interests of employees and public welfare. Independent members of the collegial body should (a) under all circumstances maintain independence of their analysis, decision-making and actions (b) do not seek and accept any unjustified privileges that might compromise their independence, and (c) clearly express their objections should a member consider that decision of the collegial body is against the interests of the company. Should a collegial body have passed decisions independent member has serious doubts about, the member should make adequate conclusions. Should an independent member resign from his office, he should explain the reasons in a letter addressed to the collegial body or audit committee and, if necessary, respective company-not-pertaining body (institution).</p>	<p>Yes</p>	<p>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.</p>
<p>4.3. Each member should devote sufficient time and attention to perform his duties as a member of the collegial body. Each member of the collegial body should limit other professional obligations of his (in particular any directorships held in other companies) in such a manner they do not interfere with proper performance of duties of a member of the collegial body. In the event a member of the collegial body should be present in less than a half of the meetings of the collegial body throughout the financial year of the company, shareholders of the company should be notified.</p>	<p>Yes</p>	<p>The company's Supervisory Council performed the functions assigned properly: they actively participate in the Supervisory Council meetings and devote sufficient time for the performance of their duties as Supervisory Council members. As of May 2009, the Supervisory Council did not meet, as the Group entered restructurization. The only meeting since was in August 2010, to elect new member of the Board.</p>
<p>4.4. Where decisions of a collegial body may have a different effect on the company's shareholders, the collegial body should treat all shareholders impartially and fairly. It should ensure that shareholders are properly informed on the company's affairs, strategies, risk management and resolution of conflicts of interest. The company should have a clearly established role of members of the collegial body when communicating with and committing to shareholders.</p>	<p>Yes</p>	<p>The company's Supervisory Council treats all shareholders honestly and impartially.</p>

PRINCIPLES/ RECOMMENDATIONS	YES/NO /NOT APPLICABLE	COMMENTARY
<p>4.5. It is recommended that transactions (except insignificant ones due to their low value or concluded when carrying out routine operations in the company under usual conditions), concluded between the company and its shareholders, members of the supervisory or managing bodies or other natural or legal persons that exert or may exert influence on the company's management should be subject to approval of the collegial body. The decision concerning approval of such transactions should be deemed adopted only provided the majority of the independent members of the collegial body voted for such a decision.</p>	<p>Yes</p>	<p>All significant transactions with the shareholders of the Company (over LTL 20 thousand), which are made not in line with the main business of the Company are approved by the Board of directors.</p>
<p>4.6. The collegial body should be independent in passing decisions that are significant for the company's operations and strategy. Taken separately, the collegial body should be independent of the company's management bodies. 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.</p>	<p>Yes</p>	<p>The company's Supervisory Council is independent while adopting decisions which are significant for the activity and strategy of the company.</p>
<p>4.7. Activities of the collegial body should be organized in a manner that independent members of the collegial body could have major influence in relevant areas where chances of occurrence of conflicts of interest are very high. Such areas to be considered as highly relevant are issues of nomination of company's directors, determination of directors' remuneration and control and assessment of company's audit. Therefore when the mentioned issues are attributable to the competence of the collegial body, it is recommended that the collegial body should establish nomination, remuneration, and audit 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.</p>	<p>Yes</p>	<p>There is Nomination and Remuneration, and Audit committees formed in the Company.</p>



PRINCIPLES/ RECOMMENDATIONS	YES/NO /NOT APPLICABLE	COMMENTARY
<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>	Yes	<p>The Committees do not replace Supervisory Council. Rather, within their responsibility areas they make suggestions and opinions to the Supervisory Council.</p>
<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>	Yes	<p>The Committees are formed from 3 persons.</p>
<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>	Yes	<p>The Committees act according to their regulations.</p>
<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>	Yes	<p>The members of the Supervisory Council who are not on the Committees can participate in the meetings only if they are allowed by the Committee.</p>

PRINCIPLES/ RECOMMENDATIONS	YES/NO /NOT APPLICABLE	COMMENTARY
<p>4.12. Nomination Committee.                      4.12.1. Key functions of the nomination committee should be the following:                      1) Identify and recommend, for the approval of the collegial body, candidates to fill board vacancies. The nomination committee should evaluate the balance of skills, knowledge and experience on the management body, prepare a description of the roles and capabilities required to assume a particular office, and assess the time commitment expected. Nomination committee can also consider candidates to members of the collegial body delegated by the shareholders of the company;                      2) Assess on regular basis the structure, size, composition and performance of the supervisory and management bodies, and make recommendations to the collegial body regarding the means of achieving necessary changes;                      3) Assess on regular basis the skills, knowledge and experience of individual directors and report on this to the collegial body;                      4) Properly consider issues related to succession planning;                      5) Review the policy of the management bodies for selection and appointment of senior management.</p> <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>	<p>Yes</p>	<p>Main functions of the Committee match those advised in recommendation. Due to simplicity this committee is merged with the Remuneration committee.</p>
<p>4.13. Remuneration Committee.                      4.13.1. Key functions of the remuneration committee should be the following:                      1) Make proposals, for the approval of the collegial body, on the remuneration policy for members of management bodies and executive directors. Such policy should address all forms of compensation, including the fixed remuneration, performance-based remuneration schemes, pension arrangements, and termination payments. Proposals considering performance-based remuneration schemes should be accompanied with recommendations on the related objectives and evaluation criteria, with a view to properly aligning the pay of executive director and members of the management bodies with the long-term interests of the shareholders and the objectives set by the collegial body;                      2) Make proposals to the collegial body on the individual remuneration for executive directors and member of management bodies in order their remunerations are consistent with company's remuneration policy and the evaluation of the performance of these persons concerned. In doing so, the committee should be properly informed on the total compensation obtained by executive directors and members of the management bodies from the affiliated companies;                      3) Make proposals to the collegial body on suitable forms of contracts for executive directors and members of the management bodies;</p>	<p>Yes</p>	<p>Main functions of the Committee match those advised in recommendation. Due to simplicity this committee is merged with the Nomination committee.</p>

PRINCIPLES/ RECOMMENDATIONS	YES/NO /NOT APPLICABLE	COMMENTARY
<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>	<p>Yes</p>	<p>Main functions of the Committee match those advised in recommendation.</p>

PRINCIPLES/ RECOMMENDATIONS	YES/NO /NOT APPLICABLE	COMMENTARY
<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>		

PRINCIPLES/ RECOMMENDATIONS	YES/NO /NOT APPLICABLE	COMMENTARY
<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	<p>As the collegial body Supervisory Council was formed only in December 2007 and was no active in 2008-2010, there were no assessments carried out.</p> <p>The assessments will be performed by the members of the Committees starting of 2011.</p>
<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	<p>This provision is implemented by the company's Supervisory Council and Board of Directors.</p>

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.	No	The Supervisory Council meetings were held at least once per quarter until May 2009. As of that date the meetings ceased as the Group entered restructurization.
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.	N/A	
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.	N/A	
<b>Principle VI: The equitable treatment of shareholders and shareholder rights</b>		
<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>		
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 Chapter V of the Republic of Lithuania Company Law.

PRINCIPLES/ RECOMMENDATIONS	YES/NO /NOT APPLICABLE	COMMENTARY
<p>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.</p>	Yes	<p>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.</p>
<p>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.</p>	Yes	<p>All information dedicated to the shareholders and investors is announced on the company's website and NASDAQ OMX VSE information system.</p>
<p>6.6. Shareholders should be furnished with the opportunity to vote in the general shareholders' meeting in person and in absentia. Shareholders should not be prevented from voting in writing in advance by completing the general voting ballot.</p>	Yes	<p>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.</p>
<p>6.7. With a view to increasing the shareholders' opportunities to participate effectively at shareholders' meetings, the companies are recommended to expand use of modern technologies 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.</p>	No	<p>The company does not follow this recommendation as the number of the shareholders until 2008 was very small. In 2009 and 2010 this recommendation was not implemented. In the future, the Company will seek to implement such possibility.</p>
<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>		
<p>7.1. Any member of the company's supervisory and management body should avoid a situation, in which his/her personal interests are in conflict or may be in conflict with the company's interests. In case such a situation did occur, a member of the company's supervisory and management body should, within reasonable time, inform other members of the same collegial body or the company's body that has elected him/her, or to the company's shareholders about a situation of a conflict of interest, indicate the nature of the conflict and value, where possible.</p>	Yes	<p>The Supervisory Council and Board members act according to the following recommendations.</p>

