

**AGROWILL GROUP AB**

*Independent Auditor's Report,  
Annual Report and Consolidated  
Financial Statements for the Year Ended  
31 December 2008*

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## *Translation note*

*Our report has been prepared in Lithuanian language and in English language. In all matters of interpretations of information, views or opinions, the Lithuanian language version of our report takes precedence over the English 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 (the 'Company') and its consolidated subsidiaries (together the 'Group') set out on pages 18 - 53 which comprise the consolidated balance sheet as at 31 December 2008 and the consolidated statement of income, statement of changes in equity and statement of cash flows for the year then ended and a summary of significant accounting policies and other explanatory notes.

### *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 (IFRS) as adopted by the European Union. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

### *Auditor's Responsibility*

Our responsibility is to express an opinion on these financial statements based on our audit. Except as discussed below, 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 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 audit opinion.

*Basis for Adverse Opinion*

As disclosed in Note 21, in 2008 the Group acquired a subsidiary Polva Agro AS, for which purchase method as defined by IFRS 3 *Business Combinations* was incorrectly applied. The Group did not measure the acquired property, plant and equipment of LTL 14,757 thousand and biological assets of LTL 2,067 thousand at their fair values and therefore the calculated goodwill of LTL 28,255 thousand does not necessarily represent the difference between the purchase price and acquired net assets fair values. We were not able to assess the financial impact of this non-compliance to the Group's balance sheet as of 31 December 2008 and net result for the period ended then ended.

The Group's biological assets as at 31 December 2008 include livestock with a carrying value of LTL 31,126 thousand, which should be measured at fair value less estimated point-of sales costs as required by International accounting standard (IAS) 41 *Agriculture*. We were not able to obtain sufficient appropriate audit evidence that the carrying value of this livestock as estimated by the internally developed methodology of the Group is accurate and in compliance with IAS 41 *Agriculture*.

In March 2007 the Group acquired several subsidiaries, for which the purchase method as defined by IFRS 3 *Business combinations* was applied incorrectly. Performing the purchase price allocation, the Group did not measure the land acquired at fair value, as required by IFRS 3 *Business combinations*, and instead of this increased the fair value of the acquired land following the Group's accounting policy to carry property, plant and equipment at revalued amounts and investment property at fair value as at 31 December 2007. Therefore, in our opinion, the goodwill in the consolidated balance sheet as at 31 December 2007 and 2008 should be decreased by LTL 485 thousand, revaluation reserve, net of deferred tax, should be decreased by LTL 6,324 thousand and the net result for the year ended 31 December 2007 should be increased by LTL 5,839 thousand (the net result increase consisting of a reduction of gains from the change in fair value of investment property by LTL 16,004 thousand, increase in negative goodwill by LTL 22,959 thousand and increase in income tax expenses by LTL 1,116).

In 2008 the Group identified misstatements in the calculation of depreciation for property, plant and equipment during 2007, due to which the depreciation expenses for the year ended 31 December 2007 are overstated by LTL 1,906 thousand. The error was corrected directly in shareholders equity in 2008, however in our opinion, material errors as required by IAS 8 should be adjusted retrospectively. Therefore, in our opinion, the Group's property plant and equipment as at 31 December 2007 and net result for the year ended 31 December 2007 should be increased by LTL 1,906 thousand.

As at 31 December 2008 the Group was not in compliance with certain debt financial covenants which permitted the lender to demand immediate repayment of borrowings totaling LTL 70,331 thousand. In our opinion, the classification of part of the borrowings as non-current is not compliant with IAS 1 *Presentation of Financial Statements*, which requires the liability to be classified as current at the balance sheet date unless the Group has an unconditional right to defer settlement of the liability for at least 12 month after the balance sheet date. Consequently, non-current borrowings should be reduced and current borrowings should be increased by LTL 70,331 thousand for the Group as at 31 December 2008.

As at 31 December 2008 the Group's investment property and property, plant and equipment was revalued to their fair values. However, the fair value increase was incorrectly allocated between the investment property and property, plant and equipment (land). In our opinion, The Group's investment property as at 31 December 2008 should be reduced by LTL 3,001 thousand, property, plant and equipment increased by LTL 3,001, revaluation reserve, net of deferred tax, should be increased by LTL 2,401 thousand and the net result for the year ended 31 December 2008 should be reduced by LTL 2,401 thousand.

The Group's consolidated financial statements for the year ended 31 December 2008 do not contain or include sufficient disclosures in respect of several areas required by IFRS, including:

- expenses by nature are not presented and critical accounting estimates and judgments as required by IAS 1 *Presentation of financial statements* are not sufficiently disclosed;
- not all information required by IAS 41 *Agriculture* is disclosed;
- credit risk, fair value and capital risk management disclosures as required by IFRS 7 *Financial instruments: Disclosure* are insufficient and inaccurate;
- future rental income from investment property and future minimum lease payments under non-cancelable operating lease agreements as required by IAS 17 *Leases* are not disclosed;
- earnings (loss) per share as at 31 December 2008 as required by IAS 33 *Earnings per Share* are not correctly disclosed;
- Segment information presented inaccurately;
- Information about subsequent events as required by IAS 10 *Events after the Reporting Period* was not disclosed adequately and completely.

The Group's current liabilities as at 31 December 2008 included bonds issued amounting to LTL 29,615 thousand and significant bank borrowings which were falling due for repayment in 2009. The Group has been unable to renegotiate or obtain replacement financing. In addition, as disclosed in subsequent events Note 27 to the financial statements, in July 2009 due to significant liquidity problems the shareholders initiated the restructuring process. This situation indicates the existence of a material uncertainty which may cast significant doubt on the Group's ability to continue as a going concern and therefore it may be unable to realise its assets and discharge its liabilities in the normal course of business. Contrary to the requirements of IAS 1 *Presentation of financial statements*, management has not disclosed these facts in the accompanying financial statements in sufficient detail. In our opinion, disclosure of this information is necessary for a proper understanding of the financial position and operations of the Group.

#### *Adverse Opinion*


In our opinion, because of the significance of the matters discussed in the basis for adverse opinion paragraphs, the financial statements do not give a true and fair view of the financial position of the Group as of 31 December 2008 and of their financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union.

#### **Report on Other Legal and Regulatory Requirements**

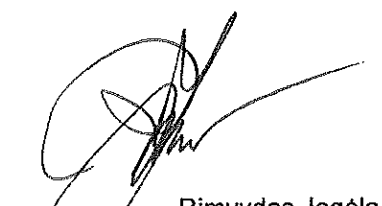
Furthermore, we have read the Consolidated Annual Report for the year ended 31 December 2008 set out on pages 6 - 17 and have noted the following material inconsistencies between the financial information included in it and the audited financial statements for the year ended 31 December 2008:

- owned agricultural land area;
- numbers of milking cows;

On behalf of PricewaterhouseCoopers UAB

  
Christopher C. Butler  
Partner

Vilnius, Republic of Lithuania  
31 May 2010

  
Rimvydas Jogėla  
Auditor's Certificate No.000457

**CONSOLIDATED ANNUAL REPORT FOR THE YEAR 2008**

**AGROWILL GROUP AB AND THE SUBSIDIARIES CONSOLIDATED  
ANNUAL REPORT FOR THE YEAR 2008**

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

Consolidated annual report was prepared for the year ended 31 December 2008.

**2. Key data on the Group**

Name of the company:	Agrowill Group AB (hereinafter – AGW or the Company)
Share capital:	LTL 26 142 732
Address of headquarters:	Smolensko g. 10, LT-03201 Vilnius, Lithuania
Telephone:	(8~5) 233 53 40
Fax:	(8~5) 233 53 45
E-mail address:	<a href="mailto:info@agrowill.lt">info@agrowill.lt</a>
Website:	<a href="http://www.agrowill.lt">www.agrowill.lt</a>
Legal-organizational form:	Joint stock company
Place and date of registration:	25 June 2003, Vilnius
Register number:	AB2003-926
Register code:	1262 64360
Registrant of the Register of legal bodies:	State Enterprise Centre of registers

As at 31 December 2007, the Group consisted of the Company and it's subsidiaries:

Name of the Company	Legal form	Place and date of registration	Company code	Address	Phone, fax, and e-mail
AVG Investment UAB	Closed joint stock company	2005-02-10, State Register	300087691	Smolensko str. 10, Vilnius	(8~5) 233 53 40; fax: (8~5) 233 53 45, el. p. <a href="mailto:info@agrowill.lt">info@agrowill.lt</a>
AVG Investment 1 UAB	Closed joint stock company	2008-06-18, State Register	301745765	Smolensko str. 10, Vilnius	(8~5) 233 53 40; fax: (8~5) 233 53 45, el. p. <a href="mailto:info@agrowill.lt">info@agrowill.lt</a>
AVG Investment 2 UAB	Closed joint 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. <a href="mailto:info@agrowill.lt">info@agrowill.lt</a>
AVG Investment 3 UAB	Closed joint 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. <a href="mailto:info@agrowill.lt">info@agrowill.lt</a>
Agrowill Eesti OU	Closed joint stock company	2008-06-13, Tartu central register department	311498115	Mammaste, Polva, Põlvamaa, Estonia	(8~5) 233 53 40; fax: (8~5) 233 53 45, el. p. <a href="mailto:info@agrowill.lt">info@agrowill.lt</a>
Baltic farming land management UAB	Closed joint 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. <a href="mailto:info@agrowill.lt">info@agrowill.lt</a>
Žemės vystymo fondas UAB	Closed joint stock company	2004-09-28, State Register	300558595	Smolensko str. 10, Vilnius	(8~5) 233 53 40; fax: (8~5) 233 53 45, el. p. <a href="mailto:info@agrowill.lt">info@agrowill.lt</a>
Žemės vystymo fondas 1 UAB	Closed joint stock company	2005-10-11, State Register	300151101	Smolensko str. 10, Vilnius	(8~5) 233 53 40; fax: (8~5) 233 53 45, el. p. <a href="mailto:info@agrowill.lt">info@agrowill.lt</a>
Žemės vystymo fondas 2 UAB	Closed joint stock company	2005-10-11, State Register	300151126	Smolensko str. 10, Vilnius	(8~5) 233 53 40; fax: (8~5) 233 53 45, el. p. <a href="mailto:info@agrowill.lt">info@agrowill.lt</a>
Žemės vystymo fondas 3 UAB	Closed joint stock company	2005-10-11, State Register	300151165	Smolensko str. 10, Vilnius	(8~5) 233 53 40; fax: (8~5) 233 53 45, el. p. <a href="mailto:info@agrowill.lt">info@agrowill.lt</a>
Žemės vystymo fondas 4 UAB	Closed joint stock company	2006-08-10, State Register	300589669	Smolensko str. 10, Vilnius	(8~5) 233 53 40; fax: (8~5) 233 53 45, el. p. <a href="mailto:info@agrowill.lt">info@agrowill.lt</a>
Žemės vystymo fondas 5 UAB	Closed joint stock company	2006-08-10, State Register	300589683	Smolensko str. 10, Vilnius	(8~5) 233 53 40; fax: (8~5) 233 53 45, el. p. <a href="mailto:info@agrowill.lt">info@agrowill.lt</a>
Žemės vystymo fondas 6 UAB	Closed joint stock company	2006-08-10, State Register	300589719	Smolensko str. 10, Vilnius	(8~5) 233 53 40; fax: (8~5) 233 53 45, el. p. <a href="mailto:info@agrowill.lt">info@agrowill.lt</a>
Žemės vystymo fondas 7 UAB	Closed joint stock company	2007-01-17, State Register	300634420	Smolensko str. 10, Vilnius	(8~5) 233 53 40; fax: (8~5) 233 53 45, el. p. <a href="mailto:info@agrowill.lt">info@agrowill.lt</a>
Žemės vystymo fondas 8 UAB	Closed joint stock company	2007-07-16, State Register	300921776	Smolensko str. 10, Vilnius	(8~5) 233 53 40; fax: (8~5) 233 53 45, el. p. <a href="mailto:info@agrowill.lt">info@agrowill.lt</a>

Name of the Company	Legal form	Place and date of registration	Company code	Address	Phone, fax, and e-mail
Žemės vystymo fondas 9 UAB	Closed joint stock company	2006-03-09, State Register	300547638	Smolensko str. 10, Vilnius	(8~5) 233 53 40; fax: (8~5) 233 53 45, el. p. <a href="mailto:info@agrowill.lt">info@agrowill.lt</a>
Žemės vystymo fondas 10 UAB	Closed joint stock company	2008-01-10, State Register	301522723	Smolensko str. 10, Vilnius	(8~5) 233 53 40; fax: (8~5) 233 53 45, el. p. <a href="mailto:info@agrowill.lt">info@agrowill.lt</a>
Žemės vystymo fondas 11 UAB	Closed joint stock company	2005-05-12, State Register	300114042	Smolensko str. 10, Vilnius	(8~5) 233 53 40; fax: (8~5) 233 53 45, el. p. <a href="mailto:info@agrowill.lt">info@agrowill.lt</a>
Žemės vystymo fondas 12 UAB	Closed joint stock company	2005-03-08, State Register	300094383	Smolensko str. 10, Vilnius	(8~5) 233 53 40; fax: (8~5) 233 53 45, el. p. <a href="mailto:info@agrowill.lt">info@agrowill.lt</a>
Žemės vystymo fondas 14 UAB	Closed joint stock company	2006-08-10, State Register	300589726	Smolensko str. 10, Vilnius	(8~5) 233 53 40; fax: (8~5) 233 53 45, el. p. <a href="mailto:info@agrowill.lt">info@agrowill.lt</a>
Žemės vystymo fondas 15 UAB	Closed joint stock company	2006-08-10, State Register	300589733	Smolensko str. 10, Vilnius	(8~5) 233 53 40; fax: (8~5) 233 53 45, el. p. <a href="mailto:info@agrowill.lt">info@agrowill.lt</a>
Žemės vystymo fondas 16 UAB	Closed joint stock company	2006-08-10, State Register	300589740	Smolensko str. 10, Vilnius	(8~5) 233 53 40; fax: (8~5) 233 53 45, el. p. <a href="mailto:info@agrowill.lt">info@agrowill.lt</a>
Žemės vystymo fondas 17 UAB	Closed joint stock company	2007-01-17, State Register	300634388	Smolensko str. 10, Vilnius	(8~5) 233 53 40; fax: (8~5) 233 53 45, el. p. <a href="mailto:info@agrowill.lt">info@agrowill.lt</a>
Žemės vystymo fondas 18 UAB	Closed joint stock company	2007-01-17, State Register	300634406	Smolensko str. 10, Vilnius	(8~5) 233 53 40; fax: (8~5) 233 53 45, el. p. <a href="mailto:info@agrowill.lt">info@agrowill.lt</a>
Žemės vystymo fondas 19 UAB	Closed joint stock company	2007-06-21, State Register	300886948	Smolensko str. 10, Vilnius	(8~5) 233 53 40; fax: (8~5) 233 53 45, el. p. <a href="mailto:info@agrowill.lt">info@agrowill.lt</a>
Žemės vystymo fondas 20 UAB	Closed joint stock company	2007-06-22, State Register	300887726	Smolensko str. 10, Vilnius	(8~5) 233 53 40; fax: (8~5) 233 53 45, el. p. <a href="mailto:info@agrowill.lt">info@agrowill.lt</a>
Žemės vystymo fondas 21 UAB	Closed joint stock company	2007-07-16, State Register	300921783	Smolensko str. 10, Vilnius	(8~5) 233 53 40; fax: (8~5) 233 53 45, el. p. <a href="mailto:info@agrowill.lt">info@agrowill.lt</a>
Žemės vystymo fondas 22 UAB	Closed joint stock company	2008-01-10, State Register	301522730	Smolensko str. 10, Vilnius	(8~5) 233 53 40; fax: (8~5) 233 53 45, el. p. <a href="mailto:info@agrowill.lt">info@agrowill.lt</a>
Agricultural entity Agrowill Spindulys	Agricultural entity	1993-04-09, Radviliškis district municipality	171330414	Valtiekiūnai, Grinkiškis mun., LT-82380 Radviliškis distr.	(8~5) 233 53 40; fax: (8~5) 233 53 45, el. p. <a href="mailto:info@agrowill.lt">info@agrowill.lt</a>
Agricultural entity Agrowill Smilgliai	Agricultural entity	1992-09-16, Panevėžys district municipality	168548972	Panevėžys str. 23, Smilgliai, Smilgliai mun., LT-38375	(8~5) 233 53 40; fax: (8~5) 233 53 45, el. p. <a href="mailto:info@agrowill.lt">info@agrowill.lt</a>
Agricultural entity 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, el. p. <a href="mailto:info@agrowill.lt">info@agrowill.lt</a>
Agricultural entity 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, el. p. <a href="mailto:info@agrowill.lt">info@agrowill.lt</a>
Agricultural entity Agrowill Dumšiškės	Agricultural entity	1992-09-29, LR Raseiniai district board	172276179	Parasėnis, Paliepliai mun., LT-60194 Raseiniai distr.	(8~5) 233 53 40; fax: (8~5) 233 53 45, el. p. <a href="mailto:info@agrowill.lt">info@agrowill.lt</a>
Agricultural entity Agrowill Žadžiūnai	Agricultural entity	1992-06-30, Šiauliai district municipality	175706853	Gudeliai str. 30, Žadžiūnai, Kairiai mun.	(8~5) 233 53 40; fax: (8~5) 233 53 45, el. p. <a href="mailto:info@agrowill.lt">info@agrowill.lt</a>
Agricultural entity Agrowill Mantviliškis	Agricultural entity	1992-11-06, Kėdainiai district board	161274230	Liepos 6-osios str. 18, Mantviliškis, Dotnuva mun., LT-58332 Kėdainiai distr.	(8~5) 233 53 40; fax: (8~5) 233 53 45, el. p. <a href="mailto:info@agrowill.lt">info@agrowill.lt</a>
Agricultural entity 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, el. p. <a href="mailto:info@agrowill.lt">info@agrowill.lt</a>
Agricultural entity 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, el. p. <a href="mailto:info@agrowill.lt">info@agrowill.lt</a>

Name of the Company	Legal form	Place and date of registration	Company code	Address	Phone, fax, and e-mail
Agricultural entity 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, el. p. <a href="mailto:info@agrowill.lt">info@agrowill.lt</a>
Agricultural entity Agrowill Želsvelė	Agricultural entity	1992-07-03, Marijampolė municipality	165666499	Želsva, Liudvinavas mun., LT-69193 Marijampolė mun. Ukmergė str. 44, Bukonial, Bukonial mun., LT-55075 Jonava distr.	(8~5) 233 53 40; fax: (8~5) 233 53 45, el. p. <a href="mailto:info@agrowill.lt">info@agrowill.lt</a>
Agricultural entity Agrowill Lankesa	Agricultural cooperative	1999-04-06, Jonava district municipality	156913032	Kairėnai, Grinkiškis mun., LT-82031 Radviliškis distr.	(8~5) 233 53 40; fax: (8~5) 233 53 45, el. p. <a href="mailto:info@agrowill.lt">info@agrowill.lt</a>
Agricultural entity Agrowill Kairėnai	Agricultural entity	1993-03-02, Radviliškis district municipality	171327432	Rytas str. 2, Jurbarkai, LT-74205 Jurbarkai distr.	(8~5) 233 53 40; fax: (8~5) 233 53 45, el. p. <a href="mailto:info@agrowill.lt">info@agrowill.lt</a>
Agricultural entity Agrowill Jurbarkai	Agricultural entity	1992-07-31, Jurbarkas district municipality	158174818	Mammaste, Polva mun., Plovamaa, Estonia, EE-63309	(8~5) 233 53 40; fax: (8~5) 233 53 45, el. p. <a href="mailto:info@agrowill.lt">info@agrowill.lt</a>
Polva Agro OU	Closed joint stock company		10063763	Gotlybiškiai, Šakiai mun., LT-71372, Marijampolė distr.	(8~5) 233 53 40; fax: (8~5) 233 53 45, el. p. <a href="mailto:info@agrowill.lt">info@agrowill.lt</a>
Grūduva UAB	Closed joint stock company	1997-02-24, Šakiai district municipality	174401546	Kogalniceanu Mihail, 51, Chisinau mun., Moldova	(8~5) 233 53 40; fax: (8~5) 233 53 45, el. p. <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	100860003 153	Balmanskaja st. 7-10, Moscow, Russia	(8~5) 233 53 40; fax: (8~5) 233 53 45, el. p. <a href="mailto:info@agrowill.lt">info@agrowill.lt</a>
Agroprom ZAO	Closed joint stock company	2008-09-01, Russian Federation	108774606 1237		

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 growing and sale, rent of land.

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

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

The Company and FMI Orion Securities UAB (A. Tumėno st. 4, B korpusas, LT-01109, Vilnius) signed an agreement regarding handling of all bonds issues Bondholder accounts.

The Company and FMI 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 Vilnius Stock Exchange (hereinafter – VSE) after the IPO – since April 2008. 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
IIInd quarter 2008	6,20	4,80	6,15	2008.06.30	906 842	4,611
IIIrd quarter 2008	7,70	4,47	4,95	2008.09.30	2 020 884	12,754
IVth quarter 2008	5,55	1,35	1,40	2008.12.30	546 713	1,666



The Company issued LTL 14 million of bonds into public trading on 22 June 2007. These securities were redeemed on 25 June 2008.

On 25 June 2008, the 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.

Trading information of Agrowill Group AB bonds on VSE:

Reporting period	Price, %			Date of last session	Total turnover	
	max	min	Last session		Units	LTL, million
Ist quarter 2008	98,3284	96,5296	98,3284	2008.03.26	17.182	1,668
IIrd quarter 2008	99,3995	98,4058	99,4313	2008.05.21	54.061	5,358
IIIrd quarter 2008	91,4913	89,4388	91,4913	2008.09.18	2.902	0,263
IVth quarter 2008	90,4977	89,0120	90,4977	2008.12.17	923	0,083

## 6. Groups financial and operating results analysis, information on personnel

### Main performance indicators

Main financial figures, LTL thousand	2008	2007	2006
Revenues	63 923	42 687	27 407
Direct subsidies	10 218	8 724	8 188
Gross profit	28 374	43 776	9 391
Operating profit	7 278	34 549	1 462
Other activities, net	(50)	(359)	417
Financial activities, net	(14 156)	2 676	1 588
Net profit	(12 653)	31 982	3 467
EBITDA*	1 560	12 796	5 461
EBITDA margin*, %	2,44	29,98	19,93
<b>Ratios**</b>			
ROA, %*	(4,60)	10,58	2,90
ROE, % *	(29,22)	16,21	12,76
Liquidity ratio	0,49	0,66	0,81
Quick ratio	0,29	0,40	0,50

\* - not taking into account the investment property revaluation

The financial indicators of the Group for 2008 are worse than in 2007. The main reasons for the decrease in the profitability – decrease of raw milk purchase price by almost 50 per cent and fall of crop prices due to collapse of international financial markets. The consolidated financial statements for the year ended 31 December 2008 are prepared in accordance with International Financial Reporting Standards (IFRS).