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



PRINCIPLES/ RECOMMENDATIONS	YES/NO /NOT APPLICABLE	COMMENTARY
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

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

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 interest holders which are protected by the laws and which authorize the interest holders 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
<p><b>Principle X: Information disclosure and transparency</b></p>		
<p><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>		
<p>10.1. The company should disclose information on:                      1) The financial and operating results of the company;                      2) Company objectives;                      3) Persons holding by the right of ownership or in control of a block of shares in the company;                      4) Members of the company's supervisory and management bodies, chief executive officer of the company and their remuneration;                      5) Material foreseeable risk factors;                      6) Transactions between the company and connected persons, as well as transactions concluded outside the course of the company's regular operations;                      7) Material issues regarding employees and other stakeholders;                      8) Governance structures and strategy.</p>	<p>Yes</p>	<p>Information set forth in this recommendation is disclosed in the periodic prospectuses-reports, annual report, website, through the NASDAQ OMX VSE information system.</p>
<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>	<p>Yes</p>	<p>See 10.1</p>
<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>	<p>Yes</p>	<p>See 10.1</p>
<p>10.3. It is recommended that information on the professional background, qualifications of the members of supervisory and management bodies, chief executive officer of the company should be disclosed as well as potential conflicts of interest that may have an effect on their decisions when information specified in item 4 of Recommendation 10.1 about the members of the company's supervisory and management bodies is under disclosure. It is also recommended that information about the amount of remuneration received from the company and other income should be disclosed with regard to members of the company's supervisory and management bodies and chief executive officer as per Principle VIII.</p>	<p>Yes</p>	<p>See 10.1</p>
<p>10.4. It is recommended that information about the links between the company and its stakeholders, including employees, creditors, suppliers, local community, as well as the company's policy with regard to human resources, employee participation schemes in the company's share capital, etc. should be disclosed when information specified in item 7 of Recommendation 10.1 is under disclosure.</p>	<p>Yes</p>	<p>See 10.1</p>
<p>10.5. Information should be disclosed in such a way that neither shareholders nor investors are discriminated with regard to the manner or scope of access to information. Information should be disclosed to all simultaneously. It is recommended that notices about material events should be announced before or after a trading session on the Vilnius Stock Exchange, so that all the company's shareholders and investors should have equal access to the information and make informed investing decisions</p>	<p>Yes</p>	<p>Information is provided by the company via the information disclosure system used by the Vilnius Stock Exchange in the Lithuanian 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.                      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>

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 via the information disclosure system used by the Vilnius Stock Exchange in the Lithuanian 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.
<b>Principle XI: The selection of the company's auditor</b>		
<b>The mechanism of the selection of the company's auditor should ensure independence of the firm of auditor's conclusion and opinion.</b>		
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 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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AGROWILL GROUP AB

2011-05-27

#### CONFIRMATION OF RESPONSIBLE PERSONS

Following the law on Securities of the Republic of Lithuania and Rules on Preparation and Submission of Periodic and Additional Information of the Lithuanian Securities Commission, we, Vladas Bagavicius, Chairman of the Board and Domantas Savicius, Chief Financial Officer of Agrowill Group AB hereby confirm that, to the best of our knowledge, the attached unaudited interim consolidated financial statements of Agrowill Group AB for the 3 month period ended 31 March 2011, prepared in accordance with International Financial Reporting Standards, give a true and fair view of the assets, liabilities, financial position and profit or loss of consolidated Agrowill Group AB.

ENCLOSURE: unaudited interim consolidated financial information of Agrowill Group AB for the 3 months period ended 31 March 2011.

Chairman of the Board

Vladas Bagavičius

.....

Chief Financial Officer

Domantas Savičius

.....

**AGROWILL GROUP AB**

*Consolidated Interim Report and  
Consolidated Financial Information  
for 3 months ended 31 March 2011*

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**INTERIM REPORT**

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

**I. GENERAL PROVISIONS**

**Accounting period covered by the Report**

The report covers 3 month period ended 31 March 2011.

**Key data on the issuer**

Name of the company: Agrowill Group AB (hereinafter – AWG or the Company)  
Share capital: LTL 71,552,254  
Address of headquarters: Smolensko g. 10, LT-03201 Vilnius, Lietuva  
Telephone: (8~5) 233 53 40  
Fax: (8~5) 233 53 45  
E-mail address: [info@agrowill.lt](mailto:info@agrowill.lt)  
Website: [www.agrowill.lt](http://www.agrowill.lt)  
Legal-organizational form: Legal body, joint stock company  
Place and date of registration: 25 September 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 March 2011 the Group was comprised of the Company and it's subsidiaries:

Name	Legal form	Date and place of registration	Company code	Address	Phone, fax and email
UAB AVG Investment	Joining stock company	2005-02-10, State Registrar	300087691	Smolensko st. 10, Vilnius	(8~5) 233 53 40; fax: (8~5) 233 53 45, email info@agrowill.lt
UAB AWG Investment 1	Joining stock company	2008-06-18, State Registrar	301745765	Smolensko st. 10, Vilnius	(8~5) 233 53 40; fax: (8~5) 233 53 45, email info@agrowill.lt
UAB AVG Investment 2	Joining stock company	2008-07-24, State Register	301807590	Smolensko str. 10, Vilnius	(8~5) 233 53 40; fax: (8~5) 233 53 45, el. p. info@agrowill.lt
UAB Agrowill Trade	Joining stock company	2008-07-24, State Register	301807601	Smolensko str. 10, Vilnius	(8~5) 233 53 40; fax: (8~5) 233 53 45, el. p. info@agrowill.lt
UAB Abagrain	Joining stock company	2007-04-26, State Register	300713565	Adutiškio str. 3-3	(8~5) 203 26 86; fax: (8~5) 203 26 87, el.p. info@abagrain.lt
UAB Grain Lt	Joining stock company	2010-03-17, State Register	302489354	Adutiškio str. 3-3	(8~5) 233 53 40; fax: (8~5) 233 53 45, el. p. info@agrowill.lt
UAB AWG Trade	Joining stock company	2011-03-15, State Register	302602713	Smolensko str. 10, Vilnius	(8~5) 233 53 40; fax: (8~5) 233 53 45, el. p. info@agrowill.lt
UAB Baltic farming land management	Joining stock company	2008-10-13, State Register	302003546	Smolensko str. 10, Vilnius	(8~5) 233 53 40; fax: (8~5) 233 53 45, el. p. info@agrowill.lt
UAB Agro Management Team	Joining stock company	2011-03-02, State Register	302599498	Smolensko str. 10, Vilnius	(8~5) 233 53 40; fax: (8~5) 233 53 45, el. p. info@agrowill.lt
ŽŪB Žemės fondas	Agricultural entity	2006-04-07, State Register	300558595	Smolensko str. 10, Vilnius	(8~5) 233 53 40; fax: (8~5) 233 53 45, el. p. info@agrowill.lt
UAB Žemės vystymo fondas	Joining stock company	2004-09-28, State Registrar	300057335	Smolensko st. 10, Vilnius	(8~5) 233 53 40; fax: (8~5) 233 53 45, email info@agrowill.lt
UAB Žemės vystymo fondas 1	Joining stock company	2005-10-11, State Registrar	300151101	Smolensko st. 10, Vilnius	(8~5) 233 53 40; fax: (8~5) 233 53 45, email info@agrowill.lt
UAB Žemės vystymo fondas 2	Joining stock company	2005-10-11, State Registrar	300151126	Smolensko st. 10, Vilnius	(8~5) 233 53 40; fax: (8~5) 233 53 45, email info@agrowill.lt
UAB Žemės vystymo fondas 3	Joining stock company	2005-10-11, State Registrar	300151165	Smolensko st. 10, Vilnius	(8~5) 233 53 40; fax: (8~5) 233 53 45, email info@agrowill.lt