### Revenues

During the 2008, the Group earned LTL 63,9 million in agricultural activity revenues (2007 – LTL 42,7 million). The significant increase as compared to previous year is due to directed investments into subsidiary companies milk production facilities and increase in average raw milk price. Additionally, two new subsidiaries were acquired in 2008 – Polva Agro OU and Grūduva UAB, which significantly contributed to the Group revenues growth.

#### *Operating expenses*

The operating expenses totalled LTL 21.096 thousand (2007: LTL 9.227 thousand). The operating expenses increase significantly because the rapid expansion of the Group started – new companies were acquired, the management team was strengthened, as well as significant consulting and legal expenses incurred.

#### *Investment property valuation*

In 2007, a LTL 27 million profit from revaluation of investment property was received, as according to International Financial Reporting Standards, after the acquisition of Žemės vystymo fondas group, all the investment property, i.e. agricultural land owned, had to be reevaluated. In 2008, such revaluations totalled LTL 18,9 million.

#### *Financial expenses*

Financing costs more than doubled in 2008 as compared to 2007, as the rapid expansion of the Group (land acquisitions, investment projects, modernisation) were being financed by borrowings and expensive bonds issues.

#### *Balance sheet*

Fixed assets of the Group over the 2008 increased significantly – modern equipment was acquired, manure storage places and silo storages are being built, and certain farms reconstructed. The group expanded agricultural land owned by around 1.000 Ha. Long-term assets also increased due to the acquisitions of agricultural companies Grūduva UAB and Polva agro A/S.

The biological assets of the Group in 2008 increased due to investments to increase the milking cows herd and acquisition of two new agricultural entities.

In 2008, the Group issued an IPO of 6.143 thousand number of shares. The attracted funds (LTL 28,3 million) were used for financing of the Group's investment programme.

Groups long-term financial liabilities increased up to LTL 133 million due to signed long-term credit agreements with DnB Nord bank, and Snoras bank regarding land acquisitions financing. A loan with Hansapank A/S and 4 new bonds issues were made in order to finance the expansion of Group.

Accounts and other payables amount increased more than 4 times, as the Groups agricultural entities made investments into farm modernisation and equipment renewal. Payable amounts also increased because of the liabilities acquired in Grūduva UAB and Polva agro OU.

#### **Personnel**

As at 31 December 2008 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	49	4 394
Agricultural entities management	24	2 436
Agricultural entities workers	843	1 238
<b>Total:</b>	<b>916</b>	

<b>Education</b>	<b>Central office</b>	<b>Agricultural entities</b>
Higher	36	94
Special professional	8	484
Middle	5	257
Primary	-	32
<b>Total:</b>	<b>49</b>	<b>867</b>

Over 2008, the number of employees in the Group increased from 750 to 916. The main reason for increase in personnel – acquired two new subsidiaries Polva Agro OU, and Grūduva UAB.

### **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 ("the Group") 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 over 14,1 thousand ha of cultivated land, additionally around 18 thousand ha were rented from others. As of 31 December 2008 the group controls 45 subsidiaries: 16 (sixteen) Agricultural Companies (ŽŪB), 21 (twentyone) land management companies and 8 (eight) companies responsible for the group's acquisitions. As of 31 December 2008 the group employed 916 employees.

The Group concentrates on two main lines of business – milk production and plant growing. During the last few years, the worldwide commodities markets of these two segments developed positively and it is forecasted that these markets will remain attractive in the future, even with the short-term industry corrections currently taking place in the market.

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 in the end of 2007 and start of 2008 were almost 60 per cent up on 2006 year level, but facing significant market pressure have declined to similar and below level since. It is believed that the demand for milk products will increase to 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 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 recording highs. Due to that, there were increases in the areas of grain, corn, soya, and rapeseed seeded in 2008. The harvests received resulted in oversupply and the grain prices gradually fell until reached 2005 – 2006 level. It is forecasted that in the future, barring any nature forces, 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 2008 amounting to LTL 35,2 million or 55% from total revenues of the Group (2007: LTL 19 million or 44,5%) is one of most stable and profitable activities and is a fundamental business of the Group. Milk production activities also include raising of heifers. As at 31 December the Group had around 5 thousand head milking cow herd.

The main crop growing cultures grown for sales are the wheat, triticale, barley, rye and rapeseeds – there were over 15 thousand ha planted with these cultures or 63% of total cultivated land (2007: 9 thousand ha or 53 per cent of total area) by the Group's agricultural subsidiaries. The remaining area is planted with various feed cultures – corn, perennial grasses. The grown green feed is used for feeding the animal herds.

In the nearest future the Group does not plan to expand the production capacities of the two main lines of business, rather the focus will be shifted to making these business lines efficient. It is planned to keep the milking cow herd around 5 thousand heads, to establish couple of programming centers for company bred animals and to grow the heifers only in 2-3 locations in order to specialize different companies. In the crops line, the Group will cancel working in the farthest and not profitable land areas, by exchanging them to nearby plots, or by forming a significant operational plots there. 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.

#### **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. The risk arises from fluctuations of raw material prices and foreign currency denominates assets (accounts receivable and prepayments made), as well as liabilities (loans from banks, other financial liabilities). 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 2007 – 2008 resulted in decrease of capital markets and banking sector financing capabilities and increases in financing costs of borrowing in certain currencies. At the moment it is difficult to forecast the magnitude of the financial crisis and its effect on the world and local economies, possible opportunities and terms of recovery. In managements opinion, the crisis influenced the Group's operation, as due to decreased financial capabilities the Group currently faces liquidity problems.

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

Due to abovementioned facts, the Group currently faces 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 management of the Group currently is negotiating with creditors

regarding postponement of amounts payable until the cash flow is generated from the long term assets possessed by the Group.

#### *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.

#### *Prices for agricultural products*

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

#### *Animal 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.

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

It is planned that the consolidated sales of Agrowill Group AB from the core activities will amount to LTL 92 million while EBITDA from the main activities is estimated to be equal to around LTL 20 million.

It is planned to keep the milking cow herd around 5 thousand heads, to establish couple of programming centers for company bred animals and to grow the heifers only in 2-3 locations in order to specialize different companies and achieve better costs of production, work efficiency and, in turn, financial results. The Group also plans to produce own combined feed, which ration will be designed for specific needs of Agrowill Group cow herd.

In grain and rapeseed growing sector the Group expects to remain one of the leaders in the country: in autumn 2009, over 15 thousand hectares is planned to be 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 renewable. Additionally, the Group is expanding fastly, thus the productivity of new plots added is not high in the first years and give the results only in subsequent years. Also, the international consultants of the Group will implement the modern work organization practices, which will 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 2008 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.

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 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 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.

### **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 company shares as at 31 December 2008 were:

Name, surname / name of the company	Company / personal code	Address	Votes held by shareholder	Shares held by shareholder
UAB "ŽIA valda"	1242 11277	Smolensko st. 10, Vilnius	7 939 836	30,37%
Linas Strėlis	-	-	4 841 942	18,52%
SEB AB finnish clients	502032-9081	Sergels torg 2, 10640 Stokholm, Sweden	2 182 497	8,35%
Hansabank clients	10060701	Liivalaia 8, 15040 Tallinn, Estonia	1 800 743	6,89%
Indrė Mišeikytė	-	-	1 600 735	6,12 %

*\*SEB AB, Hansabank an MP Investment bank act as securities accounts operators in the name of clients who have securities accounts with them.*

No shareholder has special voting rights.

### **15. Companies shareholders voting rights restrictions:**

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

### **16. Agreements between the shareholders:**

Taking into account the conditions set out in the Companies' shareholders agreement, the shareholders of the Company (as at 20 February 2008 controlling 97,74% of the shares and voting rights) agreed not to sell their owned shares until 31 December 2009 unless:

- Shares are transferred to other shareholders of the Company (also parties of the agreement);
- There is another shareholder agreement stating otherwise;
- There is a proposal from the IPO organizers to sell the shares, to which 2/3 of all the parties to the shareholder agreement must approve.

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**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.

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

Data on collegial bodies as at 31 December 2008:

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 2009	Member of Supervisory Board since 05-12-2007
Hugh Miles Thomas	Member of Supervisory Board	Until general meeting of shareholders to be held in 2009	Member of Supervisory Board since 05-12-2007
Edvardas Makelis	Member of Supervisory Board	Until general meeting of shareholders to be held in 2009	Member of Supervisory Board since 05-12-2007
		As chairman of Board: until general meeting of shareholders to be held in 2009	Member of Board since 01-12-2008
Mindaugas Juozaitis	Member of Board General Director	As general Director: coincides with the term of office as chairman of Board, i. e. until general meeting of shareholders to be held in 2009	General Director since 01-12-2008
Domantas Savičius	Member of Board	Until general meeting of shareholders to be held in 2009	Member of Board since 14-12-2007
Vladas Bagavičius	Member of Board	Until general meeting of shareholders to be held in 2009	Member of Board since 01-12-2008
Linas Strėlis	Member of Board	Until general meeting of shareholders to be held in 2009	Member of Board since 14-12-2007
Gediminas Žiemelis	Chairman of Board	Until general meeting of shareholders to be held in 2009	Member of Board since 14-12-2007
Robertas Giedraitis	Chief accountant	No term of office	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 31 December 2008:

Name and position of member of Supervisory Board/Board/management	number of ordinary registered shares of the Company owned by the member the ownership right	Share of authorised capital of the Company held by the member, %	% of votes attached to the shares owned by the member
Linas Strėlis, Member of the Board	4 841 942	18,52	18,52
Domantas Savičius, Member of the Board, Financial Director	19 417	0,10	0,10

No extra pay or other benefits were paid to the members of the Supervisory Board, Board and top management except for salaries (Mindaugas Juozaitis – for General Director position, Domantas Savičius - CFO). Since the appointment of the Supervisory Board, Supervisory Board members also receive bonuses.

Name and Surname	Position	Term	Total
Ramūnas Audzevičius	Bonuses	For 2007	35 000
Hugh Thomas	Bonuses	For 2007	77 000
Edvardas Makelis	Bonuses	For 2007	14 000
Valentas Šulskis	General director	2008 January - December	199 610
Mindaugas Juozaitis	General director	2008 December	1 000
Domantas Savičius	CFO	2008 January - December	103 557

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

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

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

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

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

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 2008 and 31 December 2008 all information was publicly announced by the Group through Vilnius Stock Exchange. The content of this information may be accessed in the website of Vilnius Stock Exchange by using the following link: <http://www.baltic.omxnordicexchange.com/market/?pg=news>.

A summary of the Companies' announcements is shown below:

Header	Category	Date
Establishment of subsidiary entities	Notification on material event	17.01.2008
Agrowill Group AB, signed a liquidity provider agreement with FMI Orion Securities AB	Notification on material event	21.01.2008
Agrowill Group AB submitted share issue prospectus to the State Securities commission (VPK)	Prospectus/Announcement of Prospectus	24.01.2008
Revised audited consolidated financial statements for years 2006, 2005 and 2004	Annual information	29.01.2008
Notification about acquisition of a block of shares	Notification about acquisition (disposal) of a block of shares	22.02.2008
Notification about disposal of a block of shares	Notification about acquisition (disposal) of a block of shares	22.02.2008
Consolidated unaudited results for the year ended 31 December 2007	Interim information	29.02.2008
Agrowill Group AB plans to increase its sales by 36%	Notification on material event	06.03.2008
Resolutions of Extraordinary general meeting	Notification on material event	12.03.2008
CORRECTION: Consolidated unaudited results for the year ended 31 December 2007	Interim information	12.03.2008
CORRECTION: Resolutions of Extraordinary general meeting	Notification on material event	13.03.2008
Securities Commission of Lithuania approved the shares prospectus of Agrowill Group AB	Prospectus/Announcement of Prospectus	15.03.2008
Regarding the admission of Agrowill Group AB shares to the Main List	Notification on material event	15.03.2008
Regarding the conditional admission of Agrowill Group AB shares in the VSE Main list	Notification on material event	17.03.2008
Notice of the Annual General Meeting of Agrowill Group AB shareholders	Notification on material event	28.03.2008
Agrowill Group AB Completes its IPO	Notification on material event	01.04.2008
Notification about disposal of a block of shares	Notification about acquisition (disposal) of a block of shares	04.04.2008
Notification about disposal of a block of shares	Notification about acquisition (disposal) of a block of shares	04.04.2008
Notification about manager transactions with shares	Notifications on transactions concluded by managers	04.04.2008


Header	Category	Date
Notification about manager transactions with shares	Notifications on transactions concluded by managers	07.04.2008
Notification about acquisition of a block of shares	Notification about acquisition (disposal) of a block of shares	10.04.2008
Notice of the additions to agenda of Annual General Meeting of shareholders	Notification on material event	15.04.2008
Draft resolutions of Annual General Shareholders Meeting of Agrowill Group AB	Notification on material event	30.04.2008
Resolutions of Annual General Shareholders Meeting of Agrowill Group AB	Notification on material event	30.04.2008
Annual information of Agrowill Group AB for year 2007	Annual information	07.05.2008
Preliminary results of Agrowill Group AB for 1st quarter of 2008	Notification on material event	07.05.2008
Agrowill Group AB presentation	Other information	14.05.2008
Registration of new version of Articles of Association	Notification on material event	16.05.2008
Notification about acquisition (disposal) of a block of shares	Notification about disposal of a block of shares	22.05.2008
Notification about acquisition of a block of shares	Notification about acquisition (disposal) of a block of shares	22.05.2008
Notification about acquisition (disposal) of a block of shares	Notification about disposal of a block of shares	22.05.2008
Notification about acquisition of a block of shares	Notification about acquisition (disposal) of a block of shares	22.05.2008
Notification about acquisition of a block of shares	Notification about acquisition (disposal) of a block of shares	30.05.2008
Agrowill Group AB Financial Report for the 1st quarter of 2008	Interim information	30.05.2008
Non-public bonds emission issued	Notification on material event	03.06.2008
Agrowill signed agreement to acquire Estonian company "Polva Agro"	Notification on material event	04.06.2008
LSC approved bonds issue prospectus of Agrowill Group AB	Prospectus/Announcement of Prospectus	06.06.2008
Agrowill Group intends to acquire Grūduva	Notification on material event	16.06.2008
Establishment of subsidiary entity	Notification on material event	16.06.2008
Notice of extraordinary shareholders meeting of Agrowill Group AB	Notification on material event	17.06.2008
CORRECTION: Establishment of subsidiary entity	Notification on material event	17.06.2008
Establishment of subsidiary entity	Notification on material event	19.06.2008
Agrowill Group AB signed share purchase agreement of Grūduva UAB	Notification on material event	20.06.2008
Non-public bonds emission issued	Notification on material event	27.06.2008
Public bonds emission issued	Notification on material event	27.06.2008
Regarding the application submission to the VSE	Notification on material event	27.06.2008
Notification about acquisition of a block of shares	Notification about acquisition (disposal) of a block of shares	28.06.2008
Agrowill Group AB established a subsidiary entity	Notification on material event	02.07.2008
Agrowill Group AB successfully closed Polva Agro acquisition deal	Notification on material event	04.07.2008
Agrowill Group AB signed share purchase agreement to acquire Tetirvinai ŽŪB	Notification on material event	14.07.2008
Agenda and draft decisions for the Extraordinary General Meeting	Notification on material event	14.07.2008
Agrowill Group AB decided to become a surety for the group companies	Notification on material event	16.07.2008
Decisions of the Extraordinary General Meeting of Agrowill Group AB shareholders	Notification on material event	22.07.2008
Notification about manager transactions with shares	Notifications on transactions concluded by managers	24.07.2008
Agrowill Group AB established subsidiary entities	Notification on material event	25.07.2008
Non-public bonds emission issued	Notification on material event	25.07.2008
Agrowill Group AB company's unconsolidated audited financial statements for 2007	Annual information	28.07.2008
Preliminary unaudited results for first half of 2008	Notification on material event	01.08.2008
Header	Category	Date



Decisions of the Board of Directors of Agrowill Group AB	Notification on material event	12.08.2008
Unaudited consolidated financial report of Agrowill Group AB for 1st half of 2008	Interim information	01.09.2008
CORRECTION: Unaudited consolidated financial report of Agrowill Group AB for 1st half of 2008	Interim information	02.09.2008
Agrowill group acquired subsidiary in Russian Federation	Notification on material event	03.09.2008
Securities Commission of Lithuania approved the share issue prospectus of Agrowill Group AB	Prospectus/Announcement of Prospectus	03.09.2008
CORRECTION: Securities Commission of Lithuania approved the share issue prospectus of Agrowill Group AB	Prospectus/Announcement of Prospectus	09.09.2008
Agrowill Group AB guaranteed for the group companies loan	Notification on material event	09.09.2008
AB Agrowill Group notification about distributed issue of shares	Notification on material event	19.09.2008
Board of directors of Agrowill Group AB decided to sell land portfolio	Notification on material event	22.09.2008
Non-public bonds emission issued	Notification on material event	25.09.2008
Agrowill Group AB has successfully completed acquisition of Gruduva UAB	Notification on material event	26.09.2008
Notification about disposal of a block of shares	Notification about acquisition (disposal) of a block of shares	30.09.2008
Agrowill Group AB signed an agreement for milk supply with Pieno žvaigždės AB	Notification on material event	01.10.2008
Agrowill Group AB established a subsidiary entity	Notification on material event	13.10.2008
Non-public bonds emission bought out	Notification on material event	23.10.2008
Notification about manager transactions with shares	Notifications on transactions concluded by managers	04.11.2008
Preliminary unaudited results for 9 months of 2008	Interim information	04.11.2008
Notification about manager transactions with shares	Notifications on transactions concluded by managers	11.11.2008
Non-public bonds emission redeemed	Notification on material event	27.11.2008
Unaudited consolidated financial report of Agrowill Group AB	Notification on material event	02.12.2008
New management of Agrowill Group appointed	Notification on material event	02.12.2008
Notification about manager transactions with shares	Notifications on transactions concluded by managers	04.12.2008
Agrowill Group AB temporary suspends expansion plans, and focuses on production efficiency optimization	Notification on material event	11.12.2008
Notification about manager transactions with shares	Notifications on transactions concluded by managers	12.12.2008
Notification about acquisition of a block of shares	Notification about acquisition (disposal) of a block of shares	12.12.2008
Regarding termination of Shares subscription agreement	Notification on material event	12.12.2008
CORRECTION: Notification about acquisition of a block of shares	Notification about acquisition (disposal) of a block of shares	17.12.2008
Regarding information announced in the media	Notification on material event	23.12.2008
Non-public bonds emission redeemed	Notification on material event	24.12.2008

Agrowill Group AB General Director

30 June 2009

  
Mindaugas Juozaitis

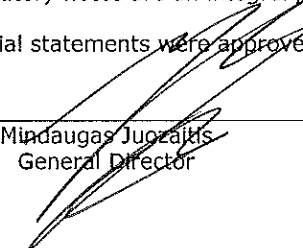
**CONSOLIDATED BALANCE SHEET**  
**AS OF 31 DECEMBER 2008**

(All amounts are in LTL thousands, unless otherwise stated)

	Notes	31 December 2008	31 December 2007
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment	5	150 700	77 320
Investment property	6	85 344	57 646
Intangible assets	7	31 061	2 652
Long term receivables	11	588	271
Financial assets		310	70
<b>Total non-current assets</b>		<b>268 003</b>	<b>137 959</b>
<b>Biological assets</b>			
Livestock		33 296	25 811
Crop		12 772	5 907
<b>Total biological assets</b>	8	<b>46 068</b>	<b>31 718</b>
<b>Current assets</b>			
Inventory	9	19 578	12 796
Trade receivables, advance payments and other receivables	10	26 566	15 549
Cash and cash equivalents	12	3 011	4 421
<b>Total current assets</b>		<b>49 155</b>	<b>32 766</b>
<b>TOTAL ASSETS</b>		<b>363 226</b>	<b>202 443</b>
<b>EQUITY AND LIABILITIES</b>			
<b>Capital and reserves</b>			
Share capital	13	26 143	20 000
Share premium		22 130	-
Revaluation reserve		27 993	26 498
Legal reserve		2 000	1 000
Retained earnings		18 905	30 303
<b>Equity attributable to equity holders of the parent</b>		<b>97 171</b>	<b>77 801</b>
Minority interest		3 578	1 376
<b>Total equity</b>		<b>100 749</b>	<b>79 177</b>
<b>Non-current liabilities</b>			
Borrowings	15	122 526	58 250
Obligations under finance lease	16	10 472	3 308
Grants	14	11 053	5 218
Deferred tax liability	17	17 124	6 741
<b>Total non-current liabilities</b>		<b>161 175</b>	<b>73 517</b>
<b>Current liabilities</b>			
Current portion of non-current borrowings	15	17 903	5 814
Current portion of non-current obligations under finance lease	16	3 860	1 392
Current borrowings	15	36 666	27 694
Trade payables	18	24 957	11 132
Other payables and current liabilities		17 916	3 717
<b>Total current liabilities</b>		<b>101 302</b>	<b>49 749</b>
<b>Total liabilities</b>		<b>262 477</b>	<b>123 266</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>363 226</b>	<b>202 443</b>

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

These consolidated financial statements were approved and signed on 30 June 2009.