**INTERIM REPORT**

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

Name	Legal form	Date and place of registration	Company code	Address	Phone, fax and email
UAB Žemės vystymo fondas 4	Joining stock company	2006-08-10, State Registrar	300589669	Smolensko st. 10, Vilnius	(8~5) 233 53 40; fax: (8~5) 233 53 45, email info@agrowill.lt
UAB Žemės vystymo fondas 5	Joining stock company	2006-08-10, State Registrar	300589683	Smolensko st. 10, Vilnius	(8~5) 233 53 40; fax: (8~5) 233 53 45, email info@agrowill.lt
UAB Žemės vystymo fondas 6	Joining stock company	2006-08-10, State Registrar	300589719	Smolensko st. 10, Vilnius	(8~5) 233 53 40; fax: (8~5) 233 53 45, email info@agrowill.lt
UAB Žemės vystymo fondas 7	Joining stock company	2007-01-17, State Registrar	300634420	Smolensko st. 10, Vilnius	(8~5) 233 53 40; fax: (8~5) 233 53 45, email info@agrowill.lt
UAB Žemės vystymo fondas 8	Joining stock company	2007-07-16, State Registrar	300921776	Smolensko st. 10, Vilnius	(8~5) 233 53 40; fax: (8~5) 233 53 45, email info@agrowill.lt
UAB Žemės vystymo fondas 9	Joining stock company	2006-03-09, State Registrar	300547638	Smolensko st. 10, Vilnius	(8~5) 233 53 40; fax: (8~5) 233 53 45, email info@agrowill.lt
UAB Žemės vystymo fondas 10	Joining stock company	2008-01-10, State Registrar	301522723	Smolensko st. 10, Vilnius	(8~5) 233 53 40; fax: (8~5) 233 53 45, email info@agrowill.lt
UAB Žemės vystymo fondas 11	Joining stock company	2005-05-12, State Registrar	300114042	Smolensko st. 10, Vilnius	(8~5) 233 53 40; fax: (8~5) 233 53 45, email info@agrowill.lt
UAB Žemės vystymo fondas 12	Joining stock company	2005-03-08, State Registrar	300094383	Smolensko st. 10, Vilnius	(8~5) 233 53 40; fax: (8~5) 233 53 45, email info@agrowill.lt
UAB Žemės vystymo fondas 14	Joining stock company	2006-08-10, State Registrar	300589726	Smolensko st. 10, Vilnius	(8~5) 233 53 40; fax: (8~5) 233 53 45, email info@agrowill.lt
UAB Žemės vystymo fondas 15	Joining stock company	2006-08-10, State Registrar	300589733	Smolensko st. 10, Vilnius	(8~5) 233 53 40; fax: (8~5) 233 53 45, email info@agrowill.lt
UAB Žemės vystymo fondas 16	Joining stock company	2006-08-10, State Registrar	300589740	Smolensko st. 10, Vilnius	(8~5) 233 53 40; fax: (8~5) 233 53 45, email info@agrowill.lt
* UAB Žemės vystymo fondas 17	Joining stock company	2007-01-17, State Registrar	300634388	Smolensko st. 10, Vilnius	(8~5) 233 53 40; fax: (8~5) 233 53 45, email info@agrowill.lt
* UAB Žemės vystymo fondas 18	Joining stock company	2007-01-17, State Registrar	300634406	Smolensko st. 10, Vilnius	(8~5) 233 53 40; fax: (8~5) 233 53 45, email info@agrowill.lt
UAB Žemės vystymo fondas 19	Joining stock company	2007-06-21, State Registrar	300886948	Smolensko st. 10, Vilnius	(8~5) 233 53 40; fax: (8~5) 233 53 45, email info@agrowill.lt
UAB Žemės vystymo fondas 20	Joining stock company	2007-06-22, State Registrar	300887726	Smolensko st. 10, Vilnius	(8~5) 233 53 40; fax: (8~5) 233 53 45, email info@agrowill.lt
* UAB Žemės vystymo fondas 21	Joining stock company	2007-07-16, State Registrar	300921783	Smolensko st. 10, Vilnius	(8~5) 233 53 40; fax: (8~5) 233 53 45, email info@agrowill.lt
UAB Žemės vystymo fondas 22	Joining stock company	2008-01-10, State Registrar	301522730	Smolensko st. 10, Vilnius	(8~5) 233 53 40; fax: (8~5) 233 53 45, email info@agrowill.lt
ŽŪB Agrowill Spindulys	Agricultural entity	1993-04-09, Radviliškis district municipality	171330414	Vaitiekūnai, Grinkiškis mun., LT-82380 Radviliškis distr.	(8~5) 233 53 40; fax: (8~5) 233 53 45, email info@agrowill.lt
ŽŪB Agrowill Smilgiai	Agricultural entity	1992-09-16, Panevėžys district municipality	168548972	Panevėžys str. 23, Smilgiai, Smilgiai mun., LT-38375	(8~5) 233 53 40; fax: (8~5) 233 53 45, email info@agrowill.lt
ŽŪB Agrowill Skėmiai	Agricultural entity	1992-10-01, Radviliškis district municipality	171306071	Skėmiai, Skėmiai mun., LT-82350 Radviliškis distr.	(8~5) 233 53 40; fax: (8~5) 233 53 45, email info@agrowill.lt
ŽŪB Agrowill Nausodė	Agricultural entity	1992-08-11, Anykščiai district municipality	154179675	Kirmėliai, Troškūnai mun., LT-29178 Anykščiai distr.	(8~5) 233 53 40; fax: (8~5) 233 53 45, email info@agrowill.lt

**INTERIM REPORT**

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

Name	Legal form	Date and place of registration	Company code	Address	Phone, fax and email
ŽŪB Agrowill Dumšiškės	Agricultural entity	1992-09-29, LR Raseiniai district board	172276179	Paraseinis, Paliepiei mun., LT-60194 Raseiniai distr.	(8~5) 233 53 40; fax: (8~5) 233 53 45, email info@agrowill.lt
ŽŪB Agrowill Žadžiūnai	Agricultural entity	1992-06-30, Šiauliai district municipality	175706853	Gudeliai str. 30, Žadžiūnai, Kairiai mun. Liepos 6-osios str. 18, Mantviliškis, Dotnuva mun., LT-58332 Kėdainiai distr.	(8~5) 233 53 40; fax: (8~5) 233 53 45, email info@agrowill.lt
ŽŪB Agrowill Mantviliškis	Agricultural entity	1992-11-06, Kėdainiai district board	161274230	Ukmergės str. 7, Alanta mun. LT-33312 Molėtai distr.	(8~5) 233 53 40; fax: (8~5) 233 53 45, email info@agrowill.lt
ŽŪB Agrowill Alanta	Agricultural entity	1992-06-29, Molėtai district municipality	167527719	Eimučiai, Kairiai mun., 80101 Šiauliai distr.	(8~5) 233 53 40; fax: (8~5) 233 53 45, email info@agrowill.lt
ŽŪB Agrowill Eimučiai	Agricultural entity	1992-06-29, Šiauliai district municipality	175705032	Vėriškės, Šeduva mun., LT-77199 Radviliškis distr.	(8~5) 233 53 40; fax: (8~5) 233 53 45, email info@agrowill.lt
ŽŪB Agrowill Vėriškės	Agricultural entity	1992-09-29, Radviliškis district municipality	171305165	Želsva, Liudvinavas mun., LT-69193 Marijampolė mun. Ukmergė str. 44, Bukoniai, Bukoniai mun., LT-55075 Jonava distr.	(8~5) 233 53 40; fax: (8~5) 233 53 45, email info@agrowill.lt
ŽŪB Agrowill Želsvelė	Agricultural entity	1992-07-03, Marijampolė municipality	165666499	Kairėnai, Grinkiškis mun., LT-82031 Radviliškis distr.	(8~5) 233 53 40; fax: (8~5) 233 53 45, email info@agrowill.lt
ŽŪB Agrowill Lankesa	Agricultural entity	1999-04-06, Jonava district municipality	156913032	Rytas str. 2, Jurbarkai, LT-74205 Jurbarkai distr.	(8~5) 233 53 40; fax: (8~5) 233 53 45, email info@agrowill.lt
ŽŪB Agrowill Kairėnai	Agricultural entity	1993-03-02, Radviliškis district municipality	171327432	Gotlybiškiai, Šakiai mun., LT-71372, Marijampolė distr.	(8~5) 233 53 40; fax: (8~5) 233 53 45, el. p. info@agrowill.lt
ŽŪB Agrowill Jurbarkai	Agricultural entity	1992-07-31, Jurbarkas district municipality	158174818	Smolensko str. 10, Vilnius	(8~5) 233 53 40; fax: (8~5) 233 53 45, el. p. info@agrowill.lt
UAB Grūduva	Joining stock company	1997-02-24, Šakiai district municipality	174401546	Stefan cel Marebd. 132, ap. 64, Chisinau mun., Moldova	(8~5) 233 53 40; fax: (8~5) 233 53 45, el. p. info@agrowill.lt
Panevežio region ŽŪB Gustoniai	Agricultural entity	1992-12-09, Panevėžys district municipality	168565021	Kogalniceanu Mihail, 51, Chisinau mun., Moldova	(8~5) 233 53 40; fax: (8~5) 233 53 45, el. p. info@agrowill.lt
S.R.L. Natur Agro Grup	Closed joint stock company	2005-09-23, Republic of Moldova	1005600045098	Baimanskaja st. 7-10, Moscow, Russia	(8~5) 233 53 40; fax: (8~5) 233 53 45, el. p. info@agrowill.lt
S.R.L. Agrowill group	Closed joint stock company	2008-07-01, Republic of Moldova	100860003153		
ZAO Agroprom	Closed joint stock company	2008-09-01, Russian Federation	1087746061237		

\* UAB "Žemės vystymo fondas 17", UAB "Žemės vystymo fondas 18", and UAB "Žemės vystymo fondas 21" are sold with a buyback right to UAB „RN Investicijos“. The buyback option expires on 29 July 2011.

**Information on where and when the Report and the documents, on which the Report is based, are publicly available and the name of the mass media means**

The report is available during working days from 8.30 to 17.30 at the headquarters of Agrowill Group AB at the address: Smolensko st. 10, Vilnius, or at the Company's internet website: [www.agrowill.lt](http://www.agrowill.lt).

The announcements of the Company, including the information and other documents related to the Annual General meeting, also the information and other documents related to liquidation or reorganisation of the Company, minutes of the shareholder and Board meetings, other announcements and documents, which according to the law of Republic of Lithuania, the Statutes of the Company and the decisions of the Management have to be announced publicly are announced in the daily newspaper „Respublika“ or delivered to each shareholder and other person personally – either by registered mail, or by signed delivery.

Announcements of the Company are placed on the NASDAQ OMX Vilnius Stock exchange information system and the news agencies.

**INTERIM REPORT**

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

**II. INFORMATION ABOUT THE LARGEST SHAREHOLDERS AND ISSUERS MANAGEMENT**

**Share capital**

The share capital of Agrowill Group AB as at 31 March 2011 was LTL 71,552,254. The share capital was divided into 71,552,254 ordinary shares. Each issued share has a LTL 1 nominal value and fully paid.

**Shareholders**

Total number of shareholders as at 18 March 2011 was 1,062 (one thousand sixty two). The shareholders owning more than 5 per cent of all the company shares:

Name, surname / name of the company	Company / personal code	Address	Votes held by shareholder	Shares held by shareholder
Volemer Holdings Limited	HE 268133	Avlonos 1, Nicosia, Kipras	16,575,672	23.17%
Vretola Holdings Limited	HE 270472	Baarerstrasse 75, Zug, Šveicarija	13,635,202	19.06%
Linas Strėlis	-	-	10,418,800	14.56%
Eastern Agro Holdings UAB	300125868	Smolensko g. 10, Vilnius	8,343,609	11.66%
Romualdas Petrošius	-	-	4,751,923	6.64%

**The main characteristics of debt securities issued for public circulation of securities**

On 25 June 2008, the Company issued LTL 16 million of bonds into public trading:

Issue date	Term	Redemption date	Nominal value	Interest rate
25 June 2008	369 days	29 June 2009	LTL 16,000,000	12 %

All payments related to the payment for bonds emission, redemption of bonds and payment of interest are made in LTL or EUR. The bonds can not be redeemed before the redemption date either on demand by the Issuer, or the investor. The Company did announce that it will not redeem the above mentioned bonds issue on time in 2009.

The Company had also issued three non-public bonds issues, which are not traded in the open market:

Issue date	Term	Redemption date	Nominal value	Interest rate
23 December 2008	90 days	22 March 2009	LTL 2,275,000	12 %
20 January 2009	90 days	20 April 2009	LTL 315,000	14 %
25 June 2008	369 days	29 June 2009	LTL 8,816,000	14 %

The Company did also announce that it will not redeem the above mentioned bonds issues on time.

On 1 March 2010, Vilnius district court has decided to initiate the Restructuring case for Agrowill Group AB. This ruling was sued to the Court of Appeal. On 20 May 2010 Lithuanian Court of Appeal left in force the ruling of a lower Court. After the Companies Restructuring Plan was approved, the outstanding bonds will be paid back according to the Restructuring plan: in years 2013 – 2014.

Certain bondholders made agreements with the Company to exchange the monetary claims arising from holding of bonds against newly issued shares in August and October of 2010. As at 31 March 2011, and 31 December 2010, the amount owed to the bondholders amounted to LTL 8,886 thousand.

**INTERIM REPORT**

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

***The sales of the Issuer's securities on exchanges and other organized markets***

Over the accounting period, the Companies shares were traded on the NASDAQ OMX Vilnius (hereinafter – OMX Vilnius) since April.

Reporting period	Price, LTL			Date of last session	Total turnover	
	max	min	Last session		Units	LTL, mill
I quarter 2011	1.12	0.87	1.04	2011.03.31	3,054,598	3.097

Trading information of Agrowill Group AB bonds on NASDAQ OMX Vilnius:

Reporting period	Price, %			Date of last session	Total turnover	
	max	min	Last session		Units	LTL, millin
I quarter 2011	-	-	-	2011.03.31	-	-

***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 Bondholder accounts.

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

The Company and FMĮ Orion Securities UAB (A. Tumėno st. 4, B korpusas, LT-01109, Vilnius) have signed and market making agreement regarding Agrowill Group AB shares as of . The agreement was terminated on 24 May 2009.

***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 Companies' shareholders.

***Members of the managing bodies***

The managing bodies of the company are general meeting of the shareholders, the Supervisory Council, the Board of Directors and Managing Director. The Supervisory Council (consisting of 5 members) is elected by the shareholder meeting. The Board of directors is formed from 5 members. The chairman is elected by the Board. The Boardmembers are elected by the Supervisory Council. The Board of Directors elect and recall 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 March 2011:

Name, Surname	Position	End of current term of office	Period of service as a member
Ramūnas Audzevičius	Chairman of Supervisory Board	Until general meeting of shareholders to be held in 2012	Member of Supervisory Board since 23-08-2010
Česlav Okinčič	Member of Supervisory Board	Until general meeting of shareholders to be held in 2012	Member of Supervisory Board since 23-08-2010
Aurimas Sanikovas	Member of Supervisory Board	Until general meeting of shareholders to be held in 2012	Member of Supervisory Board since 23-08-2010
Gediminas Žiemelis	Member of Supervisory Board	Until general meeting of shareholders to be held in 2012	Member of Supervisory Board since 23-08-2010
Džiuginta Kalvelienė	Member of Supervisory Board	Until general meeting of shareholders to be held in 2012	Member of Supervisory Board since 23-08-2010

**INTERIM REPORT**

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

Name, Surname	Position	End of current term of office	Period of service as a member
Algirdas Pereckas	General director	Term not assigned	General director as of 2010-05-25
Mindaugas Juozaitis	Member of Board	Until 15-04-2011	
Mamertas Krasauskas	Member of Board	Until general meeting of shareholders to be held in 2013	Member of Board since 15-04-2011
Domantas Savičius	Member of Board	Until general meeting of shareholders to be held in 2013	Member of Board since 14-12-2007
Vladas Bagavičius	Chairman of Board	Until general meeting of shareholders to be held in 2013	Member of Board since 01-12-2008
Linas Strėlis	Member of Board	Until general meeting of shareholders to be held in 2013	Member of Board since 14-12-2007
Marius Žutautas	Member of Board	Until general meeting of shareholders to be held in 2013	Member of Board since 30-08-2010
Robertas Giedraitis	Chief accountant	Term not assigned	Chief accountant since 02-02-2009

Information on the shares of the Company held by the members of the Supervisory Board, the Board and the top management as of 18 March 2011:

Name, Surname	Position	Owned shares in the Company, units	Owned shares in the Company, %
Linas Strėlis	Member of Board	10,418,800	14.56%
Česlav Okinčič	Member of Supervisory Board	419,236	0.59%
Mamertas Krasauskas	Member of Board	28,000	0.04%
Domantas Savičius	Member of Board	19,417	0.03%
Gediminas Žiemelis	Member of Supervisory Board	8,993	0.01%
Mindaugas Juozaitis	Member of Board	3,695	0.01%

**FINANCIAL INFORMATION**

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

**III. FINANCIAL INFORMATION**

**Consolidated income statement**

	<b>3 month period ended 31 March</b>	
	<b>2011 unaudited</b>	<b>2010 unaudited</b>
Revenues	7,402	5,885
Cost of sales	(3,843)	(4,817)
Gain (loss) on changes in fair values of biological assets and on initial recognition of agricultural produce	-	-
<b>GROSS PROFIT</b>	<b>3,559</b>	<b>1,068</b>
Operating expenses	(4,314)	(2,819)
Gain from acquisitions of subsidiaries	412	-
Other income	3,066	7
<b>OPERATING PROFIT</b>	<b>2,723</b>	<b>(1,744)</b>
Finance cost	(1,256)	(1,212)
<b>PROFIT (LOSS) BEFORE INCOME TAX</b>	<b>1,467</b>	<b>(2,956)</b>
Profit tax	489	-
<b>NET PROFIT / (LOSS) FOR THE PERIOD</b>	<b>1,956</b>	<b>(2,956)</b>
<b>ATTRIBUTABLE TO :</b>		
Equity holders of the Company	1,807	(2,895)
Non-controlling interest	149	(61)
	<b>1,956</b>	<b>(2,956)</b>