  
Mindaugas Juozaitis  
General Director

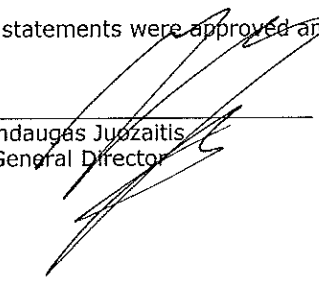
  
Domantas Savietus  
Chief Finance Officer

**CONSOLIDATED INCOME STATEMENT**  
**FOR THE YEAR ENDED 31 DECEMBER 2008**  
(All amounts are in LTL thousands, unless otherwise stated)

	Notes	2008	2007
Sales	19	63 923	42 687
Cost of sales	19	(47 807)	(27 951)
Gain on changes in fair values of biological assets	8	(6 669)	1 947
Investment property fair value change gain	6	18 927	27 093
<b>GROSS PROFIT</b>		<b>28 374</b>	<b>43 776</b>
Operating expenses	20	(21 096)	(9 227)
<b>OPERATING PROFIT</b>		<b>7 278</b>	<b>34 549</b>
Income from financial and investment activities	22	301	1 499
Release of negative goodwill to income	21	31	6 965
Other income (expenses)		(50)	(359)
Finance cost	23	(14 488)	(5 788)
<b>PROFIT BEFORE INCOME TAX</b>		<b>(6 928)</b>	<b>36 866</b>
Income tax expense	17	(5 725)	(4 884)
<b>NET PROFIT</b>		<b>(12 653)</b>	<b>31 982</b>
<b>ATTRIBUTABLE TO :</b>			
Equity holders of the Company		(12 362)	31 288
Minority interest		(291)	694
		<b>(12 653)</b>	<b>31 982</b>
<b>Basic and diluted earnings per share (LTL)</b>	24	<b>(0.48)</b>	<b>1.56</b>

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

These consolidated financial statements were approved and signed on 30 June 2009.

  
Mindaugas Juozaitis  
General Director

  
Domanitas Savičius  
Chief Finance Officer

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY  
FOR THE YEAR ENDED 31 DECEMBER 2008**

(All amounts are in LTL thousands, unless otherwise stated)

	Share capital	Share premium	Revaluation reserve	Legal reserve	Retained earnings	Equity attributable to the shareholders of the company	Minority Interest	Total
Balance as at 31 December 2006	200	-	16 657	15	17 362	34 234	6 627	40 861
Payment for shares	6	-	-	-	-	6	-	6
Increase in share capital from reserves	19 794	-	-	-	(19 794)	-	-	-
Revaluation of fixed assets, net of taxes	-	-	10 523	-	-	10 523	-	10 523
Acquisition of minority	-	-	1 476	-	-	1 476	(5 671)	(4 195)
Decrease of revaluation reserve due to depreciation of assets	-	-	(2 020)	-	2 283	263	(263)	-
Decrease of revaluation reserve due to sale of assets	-	-	(138)	-	149	11	(11)	-
Transfer to reserves	-	-	-	985	(985)	-	-	-
Net profit of the period	-	-	-	-	31 288	31 288	694	31 982
Balance as at 31 December 2007	20 000	-	26 498	1 000	30 303	77 801	1 376	79 177
Payment for shares	6 143	24 571	-	-	-	30 714	-	30 714
Cost of capital increase	-	(2 441)	-	-	-	(2 441)	-	(2 441)
Revaluation of fixed assets, net of taxes	-	-	2 702	-	-	2 702	-	2 702
Decrease of revaluation reserve due to depreciation of assets	-	-	(1 207)	-	1 207	-	-	-
Correction of depreciation	-	-	-	-	757	757	-	757
Acquisition of minority	-	-	-	-	-	-	2 493	2 493
Transfer to reserves	-	-	-	1 000	(1 000)	-	-	-
Net profit of the period	-	-	-	-	(12 362)	(12 362)	(291)	(12 653)
Balance as at 31 December 2008	26 143	22 130	27 993	2 000	18 905	97 171	3 578	100 749

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

These consolidated financial statements were approved and signed on 30 June 2009.

  
Mindaugas Juozaitis  
General Director

  
Domantas Savičius  
Chief Finance Officer

**CONSOLIDATED CASH FLOWS STATEMENT  
FOR THE YEAR ENDED 31 DECEMBER 2008**

(All amounts are in LTL thousands, unless otherwise stated)



	31 December 2008	31 December 2007
<b>Cash flows from /(to) operating activities</b>		
Net profit	(12 653)	31 288
Minority interest	291	694
Income tax expense	5 725	4 884
<b>Net profit before taxes and minority income</b>	<b>(7 219)</b>	<b>36 866</b>
<b>Adjustments for non-cash expenses (income) items and other adjustments</b>		
Depreciation expense (note 5)	6 173	6 234
Amortization expense (note 6)	209	56
Impairment of assets and write offs	448	27
Gain on sale of investments	-	-
Gain on sales of non-current assets	30	(58)
Interest income	(247)	(206)
Investment property fair value change gain	(18 927)	(27 093)
Interest expense (note 21)	12 841	5 604
Release of negative goodwill to income (note 19)	(31)	(6 965)
Provisions and write-offs of inventory	1 003	83
Provisions for accounts receivable (note 9)	1 554	194
(Loss) gain on changes in fair value of biological assets	6 669	(1 947)
Grants, related to assets, recognized as income	(1 094)	(306)
<b>Changes in working capital</b>		
(Increase) decrease in biological assets	(9 705)	(7 315)
(Increase) decrease in trade receivables and prepayments	(5 511)	(1 619)
(Increase) decrease in inventory	5 329	(3 625)
(Decrease) increase in trade and other payables	15 855	3 638
	<b>7 377</b>	<b>3 568</b>
Interest paid, net	(10 138)	(4 860)
<b>Net cash flows from /(to) operating activities</b>	<b>(2 761)</b>	<b>(1 292)</b>
<b>Cash flows from /(to) investing activities</b>		
Acquisition of subsidiaries	(79 776)	(3 564)
Disposal of subsidiaries	-	(59)
Purchase of non-current tangible assets (note 5)	(27 029)	(33 456)
Purchase of non-current intangible assets (note 6)	(137)	(241)
Proceeds from sales of non-current assets	124	704
Grants related to investments (note 14)	3 829	850
Other loans granted (repaid)	(317)	1 221
<b>Net cash flows from/(to) investment activities</b>	<b>(103 306)</b>	<b>(34 545)</b>
<b>Cash flows from /(to) financing activities</b>		
Contribution to share capital in cash	28 273	6
Disposal (acquisition) of available for sale investments	(124)	(4)
Proceeds from bank borrowings	54 774	32 483
Proceeds from other borrowings	24 915	4 738
Increase (repayments) of obligations under finance lease	(3 181)	1 340
<b>Net cash flows from/(to) financing activities</b>	<b>104 657</b>	<b>38 563</b>
<b>Net (decrease) / increase in cash and cash equivalents</b>	<b>(1 410)</b>	<b>2 726</b>
<b>Cash and cash equivalents at the beginning of the period</b>	<b>4 421</b>	<b>1 695</b>
<b>Cash and cash equivalents at the end of the period</b>	<b>3 011</b>	<b>4 421</b>

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

These consolidated financial statements were approved and signed on 30 June 2009.

Mindaugas Juozaitis  
General Director

Domantas Šavičius  
Chief Finance Officer

**EXPLANATORY NOTES**  
**FOR THE YEAR ENDED 31 DECEMBER 2008**  
(All amounts are in LTL thousands, unless otherwise stated)

**1. General information**

Agrowill Group AB (hereinafter – „the Company”) was founded and started its operations on 25 June 2003. The Company head office is located in Smolensko st. 10, Vilnius, Lithuania. The Company's main activity is management of agricultural companies.

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

As of 31 December the main shareholders (over 5 per cent) of the Company were:

Entity / person	Company address	2008		2007	
		Number of shares	% owned	Number of shares	% owned
ŽIA valda UAB	Smolensko st. 10, Vilnius, Lithuania	7 939 836	30,37	6 791 359	33,96
Linās Strėlis		4 841 942	18,52	-	-
SEB AB finnish clients	Sergels torg 2, 10640 Stockholm, Sweden	2 182 497	8,35	-	-
Hansabank clients	Liivalaia 8, 15040 Tallinn, Estonia	1 800 743	6,89	-	-
Indrė Mišeikytė		1 600 735	6,12		
Kelmės pieninė AB	Raseinių st. 2, Kelmė, Lithuania	-	-	4 841 942	24,21
	Konstitucijos ave. 23, Vilnius, Lithuania				
Invalda AB		979 590	3,75	4 125 340	20,63
Mantas Juozaitis		235 487	0,90	1 838 835	9,19
Mindaugas Juozaitis		3 695	0,01	1 236 893	6,18
Renatas Dūdonis		-	-	451 748	2,26
David Henry Lasky		-	-	288 350	1,44
Valentas Šulskis		213 592	0,82	213 592	1,07
Aušrys Labinas		150 000	0,57	192 524	0,96
Domantas Savičius		19 417	0,07	19 417	0,10
Other minor shareholders		6 175 198	23,63	-	-
<b>Total</b>		<b>26 142 732</b>	<b>100,00</b>	<b>20 000 000</b>	<b>100,00</b>

The Company's shareholders' meeting has the power to amend the financial statements after issue. Starting since 1<sup>st</sup> of April 2008 the Company is listed on Vilnius Stock Exchange Main list. The fiscal year of the Company and its subsidiaries corresponds with calendar year.

The consolidated Group (hereinafter the Group) consists of the Company and forty-five subsidiaries (2007.12.31: thirty-five subsidiaries). The subsidiaries included in the Group's consolidated financial statements are indicated below:

Subsidiary	Country	Group ownership interest, %		Profile
		31 December 2008	31 December 2007	
AVG Investment UAB	Lithuania	100,00 %	100,00 %	The subsidiary specializes in acquisitions of agricultural companies
AWG Investment 1 UAB	Lithuania	100,00%	-	The subsidiary specializes in acquisitions of agricultural companies
AWG Investment 2 UAB	Lithuania	100,00%	-	The subsidiary specializes in acquisitions of agricultural companies
AWG Investment 3 UAB	Lithuania	100,00 %	-	The subsidiary specializes in acquisitions of agricultural companies
Agrowill Eesti OU	Estonia	100,00%	-	The subsidiary specializes in acquisitions of agricultural companies
ZAO „Agroprom”	Russia	75 %	-	Management of subsidiaries
„Agrowill group” S.R.L.	Moldova	100 %	-	Acquisitions and 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

**AGROWILL GROUP AB**

Company code 126264360, Smolensko str. 10, LT-03201 Vilnius

**EXPLANATORY NOTES****FOR THE YEAR ENDED 31 DECEMBER 2008**

(All amounts are in LTL thousands, unless otherwise stated)

Subsidiary	Country	Group ownership interest, %		Profile
		31 December 2008	31 December 2007	
Žemės vystymo fondas 9 UAB	Lithuania	100,00%	100,00%	Acquisitions and rent of land
Žemės vystymo fondas 10 UAB	Lithuania	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%	-	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
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 Elmučiai“	Lithuania	98,41 %	98,41 %	Agricultural operations
Agricultural company „Agrowill Vėriškės“	Lithuania	98,41 %	98,41 %	Agricultural operations
UAB „Grūduva“	Lithuania	97,28 %	-	Agricultural operations
Agricultural company „Agrowill Želsvelė“	Lithuania	97,17 %	97,17 %	Agricultural operations
OU „Polva agro“	Estonia	96,45 %	-	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

As of 31 December 2008 the Group had 916 employees, 2007 – 750 employees.

**EXPLANATORY NOTES**  
**FOR THE YEAR ENDED 31 DECEMBER 2008**  
(All amounts are in LTL thousands, unless otherwise stated)

The main financial ratios of the Group:

		2008	2007
EBITDA	Earnings Before Interest, Taxes, Depreciation and Amortization*	1 560	12 796
ROA	Return On Assets (%)*	(4,60)	10,58
ROE	Return On Equity (%)*	(29,22)	16,21
Liquidity ratio	Liquidity ratio	0,49	0,66
Acid test ratio	Acid test ratio	0,29	0,40

\* - not taking into account the investment property revaluation

EBITDA = Net profit + depreciation and amortization + interest expenses – negative goodwill recognized through profit (loss)

ROA = Net profit / (Average Group assets)

ROE = Net profit / (Average shareholders equity)

Liquidity ratio = Current assets / Current liabilities

## 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 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 basis, as modified by the revaluation of property, plant and equipment, investment property and biological assets (livestock).

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 2008 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 2008, however none of these standards, amendments and interpretations had effect to the Group's accounting policies:

a) All standards, amendments and interpretations effective as of 2008 and had no effect to the Group's accounting policy:

- IFRIC 11, IFRS 2, Group Treasury Share Transactions (effective for annual periods beginning on or after 1 March 2007);
- IFRIC 12, Service Concession Arrangements (effective for annual periods beginning on or after 1 January 2008);
- IFRIC 14, 'IAS 19 – The limit on a defined benefit asset, minimum funding requirements and their interaction'

b) 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 2009 or later periods, but the group has not early adopted them:

- IAS 1 (Revised), 'Presentation of financial statements' (effective from 1 January 2009).;
- IAS 23 (Amendment), 'Borrowing costs' (effective from 1 January 2009). The amendment requires an entity to capitalise borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset (one that takes a substantial period of time to get ready for use or sale) as part of the cost of that asset. The option of immediately expensing those borrowing costs will be removed. The group will apply IAS 23 (Amendment) retrospectively from 1 January 2009 and is currently assessing the impact to its financial statements.
- IAS 32 (Amendment), 'Financial instruments: Presentation', and IAS 1 (Amendment), 'Presentation of financial statements' – 'Puttable financial instruments and obligations arising on liquidation' (effective from 1 January 2009).
- IFRS 1 (Amendment) 'First time adoption of IFRS' and IAS 27 'Consolidated and separate financial statements' (effective from 1 January 2009).
- IAS 27 (Revised), 'Consolidated and separate financial statements' (effective from 1 July 2009)
- IAS 28 (Amendment), 'Investments in associates' (and consequential amendments to IAS 32, 'Financial Instruments: Presentation' and IFRS 7, 'Financial Instruments: Disclosures') (effective from 1 January 2009).
- IAS 36 (Amendment), 'Impairment of assets' (effective from 1 January 2009).



**EXPLANATORY NOTES****FOR THE YEAR ENDED 31 DECEMBER 2008**

(All amounts are in LTL thousands, unless otherwise stated)

**2.1 Basis of preparation (continued)**

- IAS 38 (Amendment), 'Intangible assets' (effective from 1 January 2009).
- IAS 39 (Amendment), 'Financial instruments: Recognition and measurement' (effective from 1 January 2009).
- IAS 19 (Amendment), 'Employee benefits' (effective from 1 January 2009).
- IFRS 3 (Revised), 'Business combinations' (effective from 1 July 2009)
- IFRS 2 (Amendment), 'Share-based payment' (effective from 1 January 2009).
- IFRS 5 (Amendment), 'Non-current assets held for sale and discontinued operations' (and consequential amendment to IFRS 1, 'First-time adoption') (effective from 1 July 2009).
- IFRS 8, Operating Segments (effective for annual periods beginning on or after 1 January 2009).
- There are a number of minor amendments to IFRS 7, 'Financial instruments: Disclosures', IAS 8, 'Accounting policies, changes in accounting estimates and errors', IAS 10, 'Events after the reporting period', IAS 18, 'Revenue' and IAS 34, 'Interim financial reporting', which are part of the IASB's annual improvements project published in May 2008 (not addressed above). These amendments are unlikely to have an impact on the group's accounts and have therefore not been analysed in detail.
- IFRIC 13, Client loyalty programs (effective for annual periods beginning on or after 1 January 2008) (not yet endorsed by the EU);
- IFRIC 16, 'Hedges of a net investment in a foreign operation' (effective from 1 October 2008).

The Groups Management is currently assessing the possible effects for the adoption of these Standards and Interpretations in the future accounting periods on the consolidated financial statements.

Amendment to IAS 23, IFRIC 12, IFRIC 13, IFRIC 14 and IFRS 3 have not been yet endorsed by EU.

**2.2 Consolidation**

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company (its subsidiaries). Control is achieved where the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated income statement from the effective date of acquisition or up to the effective date of disposal, as appropriate.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by other members of the Group.

Acquisitions of subsidiaries are accounted for using the purchase method. The cost of the acquisition is measured at the aggregate of the fair values, at the date of exchange, of assets given, liabilities incurred or assumed, and equity instruments issued by the Group in exchange for control of the acquiree, plus any costs directly attributable to the business combination. The acquiree's identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition under IFRS 3 *Business combinations* are recognized at their fair values at the acquisition date.

Goodwill arising on acquisition is recognized as an asset and initially measured at cost, being the excess of the cost of the business combination over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities recognized. If, after reassessment, the Group's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities exceeds the cost of the business combination, the excess (negative goodwill) is recognized immediately in profit or loss.

All intra-group transactions, balances, income and expenses are eliminated on consolidation.

Minority interests in the net assets of consolidated subsidiaries are identified separately from the Group's equity therein. Minority interests consist of the amount of those interests at the date of the original business combination (see below) and the minority's share of changes in equity since the date of the combination. Losses applicable to the minority in excess of the minority's interest in the subsidiary's equity are allocated against the interests of the Group except to the extent that the minority has a binding obligation and is able to make an additional investment to cover the losses.

The interest of minority shareholders in the acquiree is initially measured at the minority's proportion of the net fair value of the assets, liabilities and contingent liabilities recognized.

**2.3 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 Company's functional and the Group's presentation currency.

Transactions and balances

In preparing the financial statements of the individual entities, transactions in currencies other than the entity's functional currency (foreign currencies) are recorded at the rates of exchange prevailing on the dates of the transactions. At each balance sheet date, monetary items denominated in foreign currencies are retranslated at the rates prevailing on the balance sheet date. Exchange differences arising on the settlements of monetary items, and on the retranslation of monetary items, are included in the income statement for the period.

**EXPLANATORY NOTES**  
**FOR THE YEAR ENDED 31 DECEMBER 2008**  
(All amounts are in LTL thousands, unless otherwise stated)

**2.3 Foreign currency translation (continued)**

Group companies

For the purpose of presenting consolidated financial statements, the assets and liabilities of the Group's foreign operations (including comparatives) are expressed in Currency Units using exchange rates prevailing on the balance sheet date. Income and expense items (including comparatives) are translated at the average exchange rates for the period, unless exchange rates fluctuated significantly during that period, in which case the exchange rates at the dates of the transactions are used. Exchange differences arising, if any, are classified as equity and transferred to the Group's translation reserve. Such translation differences are recognised in profit or loss in the period in which the foreign operation is disposed of.

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.

**2.4 Property, plant and equipment**

The property, plant and equipment, except for construction in progress, are stated at revalued amounts less accumulated depreciation and impairment losses. 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.

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.

Subsequent costs are included in the asset's carrying amount, 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'.

Land is not depreciated. Depreciation of property, plant and equipment, except construction in progress, is calculated using the straight-line method. Depreciation expenses are charged to the income statement under operating expenses, cost of sales and is recognized in the balance sheet under Crops and Goods for sale. Estimated useful lives of property, plant and equipment are 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 'Other income (expenses)' in the income statement. When revalued assets are sold, the amounts included in revaluation reserve are transferred to retained earnings.

**2.5 Investment property**

Investment property, principally comprising agricultural land plots, is held for long-term rental yields and is not occupied by the group. Investment property is carried at fair value, representing open market value determined annually. Fair value is 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 or discounted cash flow projections. Changes in fair values are recorded in the income statement as part of revenues.

**2.6 Intangible assets**

Goodwill

Goodwill arising on the acquisition of a subsidiary represents the excess of the cost of acquisition over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities of the subsidiary recognized at the date of acquisition. Goodwill is initially recognized as an asset at cost and is subsequently measured at cost less any accumulated impairment losses.

## **2.6 Intangible assets (continued)**

For the purpose of impairment testing, goodwill is allocated to each of the Group's cash-generating units expected to benefit from the synergies of the combination. Cash-generating units to which goodwill has been allocated are tested for impairment annually, or more frequently when there is an indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than the carrying amount of the unit, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro-rata on the basis of the carrying amount of each asset in the unit. An impairment loss recognized for goodwill is not reversed in a subsequent period.

On disposal of a subsidiary, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

### Other intangible assets

Intangible assets (except goodwill) are recognized if it is probable that future economic benefits that are attributable to the asset will flow to the enterprise and the cost of asset can be measured reliably. After initial recognition, intangible assets are measured at cost less accumulated amortization and any accumulated impairment losses. Intangible assets are amortized on a straight-line basis of their useful lives:

Software	2 – 3 years
Other intangible assets	5 years

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.

## **2.7 Impairment of non-financial assets**

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

Intangible assets with indefinite useful lives are not subject to amortization are tested for impairment annually.

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

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognized immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset (cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset (cash-generating unit) in prior years. A reversal of an impairment loss is recognized immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

## **2.8 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 and adjusting them adequately, if necessary.

Crops are measured at cost less any accumulated impairment losses. Crops are not depreciated since their growing period is less than 1 year. There is no market-determined prices or values available for growing crops and the alternative estimates of their fair values are unreliable. At the point of harvest, crops are remeasured at fair value less estimated point-of-sale costs, which then becomes the cost for grains accounted as inventory.

**EXPLANATORY NOTES****FOR THE YEAR ENDED 31 DECEMBER 2008**

(All amounts are in LTL thousands, unless otherwise stated)

**2.9 Inventories**

Inventories are stated at the lower of cost and net realizable value. Costs comprise direct materials and, where applicable, those overheads that have been incurred in bringing the inventories to their present location and condition. Cost is determined by the first-in, first-out (FIFO) method. Net realizable value represents the estimated selling price less all estimated costs of completion and costs to be incurred in marketing, selling and distribution.

**2.10 Financial assets and financial liabilities**

Financial assets and financial liabilities are recognized on the Group's balance sheet when the Group becomes a party to the contractual provisions of the instrument.

The Group classifies all its financial assets into the category of loans and receivables. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition. Loans and receivables 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.

Trade and other receivables

Trade and other 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 the 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 60 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 original 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 Operating expenses in the income statement.

Cash and cash equivalents

Cash and cash equivalents are carried at nominal value.

For the purposes of the cash flow statement, cash and cash equivalents comprise cash on hand, deposits held at call with banks and other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are included in borrowings in current liabilities on the balance sheet.

Impairment of financial assets

Financial assets are assessed for indicators of impairment at each balance sheet date. Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been affected. For financial assets carried at amortized cost, the amount of the impairment is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables where the carrying amount is reduced through the use of an allowance account.