**Consolidated statement of comprehensive income**

<b>NET PROFIT / (LOSS) FOR THE PERIOD</b>	<b>1,956</b>	<b>(2,956)</b>
<b>Other comprehensive income:</b>		
-	-	-
<b>TOTAL COMPREHENSIVE INCOME FOR THE PERIOD</b>	<b>1,956</b>	<b>(2,956)</b>
<b>ATTRIBUTABLE TO :</b>		
Equity holders of the Company	1,807	(2,895)
Non-controlling interest	149	(61)
	<b>1,956</b>	<b>(2,956)</b>

**FINANCIAL INFORMATION**

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

**Consolidated balance sheet**

	<b>31 March 2011 unaudited</b>	<b>31 December 2010 audited</b>
<b>ASSETS</b>		
<b>Non-current assets</b>		
Property, plant and equipment	138,529	140,442
Investment property	81,762	81,794
Intangible assets	2,914	2,916
Long term receivables	220	430
Financial assets	763	757
Deferred tax asset	4,032	3,543
Biological assets - livestock	13,523	13,009
<b>Total non-current assets</b>	<b>241,743</b>	<b>242,891</b>
<b>Current assets</b>		
Biological assets - crops	12,404	10,384
Inventory	12,114	11,588
Trade receivables, advance payments and other receivables	21,083	22,779
Cash and cash equivalents	2,950	1,322
<b>Total current assets</b>	<b>48,551</b>	<b>46,073</b>
<b>TOTAL ASSETS</b>	<b>290,294</b>	<b>288,964</b>
<b>Capital and reserves</b>		
Share capital	71,552	71,552
Share premium	25,595	25,595
Revaluation reserve	45,134	45,885
Legal reserve	2,000	2,000
Accumulated deficit	(35,768)	(38,326)
<b>Equity attributable to equity holders of the Company</b>	<b>108,513</b>	<b>106,706</b>
Non-controlling interest	2,580	2,431
<b>Shareholders equity, total</b>	<b>111,093</b>	<b>109,137</b>
<b>Non-current liabilities</b>		
Borrowings	3 662	26,046
Obligations under finance lease	1 693	3,082
Grants	9 681	9,905
Restructured liabilities	38 173	22,152
Deferred tax liability	10 783	10,870
<b>Total non-current liabilities</b>	<b>63 992</b>	<b>72,055</b>
<b>Current liabilities</b>		
Current portion of non-current borrowings	74 117	66,384
Current portion of non-current obligations under finance lease	7 609	7,008
Current borrowings	8 128	6,128
Trade payables	16 687	16,084
Other payables and current liabilities	8 668	12,168
<b>Total current liabilities</b>	<b>115 209</b>	<b>107,772</b>
<b>Total liabilities</b>	<b>179 201</b>	<b>179,827</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>290 294</b>	<b>288,964</b>



**FINANCIAL INFORMATION**

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

**Consolidated statement of changes in equity**

	Share capital	Share premium	Revaluation reserve	Legal reserve	Retained earnings	Equity attributable to the shareholders of the company	Non-controlling interest	Total
<b>Unaudited balance as at 31 December 2009</b>	<b>26,143</b>	<b>22,130</b>	<b>28,746</b>	<b>2,000</b>	<b>(35,700)</b>	<b>43,319</b>	<b>1,243</b>	<b>44,562</b>
<i>Comprehensive income</i>								
Net loss for the period	-	-	-	-	(2,895)	(2,895)	(61)	(2,956)
<i>Other comprehensive income</i>								
Decrease of revaluation reserve due to depreciation, disposals and write-offs of assets	-	-	(397)	-	-	(397)	-	(397)
<b>Total comprehensive income</b>	<b>-</b>	<b>-</b>	<b>(397)</b>	<b>-</b>	<b>(2,895)</b>	<b>(3,292)</b>	<b>(61)</b>	<b>(3,353)</b>
<i>Transactions with shareholders</i>								
-	-	-	-	-	-	-	-	-
<b>Total transactions with shareholders</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Unaudited balance as at 31 March 2010</b>	<b>26,143</b>	<b>22,130</b>	<b>28,349</b>	<b>2,000</b>	<b>(38,595)</b>	<b>40,027</b>	<b>1,182</b>	<b>41,209</b>
<b>Unaudited balance as at 31 December 2010</b>	<b>71,552</b>	<b>25,595</b>	<b>45,885</b>	<b>2,000</b>	<b>(38,326)</b>	<b>106,706</b>	<b>2,431</b>	<b>109,137</b>
<i>Comprehensive income</i>								
Net loss for the period (Restated)	-	-	-	-	1,807	1,807	149	1,956
<i>Other comprehensive income</i>								
Decrease of revaluation reserve due to depreciation, disposals and write-offs of assets	-	-	(751)	-	751	-	-	-
<b>Total comprehensive income</b>	<b>-</b>	<b>-</b>	<b>(751)</b>	<b>-</b>	<b>2,558</b>	<b>1,807</b>	<b>149</b>	<b>1,956</b>
<i>Transactions with shareholders</i>								
-	-	-	-	-	-	-	-	-
<b>Total transactions with shareholders</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Unaudited balance as at 31 March 2011</b>	<b>71,552</b>	<b>25,595</b>	<b>45,134</b>	<b>2,000</b>	<b>(35,768)</b>	<b>108,513</b>	<b>2,580</b>	<b>111,093</b>

**FINANCIAL INFORMATION**

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

**Consolidated statement of cash flows**

	<b>3 month period ended 31 March</b>	
	<b>2011 unaudited</b>	<b>2010 unaudited</b>
Cash flows from /(to) operating activities		
Net profit (loss) from continuing activities	1,807	(2,895)
Minority interest	149	(61)
Taxes and deferred taxes	(489)	-
<b>Net profit before taxes and minority income</b>	<b>1,467</b>	<b>(2,956)</b>
<i>Adjustments for non-cash expenses (income) items and other adjustments</i>		
Depreciation	2,356	2,039
Amortisation	2	18
Write-offs of PPE	86	29
Profit on sale of PPE	77	-
Gain on acquisition of subsidiaries	(412)	-
Net interest expenses	1,196	879
Gain on debt extinguishment	(3,055)	-
Write-off of inventory	182	229
Provisions for accounts receivable	762	-
Grants, related to assets, recognised as income	(224)	(397)
<i>Changes in working capital</i>		
(Increase) decrease in biological assets	(2,534)	2,342
(Increase) decrease in trade receivables and prepayments	937	5,530
(Increase) decrease in inventory	(708)	38
(Decrease) increase in trade and other payables	1,150	(760)
Interest paid, net	1,282	6,991
<b>Net cash flows from /(to) operating activities</b>	<b>875</b>	<b>6,651</b>
Cash flows from /(to) investing activities		
Acquisition of subsidiaries	1	-
Purchase of non-current tangible assets	(229)	(159)
Grants related to investments	-	(105)
Other loans granted (repaid)	210	752
<b>Net cash flows from/(to) investment activities</b>	<b>(18)</b>	<b>488</b>
Cash flows from /(to) financing activities		
Disposal (acquisition) of available for sale investments	(6)	(13)
Change in reserves	-	(7,545)
Amounts paid to banks	(435)	(835)
Other borrowings received (paid)	2,000	1,902
Increase (repayments) of obligations under finance lease	(788)	(1,457)
<b>Net cash flows from/(to) financing activities</b>	<b>771</b>	<b>(7,948)</b>
<b>Net (decrease) / increase in cash and cash equivalents</b>	<b>1,628</b>	<b>(809)</b>
<b>Cash and cash equivalents at the beginning of the period</b>	<b>1,322</b>	<b>3,726</b>
<b>Cash and cash equivalents at the end of the period</b>	<b>2,950</b>	<b>2,917</b>

**COMMENTS TO THE FINANCIAL INFORMATION**  
(All amounts are in LTL thousand, unless otherwise stated)

**Comments to the Financial Information**

**General information**

Agrowill Group AB (hereinafter – „the Company“) was founded and started its operations on 25 June 2003. The Company’s head office is located in Smolensko st. 10, Vilnius, Lithuania. The Group’s main activity is crop growing and stock breeding.