Financial liabilities

Financial liabilities comprise of interest-bearing borrowings, finance lease liabilities and issued bonds.

Interest-bearing loans and overdrafts are initially measured at fair value. Borrowings are subsequently measured at amortised cost, using the effective interest rate method. Any difference between the proceeds (net of transaction costs) and the settlement or redemption of borrowings is recognised over the term of the borrowings in the statement of income.

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

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

Trade payables

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

## **2.11 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.

## **2.12 Reserves**

### Legal reserve

The legal reserve is a compulsory reserve under Lithuanian legislation. Annual contributions of minimum 5% of the net result are required until the legal reserve reaches 10% of the registered share capital. The appropriation is restricted to reduction of the accumulated deficit.

### Other reserves

The Group's net income for the year is transferred to other reserves and makes up other reserve balance for the year end. These reserves can be used only for the purposes approved by the General Shareholder Meeting.

### Translation reserve

The translation reserve is used for translation differences arising on consolidation of financial statements of foreign subsidiaries. Exchange differences are classified as equity in the consolidated financial statements until disposal of the investment. Upon disposal of the corresponding assets, the cumulative revaluation of translation reserves is recognised as income or expenses in the same period when the gain or loss on disposal is recognised.

## **2.13 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 as deferred government grants 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 is recognized as income when the conditions attaching to the government grant are met.

## **2.14 Lease**

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

### The Group as lessor

Rental income from operating leases is recognized on a straight-line basis over the term of the relevant lease.

### The Group as lessee

Assets held under finance leases are recognized as assets at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the balance sheet as a finance lease obligation. Lease payments are apportioned between finance charges and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged directly to profit or loss.

Rentals payable under operating leases are recognized in profit or loss on a straight-line basis over the term of the relevant lease.

## **2.15 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 local 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.

## **2.15 Employee benefits (continued)**

### Termination benefits

Termination benefits are payable whenever an employee's employment is terminated before the normal retirement date or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Group recognises termination benefits when it is demonstrably committed to either terminate the employment of current employees according to a detailed formal plan without possibility of withdrawal or to provide termination benefits as a result of an offer made to encourage voluntary redundancy. Benefits falling due more than 12 months after balance sheet date are discounted to present value.

### Bonus plans

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

## **2.16 Provisions**

Provisions for restructuring costs and legal claims are recognised when: the Group has a present legal or constructive obligation as a result of past events; it is more likely than not that an outflow of resources will be required to settle the obligation; and the amount can be reliably estimated. Provisions are not recognised for future operating losses.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as interest expense.

## **2.17 Business and geographical segments**

A business segment means a constituent part of the business participating in production of an individual product or provision of a service or a group of related products or services, the risk and returns whereof are different from other business segments.

The main business segments defined by the Group are stock-breeding and crop growing, as well as land rent activities.

A geographical segment means a constituent part of the business participating in production of individual products or provision of services within certain economic environment the risk and returns whereof are different from other constituent parts operating in other economic environments. Geographical segments are determined by the location of customers that is the same as location of assets.

The geographical segments are not defined by the Group, all activities of the Group are performed on the territory of Republic of Lithuania and Estonia (since acquisition of Polva Agro in 2<sup>nd</sup> half of 2008).

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.

## **2.18 Revenue recognition**

Revenue is measured at the fair value of the consideration received or receivable for the sale of goods and services. Revenue is shown net of value-added tax, estimated rebates, discounts and other similar allowances and after eliminating sales within the group.

The revenues are recognized on an accrual basis. Revenues are recognized in the financial statements irrespective of cash inflows, i.e. when they are earned. Expenses are recognized in the income statement when incurred.

Sales of goods are recognized when the Group entity sells a product to the customer.

Revenue from services is recognised on performance of the services.

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.

Payments received under operating leases are credited to the income statement on a straight-line basis over the period of the lease.

## **2.19 Finance cost**

All finance costs are recognized in profit or loss when incurred.

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**2.20 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 directly in equity. In this case, the tax is also recognised in equity.

Current income tax

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 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.

In accordance with the Lithuanian Law on Corporate Income Tax, the current income tax valid for 2008 rate is 15% on taxable income. Income tax rate valid for 2007 was 18%. Starting from 1 January 2009 the income tax applied to the companies in Lithuania will be 20%. Up to 31 December 2008 the Company's subsidiaries involved in agricultural production in accordance with Republic of Lithuania law do not account for and pay income tax, however as at 1 January 2009 they will have to apply 5% tax rate, 10% as of 1 January 2010, and 20% rate as of 1 January 2011.

Income tax rate on current year taxable profits in Estonia nil. However, in Estonia profit tax is payable in the year of distribution of earnings at a rate of 21% in 2008, and 20% in the year 2009 and after.

Deferred income tax

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 substantially 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.

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

**2.21 Related parties**

Related parties are defined as shareholders, employees, 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.

**2.22 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 activities expose it to a variety of financial risks: market risk (including currency risk, fair value interest rate risk, cash flow interest rate risk and price risk), credit risk and liquidity risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance. 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.

#### Credit risk

Senior management is responsible for credit risk management. Credit risk arises from cash, cash equivalents, and short-term deposits with banks, as well as credit exposures to customers, mainly related to outstanding receivables. Credit risk associated with the cash funds at banks is minimal, as the Group deals with the banks which have high credit ratings established by foreign rating agencies. For customers, the Company sells the majority of its production to wholesalers and has policies in place to ensure that sales of products are made only to customers with an appropriate credit history. The Group always makes an assessment of the credit quality of the customer, taking into account its financial position, past experience and other factors. Credit period is awarded only to a few customers who are well known to the Group and have excellent 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.

#### Liquidity risk

Liquidity risk management implies maintaining sufficient cash, the availability of funding through an adequate amount of committed credit facilities. The Company is exposed to the liquidity risk due to different maturity profiles of receivables and payables. The risk is managed by planning the cash flows. The Company uses overdrafts and credit lines to manage the differences of maturity profiles of the receivables and payables.

#### *Current development of International and Lithuanian financial markets*

The worldwide liquidity crisis which started in 2007 – 2008 resulted in decrease of capital markets and banking sector financing capabilities and increases in financing costs of borrowing in certain currencies. At the moment it is difficult to forecast the magnitude of the financial crisis and its effect on the world and local economies, possible opportunities and terms of recovery. In managements opinion, the crisis influenced the Group's operation, as due to decreased financial capabilities the Group currently faces liquidity problems.

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

Due to abovementioned facts, the Group currently faces 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 management of the Group currently is negotiating with creditors regarding postponement of amounts payable until the cash flow is generated from the long term assets possessed by the Group.

The Group concludes short and medium term cash-flow budgets in order to manage the current liquidity situation.

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 true value of the liabilities, as the influence of discounting is not significant.

	Within one year	In second year	Over third- fifth years	After five years
<b>31 December 2008</b>				
Loans	34 468	34 162	60 969	61 146
Bonds	31 203	-	-	-
Finance lease liabilities	4 294	3 663	6 909	560
Trade and other payables	42 873	-	-	-
<b>Total</b>	<b>112 838</b>	<b>37 825</b>	<b>67 878</b>	<b>61 706</b>
<b>31 December 2007</b>				
Loans	20 017	8 246	14 558	35 446
Bonds	13 491	-	-	-
Finance lease liabilities	1 392	1 230	1 954	123
Trade and other payables	14 849	-	-	-
<b>Total</b>	<b>49 749</b>	<b>9 476</b>	<b>16 512</b>	<b>35 569</b>



### **Liquidity risk (continued)**

As at 31 December 2008 and 2007 the operating capital of the Group was negative and equaled LTL (52 147) thousand and LTL (16 983) thousand respectively. The liquidity ratio of the Group amounted to 0,49 (2007: 0,66), while quick ratio was 0,29 (2007: 0,40).

### **Market risk**

#### Cash flows and fair value interest rate risk

As the Group has no significant interest-bearing assets, its income and operating cash flows are substantially independent of changes in market interest rates.

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 expose the Group to fair value interest rate risk, but this is not included in sensitivity analysis as the change in interest rates has no impact on profit or equity of the Group.

The Group borrowings consist of loans with floating interest rate, which is related to EURIBOR, EUR LIBOR and VILIBOR.

As at 31 December 2008 the Group's bonds had a fixed rate of 12% to 14% (2007: 12%). The Group did not use any derivative financial instruments in order to control the risk of interest rate changes.

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. The scenarios are run only for liabilities that represent the major interest-bearing positions.

#### Foreign currency 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 of EUR. Groups purchase / sale contracts are also conducted 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.

The Group operates in Lithuania and Estonia and accordingly has two functional currencies that all are pegged with EUR and do not fluctuate significantly. Therefore the Group is exposed to any significant foreign exchange risk.

#### 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.

### **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.

Pursuant to the Lithuanian Law on Companies the authorised share capital of a public limited liability company must be not less than LTL 150 thousand and of a private limited liability company must be not less than LTL 10 thousand. In addition, for all entities the shareholders' equity should not be lower than 50 per cent of the company's registered share capital. As at 31 December 2008 and 31 December 2007, the Company and all its Lithuanian subsidiaries, except Agrowill Kairėnai ŽŪB, complied with these requirements.

Pursuant to the Estonian Commercial Code the authorised share capital of a private limited liability company must be not less than EEK 40 thousand. In addition, the shareholders' equity should not be lower than 50 per cent of the company's share capital. As at 31 December 2008 all of the Company's Estonian subsidiaries, except Agrowill Eesti OU complied with these requirements.

In addition, the Group has to comply with the financial covenants imposed in the agreements with DnB Nord AB bank. The Group was in compliance with the all of the covenants except LTL 25 million loan agreement covenant referring to Equity / Assets ratio, which as at 31 December 2008 fell below the required 35 per cent to 28,5 per cent.

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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 financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the group for similar financial instruments.

### **4. Critical accounting estimates and assumptions**

In the application of the Group's accounting policies, management is required to make judgments, estimates and assumptions about carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

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 key assumptions concerning the future, and other key sources of estimation uncertainty at the balance sheet date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are discussed below.

#### 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 (the Estonian subsidiary - 7 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.

#### Impairment of property, plant and equipment

The Group makes an assessment, at least annually, whether there are any indications that property, plant and equipment 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 2.4. The recoverable amount of cash-generating units is determined based on value-in-use calculations. As of 31 December 2008 and 2007 there were no indications that property, plant and equipment might be impaired.

#### 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. As of 31 December 2008 and 2007 there were no impairment of the goodwill.

#### Valuation of investment property and cultivated agricultural land

The revaluation of the Group's investment property was made on 31 March 2007 based on valuations made by Žia Valda Real Estate UAB and Oberhaus UAB. As at 31 December 2007, the Group did not have an independent appraisal of it's investment property and cultivated agricultural land. According to IFRS, such properties must be recorded at market value. The management valued the average price of 1 ha of agricultural land. The value was determined based on the last land buying transactions executed by the Group, received proposals to sell the land, and agricultural commodities prices trends in the world markets. The determined price as at 31 December 2007 was LTL 7 000 per hectare. This valuation, however, is not supported by any independent appraisals.