The Company’s shareholders’ meeting has the power to amend the financial statements after issue. Starting since 1st of 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. The fiscal year of the Company and its subsidiaries corresponds with calendar year.

The consolidated Group (hereinafter the Group) consists of the Company and subsidiaries. The subsidiaries included in the Group’s consolidated financial information are indicated below:

Subsidiary	Country	Group ownership interest, %		Profile
		31 March 2011	31 December 2010	
AVG Investment UAB	Lithuania	100.00%	100.00%	The subsidiary specializes in acquisitions of agricultural companies
AWG Investment 1 BUAB	Lithuania	100.00%	100.00%	The subsidiary specializes in acquisitions of agricultural companies
AWG Investment 2 UAB	Lithuania	100.00%	100.00%	The subsidiary specializes in acquisitions of agricultural companies
Agrowill trade UAB	Lithuania	100.00%	100.00%	The subsidiary specializes in acquisitions of agricultural companies
Abagrain UAB	Lithuania	100.00%	100.00%	Grain trade and logistics
Grain Lt UAB	Lithuania	100.00%	100.00%	Grain trade and logistics
AWG Trade UAB	Lithuania	100.00%	-	Trade and logistics
Baltic Farming Land Management UAB	Lithuania	100.00%	100.00%	Land management company
Agro Management Team UAB	Lithuania	100.00%	-	Land management company
Žemės fondas ŽŪB	Lithuania	100.00%	100.00%	The subsidiary specializes in rent of land
Žemės vystymo fondas UAB	Lithuania	100.00%	100.00%	Acquisitions and rent of land
Žemės vystymo fondas 1 UAB	Lithuania	100.00%	100.00%	Acquisitions and rent of land
Žemės vystymo fondas 2 UAB	Lithuania	100.00%	100.00%	Acquisitions and rent of land
Žemės vystymo fondas 3 UAB	Lithuania	100.00%	100.00%	Acquisitions and rent of land
Žemės vystymo fondas 4 UAB	Lithuania	100.00%	100.00%	Acquisitions and rent of land
Žemės vystymo fondas 5 UAB	Lithuania	100.00%	100.00%	Acquisitions and rent of land
Žemės vystymo fondas 6 UAB	Lithuania	100.00%	100.00%	Acquisitions and rent of land
Žemės vystymo fondas 7 UAB	Lithuania	100.00%	100.00%	Acquisitions and rent of land
Žemės vystymo fondas 8 UAB	Lithuania	100.00%	100.00%	Acquisitions and rent of land
Žemės vystymo fondas 9 UAB	Lithuania	100.00%	100.00%	Acquisitions and rent of land
Žemės vystymo fondas 10 UAB	Lithuania	100.00%	100.00%	Acquisitions and rent of land
Žemės vystymo fondas 11 UAB	Lithuania	100.00%	100.00%	Acquisitions and rent of land
Žemės vystymo fondas 12 UAB	Lithuania	100.00%	100.00%	Acquisitions and rent of land
Žemės vystymo fondas 14 UAB	Lithuania	100.00%	100.00%	Acquisitions and rent of land
Žemės vystymo fondas 15 UAB	Lithuania	100.00%	100.00%	Acquisitions and rent of land
Žemės vystymo fondas 16 UAB	Lithuania	100.00%	100.00%	Acquisitions and rent of land
Žemės vystymo fondas 17 UAB*	Lithuania	100.00%	100.00%	Acquisitions and rent of land
Žemės vystymo fondas 18 UAB*	Lithuania	100.00%	100.00%	Acquisitions and rent of land
Žemės vystymo fondas 19 UAB	Lithuania	100.00%	100.00%	Acquisitions and rent of land
Žemės vystymo fondas 20 UAB	Lithuania	100.00%	100.00%	Acquisitions and rent of land
Žemės vystymo fondas 21 UAB*	Lithuania	100.00%	100.00%	Acquisitions and rent of land
Žemės vystymo fondas 22 UAB	Lithuania	100.00%	100.00%	Acquisitions and rent of land
Agricultural company Agrowill Spindulys	Lithuania	99.96%	99.96%	Agricultural operations
Agricultural company Agrowill Smilgiai”	Lithuania	99.95%	99.95%	Agricultural operations

**COMMENTS TO THE FINANCIAL INFORMATION**  
(All amounts are in LTL thousand, unless otherwise stated)

Subsidiary	Country	Group ownership interest, %		Profile
		31 March 2011	31 December 2010	
Agricultural company Agrowill Skėmiai	Lithuania	99.87%	99.87%	Agricultural operations
Agricultural company Agrowill Nausodė	Lithuania	99.81%	99.81%	Agricultural operations
Agricultural company Agrowill Dumšiškės	Lithuania	99.36%	99.36%	Agricultural operations
Agricultural company Agrowill Žadžiūnai	Lithuania	99.02%	99.02%	Agricultural operations
Agricultural company Agrowill Mantviliškis	Lithuania	98.79%	98.79%	Agricultural operations
Agricultural company Agrowill Alanta	Lithuania	98.56%	98.56%	Agricultural operations
Agricultural company Agrowill Eimučiai	Lithuania	98.41%	98.41%	Agricultural operations
Agricultural company Agrowill Vėriškės	Lithuania	98.41%	98.41%	Agricultural operations
UAB Grūduva	Lithuania	97.28%	97.28%	Agricultural operations
Agricultural company Agrowill Želsvelė	Lithuania	97.17%	97.17%	Agricultural operations
Agricultural company Agrowill Lankesa	Lithuania	95.93%	95.93%	Agricultural operations
Agricultural company Agrowill Kairėnai	Lithuania	94.82%	94.82%	Agricultural operations
Agricultural company Agrowill Jurbarkai	Lithuania	87.78%	87.78%	Agricultural operations
Panevežys region Agricultural company "Gustoniai"	Lithuania	62.81%	-	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%	-	Acquisitions and rent of land

Agricultural company "Gustoniai" is consolidated by the Group as of 30 June 2010, as the Group acquired control of subsidiary as of that date. The initial acquisition of controlling stake happened in 2007, however the Group up to 2010 did not have control over the entity. In April – June 2010, after couple of favorable decisions by the Courts, the Group took over control of the company, established loyal management and rented out the whole entity to another Group subsidiary.

\* UAB "Žemės vystymo fondas 17", UAB "Žemės vystymo fondas 18", and UAB "Žemės vystymo fondas 21" are sold with a buyback right to UAB „RN Investicijos“. The buyback option expires on 29 July 2011.

As at 31 March 2010, the shares of subsidiary company Grūduva UAB were pledged to a major creditor Litagros Prekyba UAB. According to the share pledge agreement and various state court decisions, the shareholders of Grūduva UAB (the Group) are not allowed to conduct shareholder meetings regarding dividend payouts and loan payments to the Group. Additionally, all remaining agricultural entities of the Group are undergoing Restructuring, during which the companies can not pay dividends until they have settled all the debts.

As of 31 March 2011 the Group had 514 employees, 31 December 2010 – 444 employees. Main operations of the Group – production and sales of milk and different grain and rapeseed crops, as well as land management activities.

**COMMENTS TO THE FINANCIAL INFORMATION**  
(All amounts are in LTL thousand, unless otherwise stated)

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### **Basis of preparation**

Except as described below, the accounting policies applied are consistent with those of the annual financial statements for the year ended 31 December 2010, as described in those annual financial statements. Taxes on income in the interim periods are accrued using the tax rate that would be applicable to expected total annual earnings.

The accompanying interim financial information for the period ended 31 March 2011 has been prepared in accordance with IAS 34, 'Interim financial reporting'. The consolidated financial information have been prepared on the historical cost basis, as modified by the revaluation of property, plant and equipment, investment property and biological assets (livestock and crops). This financial information should be read in conjunction with the annual financial statements for the year ended 31 December 2010, which have been prepared in accordance with IFRS as adopted by the EU.

The preparation of financial information in conformity with IAS 34 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 information, are disclosed below.

### **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.

#### *Consolidation*

As at 14 May 2010 the Group made sale agreement and on 17 May 2010 signed repurchase agreement regarding 3 land management subsidiaries with RN Investicijos UAB. The Group has a time period until 28 February 2011 (period prolonged until 29 July 2011) to repurchase the subsidiaries. The buyer has agreed not to take any shareholder decisions regarding management of these subsidiaries (including any sales of land owned by subsidiaries) without prior written approval of Agrowill Group AB. As the control over the entities is not lost, has taken the decisions to include the results and balances of these three companies in the Consolidated Interim Financial Information for 3 months ended 31 March 2011.

On 31 March 2011, the Group did not possess the shares of Grain Lt UAB, however had control over the subsidiaries operations and had a signed agreement regarding purchase of 100 per cent of the companies shares in the future. Due to this, the results and balances of this company were included in the Consolidated Interim Financial Information for 3 months ended 31 March 2011.

#### *Income taxes*

Tax authorities have right to examine accounting records of the Company and its Lithuanian subsidiaries at anytime 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 the Group.

The Group has created deferred tax liability on revaluation amounts of investment property and own assets. The applicable tax rate used was 15%, as it is planned that assets will be realized (if will be realized) after 2011 when the 15% corporate tax effect will be applicable to all Group's entities (except for the agricultural subsidiaries which are currently taxed at lower transition tax rate of 5% for 2009 and 10% for 2010, and 5% for 2011 and thereafter).

The Group has accumulated tax losses amounting to LTL 61 million as at 31 December 2010. Management recognises a deferred tax asset for separate companies deferred tax losses only when possible future returns can be reliably estimated and confirmed. As at 31 March 2011, the deferred tax asset on accumulated tax losses of land management entities was created in the amount of LTL 1,127 thousand (31 December 2010: LTL 1,127 thousand). The Group also created deferred tax asset for the companies, for which the restructuring plans were approved as at 31 March 2011 and Grūduva UAB for the amount of LTL 4,032 thousand (31 December 2010: LTL 3,543 thousand).

**COMMENTS TO THE FINANCIAL INFORMATION**  
(All amounts are in LTL thousand, unless otherwise stated)

## Revenues

Group's revenues breakdown by type was the following:

	3 months period ended 31 March	
	2011	2010
Milk sales	4,570	4,572
Cattle sales	451	485
Crop sales	1,627	83
Other revenues	754	745
<b>Total</b>	<b>7,402</b>	<b>5,885</b>

Over 1st quarter of 2011, the Group revenues did not change significantly as compared to 1st quarter of 2010, except for the crops sales of LTL 1,627 in 2011 – the Group had left outstanding over 2 thousand tons of wheat as at the year end of 2010, which was sold in January – February of 2011.

## Cost of sales

Group's revenues breakdown by type was the following:

	3 months period ended 31 March	
	2011	2010
Milk sales	4,066	3,761
Cattle sales	944	881
Crop sales	1,528	70
Other revenues	31	105
<b>Less: State subsidies</b>	<b>(2,726)</b>	<b>-</b>
<b>Total</b>	<b>3,843</b>	<b>4,817</b>

The cost of sales of the Group have decreased by LTL 974 thousand or 20% as compared to the same period of previous year. The difference occurred as the Group did not recognise the State subsidies amount in the Cost of Sales in the 1st quarter of 2010. In 2011, the Group changed it's policy and recognised the projected ¼ of annual State subsidies amount, rather than waiting for June 15 crop declaration and accruing ½ of annual amount in 2nd quarter of 2011.

The gross margin of the Group equaled 48% in 2011. Had the Group applied similar policy in 2010, the gross margin in 1st quarter of 2010 would have equaled 60%. The negative effect is due to decreasing cow herd of the Group, which increases fixed cost per cow, which was practically offset by increasing milk prices, with the main difference being due to crop sales in 2011 with 6% gross margin.

## Operating expenses

Group's cost of sales breakdown by type of expenses was the following:

	3 months period ended 31 March	
	2011	2010
Payroll expenses	794	786
Social security expenses	246	244
Consultation services	823	204
Impairment of accounts receivable	762	-
Depreciation and amortization	629	435
Write-off of inventory	181	54
Tax and insurance expenses	161	271
Fuel and transportation expenses	102	104
Rent and utilities	46	76
Other expenses	570	645
<b>Total</b>	<b>4,314</b>	<b>2,819</b>

Group's operating expenses over the 3 month period ended 31 March 2011 reached LTL 4.3 million (2010: LTL 2.8 million). The significant increase occurred as Group made impairment provision for accounts receivable and also incurred larger consultation services expenses which are associated with approvals of restructuring plans (restructuring administrator costs), and various fees regarding preparation for IPO in Warsaw stock Exchange.

**COMMENTS TO THE FINANCIAL INFORMATION**  
(All amounts are in LTL thousand, unless otherwise stated)

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### Other income

Group's other income breakdown by type was the following:

	3 months period ended 31 March	
	2011	2010
Debt extinguishment	3,055	-
Other income	11	7
<b>Total</b>	<b>3,066</b>	<b>7</b>

Over 3 month period ended 31 March 2011, Group earned debt extinguishment income of LTL 3,055 thousand, as restructuring plans were approved for 5 subsidiaries. The extinguished amount will be amortised over 4 years and included in Group's financial expenses.

### Financial expenses

Group's financial expenses breakdown by type was the following:

	3 months period ended 31 March	
	2011	2010
Bank interest expenses	640	908
Debt extinguishment interest expenses	509	-
Other interest expenses	46	84
Other financial expenses	61	220
<b>Total</b>	<b>1,256</b>	<b>1,212</b>

Financial expenses during the period remained at similar levels as compared to same period of 2010.

### Income tax credit

Over 3 month period ended 31 March 2011, the Group recognised LTL 489 thousand income tax credit, as deferred tax asset regarding the accumulated tax losses was created in the subsidiaries which have their Restructuring plans approved, or are not under restructuring at all. No such amounts were recognised in the same period of 2010.

**COMMENTS TO THE FINANCIAL INFORMATION**  
(All amounts are in LTL thousand, unless otherwise stated)

**Fixed assets**

	<b>Land</b>	<b>Buildings</b>	<b>Construction s and machinery</b>	<b>Vehicles, equipment and other property, plant and equipment</b>	<b>Constructi on in progress</b>	<b>Total</b>
<b>Carrying amount</b>						
<b>As of 31 December 2009</b>	<b>39,549</b>	<b>57,039</b>	<b>40,824</b>	<b>2,565</b>	<b>6,983</b>	<b>146,960</b>
- additions	19	206	940	367	345	1,877
- acquisition of subsidiaries	381	1,649	1,011	263	3	3,307
- disposals and write-offs	-	(218)	(100)	(160)	(5)	(483)
- depreciation	-	(3,408)	(6,618)	(617)	-	(10,643)
- revaluation of assets	-	(576)	-	-	-	(576)
- reclassifications	-	5,616	(5,737)	125	(4)	-
<b>As of 31 December 2010</b>	<b>39,949</b>	<b>60,308</b>	<b>30,320</b>	<b>2,543</b>	<b>7,322</b>	<b>140,442</b>
- additions	94	7	79	24	25	229
- acquisition of subsidiaries	408	-	-	-	-	408
- disposals and write-offs	-	(36)	(107)	(51)	-	(194)
- depreciation	-	(785)	(1,422)	(149)	-	(2,356)
- reclassifications	-	-	-	-	-	-
<b>As of 31 March 2011</b>	<b>40,451</b>	<b>59,494</b>	<b>28,870</b>	<b>2,367</b>	<b>7,347</b>	<b>138,529</b>
<b>Acquisition cost as at</b>						
31 December 2009	39,549	57,039	51,772	3,234	6,983	158,577
31 December 2010	39,949	66,309	44,680	3,659	7,322	161,919
31 March 2011	40,451	66,252	44,329	3,351	7,347	161,730
<b>Accumulated depreciation and impairment losses as at</b>						
31 December 2009	-	-	(10,948)	(669)	-	(11,617)
31 December 2010	-	(6,001)	(14,360)	(1,116)	-	(21,477)
31 March 2011	-	(6,758)	(15,459)	(984)	-	(23,201)
<b>Carrying amount as of 31 December 2009</b>	<b>39,549</b>	<b>57,039</b>	<b>40,824</b>	<b>2,565</b>	<b>6,983</b>	<b>146,960</b>
<b>Carrying amount as of 31 December 2010</b>	<b>39,949</b>	<b>60,308</b>	<b>30,320</b>	<b>2,543</b>	<b>7,322</b>	<b>140,442</b>
<b>Carrying amount as of 31 March 2011</b>	<b>40,451</b>	<b>59,494</b>	<b>28,870</b>	<b>2,367</b>	<b>7,347</b>	<b>138,529</b>



**COMMENTS TO THE FINANCIAL INFORMATION**  
(All amounts are in LTL thousand, unless otherwise stated)

### Trade and other current receivables

Over 3 month period ended 31 March 2011, trade and other receivables balance did not change significantly (decreased by LTL 1.7 million), as the Group did not execute any significant or extraordinary sales. Over the period, the Group collected most of outstanding receivables from State Payment Agency, while also issued invoices for land rent for the year 2011.

### Share capital

The share capital of Agrowill Group AB as at 31 March 2011 and 31 December 2010 is LTL 71,552,254. The share capital is divided into 71,552,254 ordinary shares. Each issued share has a LTL 1 nominal value and is fully paid.

### Liabilities

The Group's liabilities did not change over first three months of 2011. The Group paid small amounts to local banks as well as suppliers, but, as spring works in the fields were starting, acquisitions of chemicals and fertilizer with postponed payment were made. The payment is deferred until realization of the Group's harvest – November 2011.

The Group reclassified payable of LTL 22 million to AB bank „Snoras“ from long-term borrowings as at 31 December 2010 to short-term borrowings as at 31 March 2011, as it's maturity at the date of balance sheet fell under 1 year.

Over 1st quarter of 2011, as additional 5 Group companies had their restructuring plans approved, the Group reclassified additional borrowings and accounts payable balances to the restructured liabilities account and calculated the debt extinguishment. The restructured liabilities have originated from and consists of the following:

	<b>31 March 2011</b>	<b>31 December 2010</b>
Long term borrowings from banks	25,498	11,155
Short term financial liabilities (bonds)	8,887	8,887
Leasing liabilities	533	533
Trade and other payables	12,285	8,061
<b>Total before debt extinguishment</b>	<b>47,203</b>	<b>28,636</b>
<b>Less:</b> gain from debt extinguishment	(9,750)	(6,695)
<b>Add:</b> debt extinguishment interest expense	720	211
<b>Total restructured liabilities</b>	<b>38,173</b>	<b>22,152</b>

The remaining 5 companies under restructuring, which have not their restructuring plans approved in the Court, expect it to happen in 2nd quarter of 2011. This will trigger additional loans reclassification to restructured liabilities. Additionally, some of the loans with breached covenants due to restructuring will become 'not breached' and will be reclassified to long-term, as all of the 15 Group companies under restructuring will have their restructuring plans approved and clear borrowing payment schedules set.

### Information on audit

Consolidated Interim Financial Information of the Group for the 3 month period ended 31 March 2011 was not audited.

**COMMENTS TO THE FINANCIAL INFORMATION**  
(All amounts are in LTL thousand, unless otherwise stated)

#### IV. THE NEWEST AND ESSENTIAL EVENTS IN THE ACTIVITY OF THE ISSUER

##### *The newest events in the activity of the Issuer*

In February 2011, the Group acquired subsidiary in Moldova "Natur Agro Grup" SRL for LTL nill as part of payment for previously written-off account receivable. The subsidiary is engaged in land management business.

Acquisitions of subsidiaries	Natur Agro GRUP SRL
	February 2010
Non-current assets	
Tangible and intangible assets	408
Biological assets (Note 8)	-
Current assets	
Cash and cash equivalents	1
Trade receivables and other current assets	3
Long term liabilities	
Grants	-
Deferred tax	-
Short term liabilities	
Net assets at acquisition date	412
Acquired share capital, %	100.00
Net assets acquired	412
Cash paid upon acquisition acquired	-
Direct costs relating to acquisition	-
Total purchase consideration	-
Total negative goodwill	(412)

On 25 March 2011, the Shareholders of the Group convened and, among other decisions, decided the following:

- Regarding increase of share capital of the Company.

To increase the share capital by issuing 25,000,000 new ordinary registered shares with nominal value of LTL 1 each. To authorise the Board of the Company to set the issue price for 25,000,000 new shares, which issue price shall be not less than nominal value.

To authorise the Board of the Company, in accordance with decisions of this extraordinary shareholders meeting and laws, to prepare, approve and to apply to Securities Commission of the Republic of Lithuania with regard to approval of the prospectus of public offering in Poland and another jurisdictions defined by the Board and listing of newly issued Company's shares on a regulated market Warsaw Stock Exchange.

The payment for new shares will be done in cash contribution. Other conditions, not covered by decisions of the shareholders meeting (such as issue price, issue timing, payment period and etc.) will be defined by the Board of the Company.

If during the defined period of time not all new emission shares are subscribed, the share capital will be increased by the nominal value of shares subscribed. Based on this, the Board of the Company will have to amend the share capital and number of shares in the Articles of Association accordingly, and to provide amended Articles of Association to the State Register.

To initiate public offering and admission of all of Company's shares (including all new shares) to a trading on a regulated market Warsaw Stock Exchange and authorise the Board of the Company to take all necessary actions.

- Regarding the recall of priority right to acquire the new share issue.

To recall the priority right of all shareholders to acquire the newly issued 25,000,000 ordinary registered shares of Agrowill Group AB, based on the Law of Companies of the Republic of Lithuania article 20, part 1, p. 13, and article 57, part. 5, p. 7.

Reason for the recall is public offering by following proceedings provided by the Securities law.

**COMMENTS TO THE FINANCIAL INFORMATION**  
(All amounts are in LTL thousand, unless otherwise stated)

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***The newest events in the activity of the Issuer (continued)***

- Regarding granting priority rights to acquire the new share issue.  
The priority right to acquire new shares, i.e. ordinary registered Agrowill Group, AB shares, is not granted to designate persons, since new shares will be publicly offered by following proceedings provided by the Securities law.

In March – April 2011 the Parent Company obtained LTL 5 million from „Žia Valda“ UAB and „Amber Capital Partners“ UAB with a 20 per cent annual interest rate.

In April, the Supervisory board approved change in the Board of Directors – Mamertas Krasauskas was elected instead of Mindaugas Juozaitis.

**Material events over January – March 2011:**

The Company informs of all material events over the CNS system of NASDAQ OMX VILNIUS stock exchange.

<b>Announcement date</b>	<b>Announcement header</b>
25.03.2011	Resolutions of extraordinary shareholders meeting of „Agrowill Group“, AB which took place on March 25, 2011.
24.03.2011	Additional (alternative) draft resolutions of extraordinary shareholders meeting of „Agrowill Group“ which will take place March 25, 2011
04.03.2011	Draft resolutions of extraordinary shareholders meeting of Agrowill Group AB which will take place on 25 March 2011.
04.03.2011	The extraordinary shareholders meeting of Agrowill Group AB
01.03.2011	Interim information for 12 months of the year 2010

**Independent Assurance Report on Prospective Financial Information to the Management Board of Agrowill Group AB**

We have conducted attestation work covering projections of results of net sales and net profit of the Agrowill Group AB group with Agrowill Group AB being the parent company ("Company") for the financial years ending on 31 December 2011 and 31 December 2012 ("Result projections").

The result projection and the material underlying assumptions are provided in item 10.4 of the Issue Prospectus.

The Management Board of the Company is responsible for preparing assumptions to the Result Projections and for developing the Result Projections on the basis of the assumptions.

Our task was to express an opinion on the Result Projections on the basis of our work.

We have conducted our work in compliance with the National auditing standard No. 3 "General rules of reviews of financial statements / abbreviated financial statements and performance of other attestation services" issued by the National Auditor Council and in accordance with the International Standard of Attestation Services No. 3000 "Attestation services other than audit and review of historic financial information", issued by the International Federation of Accountants ("IFAC").

Our work covered a study if the Result Projections were correctly developed on the basis of the disclosed assumptions, in compliance with the accounting rules applied by the Company.

We have planned and conducted our work so that we could collect information and clarification required by us to obtain reasonable assurance that the Result Projections were - on the basis of the specified assumptions - made correctly and that the applied accounting rules are compliant with the accounting rules presented in the introduction to the historic financial data.

Since the Result Projections and the underlying assumptions, refer to the future and therefore may be subject to influence of unforeseen events, we do not make a statement if the actual results will be compliant with the Result Projections and if the differences may be material.

In our opinion, the Result Projections were made correctly on the basis of the assumptions disclosed in this Prospectus and the applied accounting rules are compliant with the accounting rules presented in the introduction to the historical financial data.

This report was issued in compliance with the provisions of the Commission Regulation (EC) No. 809/2004 of 29 April 2004 implementing Directive 2003/71/EC of the European Parliament and of the Council as regards information contained in prospectuses as well as the format, incorporation by reference and publication or such prospectuses dissemination of advertisements (OJ UE L 149 of 30 April 2004) and we issue the report in order to satisfy the requirement.

Dariusz Sarnowski

Auditor, evidence number 10200

**HLB Sarnowski & Wisniewski Sp. z o.o. 61-478 Poznan, ul. Bluszczowa 7, Poland**

The entity authorised to audit the financial statements, evidence number 2917

Poznan, May 31, 2011

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