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**5. Property, plant and equipment**

As of 31 December 2008 the Group's property, plant and equipment consisted of the following:

	Land	Buildings	Constructions and machinery	Vehicles, equipment and other property, plant and equipment	Construction in progress	Total
<b>Acquisition cost/Revalued amount</b>						
<b>As of 31 December 2006</b>	<b>1 542</b>	<b>19 002</b>	<b>18 761</b>	<b>2 717</b>	<b>1 801</b>	<b>43 823</b>
- additions	257	489	11 696	592	4 579	17 613
- disposal of subsidiaries	-	-	-	(84)	-	(84)
- disposals	-	(26)	(1 719)	(495)	-	(2 240)
- reclassifications	-	6 115	887	(972)	(6 030)	-
- transferred from investment property	22 830	-	-	-	-	22 830
<b>As of 31 December 2007</b>	<b>24 629</b>	<b>25 580</b>	<b>29 625</b>	<b>1 758</b>	<b>350</b>	<b>81 942</b>
- additions	585	655	14 085	999	11 574	27 898
- acquisition of subsidiaries	3 748	29 785	30 656	2 914	3 070	70 173
- disposals	-	(355)	(2 424)	(802)	-	(3 581)
- reclassifications	-	3 812	-	-	(3 812)	-
- transferred from investment property	7 363	-	-	-	-	7 363
<b>As of December 2008</b>	<b>36 325</b>	<b>59 477</b>	<b>71 942</b>	<b>4 869</b>	<b>11 182</b>	<b>183 795</b>
<b>Depreciation</b>						
<b>As of 31 December 2006</b>	-	-	-	-	-	-
- depreciation	-	342	3 385	224	-	3 951
- disposals of subsidiaries	-	-	-	(42)	-	(42)
- depreciation of revalued amount	-	580	1 348	355	-	2 283
- reclassifications	-	-	14	(14)	-	-
- disposals	-	(6)	(1 239)	(325)	-	(1 570)
<b>As of 31 December 2007</b>	-	<b>916</b>	<b>3 508</b>	<b>198</b>	-	<b>4 622</b>
- acquisition of subsidiaries	-	7 321	15 771	1 132	-	24 224
- depreciation	-	1 222	4 610	341	-	6 173
- depreciation of revalued amount	-	289	740	178	-	1 207
- reclassifications	-	-	-	-	-	0
- disposals	-	(157)	(2 403)	(571)	-	(3 131)
<b>As of December 2008</b>	-	<b>9 591</b>	<b>22 226</b>	<b>1 278</b>	-	<b>33 095</b>
<b>Carrying amount</b>						
<b>As of 31 December 2006</b>	<b>1 542</b>	<b>19 002</b>	<b>18 761</b>	<b>2 717</b>	<b>1 801</b>	<b>43 823</b>
<b>As of 31 December 2007</b>	<b>24 629</b>	<b>24 664</b>	<b>26 117</b>	<b>1 560</b>	<b>350</b>	<b>77 320</b>
<b>As of 31 December 2008</b>	<b>36 325</b>	<b>49 886</b>	<b>49 716</b>	<b>3 591</b>	<b>11 182</b>	<b>150 700</b>

As of 31 December 2007 the carrying amount of property, plant and equipment in the amount of LTL 67 528 thousand (2007: LTL 41 867) have been pledged as security for bank borrowings. The leased assets are pledged according to the finance lease agreements.

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

	2008	2007
Constructions and machinery		
Acquisition cost	19 369	6 320
Less Accumulated depreciation	3 059	796
Carrying amount	16 310	5 524

## 6. *Investment property*

As of 31 December 2007 the Group's investment property consisted of the following:

	<u>Agricultural land</u>
<b>Fair value</b>	
<b>31 December 2006</b>	-
- acquisition cost of assets	15 843
- acquisition of subsidiaries	25 160
- increase in fair value of assets	39 473
- transferred to property, plant and equipment	<u>(22 830)</u>
<b>31 December 2007</b>	<b><u>57 646</u></b>
- acquisition cost of assets	8 771
- acquisition of subsidiaries	-
- increase in fair value of assets	26 288
- transferred to property, plant and equipment	<u>(7 361)</u>
<b>31 December 2008</b>	<b><u>85 344</u></b>

As of 31 December 2007 the carrying amount of investment property in the amount of LTL 80 352 thousand (as of 31 December 2007: 36 053 tūkst. Lt) have been pledged as security for bank borrowings.

The investment property of the Group consists of agricultural land plots. As at 31 December 2008, the Group had ownership rights to 13 384 ha of land (2007: 11.500 ha). Approximately 3 700 ha of them was used by the Group, around 6 300 ha – rented out to third persons and companies, and approximately 3 400 ha were not used.

The Group's accounting practice is to revalue the investment property at fair value at each year-end and to disclose the changes in the financial statements. The revaluation of the Group's investment property was made on 31 March 2007 based on valuations of Žia Valda Real Estate UAB and Oberhaus UAB. As at 31 December 2007, the Group did not have an independent appraisal of its investment property and cultivated agricultural land. According to IFRS, such properties must be recorded at market value. The management valued the average price of 1 ha of agricultural land. The value was determined based on the last land buying transactions executed by the Group, received proposals to sell the land, and agricultural commodities prices trends in the world markets. The determined price as at 31 December 2007 was LTL 7 000 per hectare.

The land plots which are rented and used by the subsidiary Group companies were transferred from investment property to property, plant and equipment as at 31 December 2007. The acquisition value of such land plots was LTL 10 450 thousand, while the fair value surpluses amounted to LTL 12 380 thousand (total amount transferred was LTL 22 830 thousand).

### *Change in fair value of investment property*

In total, during 2007, the gain from change in fair value of investment property amounted to LTL 39 473 thousand, part of this revaluation is associated with the land rented and used by the Group's subsidiary entities, thus only LTL 27 093 thousand revaluation gain is presented in the current year result.

The remaining part of revaluation (LTL 12 380 thousand) is included in the revaluation reserve.

In 2008, the revaluation totaled LTL 26 288 thousand, LTL 7 361 thousand of which was attributable to the land used by own agricultural entities.

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**7. Intangible assets**

As of 31 December 2007 the Group's non-current intangible assets consisted of the following:

	Goodwill	Software	Other intangible assets	Total
<b>Acquisition cost</b>				
<b>As of 31 December 2006</b>	<b>774</b>	<b>30</b>	<b>97</b>	<b>901</b>
- additions	-	128	113	241
- acquisitions of subsidiaries (note 21)	1 602	-	-	1 602
<b>As of 31 December 2007</b>	<b>2 376</b>	<b>158</b>	<b>210</b>	<b>2 744</b>
- additions	-	1	136	137
- acquisitions of subsidiaries (note 21)	28 355	26	142	28 523
- reclassification	-	(69)	69	-
<b>As of 31 December 2008</b>	<b>30 731</b>	<b>116</b>	<b>557</b>	<b>31 404</b>
<b>Amortization</b>				
<b>As of 31 December 2006</b>	<b>-</b>	<b>13</b>	<b>23</b>	<b>36</b>
- amortization	-	11	45	56
<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 21)	-	19	25	44
- reclassification	-	(5)	5	-
<b>As of 31 December 2008</b>	<b>-</b>	<b>55</b>	<b>288</b>	<b>343</b>
<b>Carrying amount</b>				
<b>As of 31 December 2006</b>	<b>774</b>	<b>17</b>	<b>74</b>	<b>865</b>
<b>As of 31 December 2007</b>	<b>2 376</b>	<b>134</b>	<b>142</b>	<b>2 652</b>
<b>As of 31 December 2008</b>	<b>30 731</b>	<b>61</b>	<b>269</b>	<b>31 061</b>

As the subsidiaries of the Group operated profitably – there are no indications of goodwill impairment.

**8. Biological assets**

The Group's livestock quantity consisted of the following:

	Milk cows	Heifers	Other livestock	Pigs	Total
<b>As of 31 December 2006</b>	<b>3 378</b>	<b>3 202</b>	<b>1 393</b>	<b>1 745</b>	<b>9 718</b>
Acquisition of subsidiaries	-	-	-	-	-
Additions	-	1 684	-	-	1 684
Increase (birth)	-	2 128	2 060	907	5 095
Transfers from other groups (+)	2 377	-	1 100	-	3 477
Transfers to other groups (-)	(1 511)	(1 966)	-	-	(3 477)
Sales	(14)	(754)	(3 891)	(2 360)	(7 019)
Write offs and natural mortality	(114)	(310)	(312)	(292)	(1 028)
<b>As of 31 December 2007</b>	<b>4 116</b>	<b>3 984</b>	<b>350</b>	<b>-</b>	<b>8 450</b>
Acquisition of subsidiaries	1 978	1 265	793	-	4 036
Additions	58	1 129	25	-	1 212
Increase (birth)	-	2 328	2 911	-	5 239
Transfers from other groups (+)	3 253	4 033	1 718	-	9 004
Transfers to other groups (-)	(2 462)	(6 269)	(273)	-	(9 004)
Sales	(300)	(1 088)	(3 935)	-	(5 323)
Write offs and natural mortality	(231)	(452)	(407)	-	(1 090)
<b>As of 31 December 2008</b>	<b>6 412</b>	<b>4 930</b>	<b>1 182</b>	<b>-</b>	<b>12 524</b>

(Continued)

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**8. Biological assets (continued)**

The Group's livestock value consisted of the following:

	<u>Milk cows</u>	<u>Heifer</u>	<u>Other livestock</u>	<u>Pigs</u>	<u>Total</u>
<b>As of 31 December 2006</b>	<b>9 256</b>	<b>6 675</b>	<b>1 763</b>	<b>283</b>	<b>17 977</b>
Acquisition of subsidiaries	-	-	-	-	-
Additions	-	6 879	-	-	6 879
Increase (birth)	-	406	412	4	822
Makeweight	-	6 309	1 471	527	8 307
Transfers from other groups (+)	9 061	-	2 774	-	11 835
Transfers to other groups (-)	(3 067)	(8 768)	-	-	(11 835)
Sales	(32)	(1 851)	(6 011)	(796)	(8 690)
Write offs and natural mortality	(323)	(61)	(130)	(18)	(532)
Profit arising from changes in biological assets fair value (note 19)	254	901	(107)	-	1 048
<b>As of 31 December 2007</b>	<b>15 149</b>	<b>10 490</b>	<b>172</b>	<b>-</b>	<b>25 811</b>
Acquisition of subsidiaries	4 848	2 327	325	-	7 500
Additions	229	5 016	31	-	5 276
Increase (birth)	-	479	523	-	1 002
Makeweight	11	8 841	1 323	-	10 175
Transfers from other groups (+)	15 174	11 151	6 267	-	32 592
Transfers to other groups (-)	(9 360)	(22 821)	(411)	-	(32 592)
Sales	(623)	(3 969)	(7 225)	-	(11 817)
Write offs and natural mortality	(800)	(320)	(137)	-	(1 257)
Profit arising from changes in biological assets fair value (note 19)	(3 132)	(233)	(29)	-	(3 394)
<b>As of 31 December 2008</b>	<b>21 496</b>	<b>10 961</b>	<b>839</b>	<b>-</b>	<b>33 296</b>

The Group's crops consisted of the following:

	<u>Winter crops</u>	<u>Summer crops</u>	<u>Rapeseed</u>	<u>Feed crops</u>	<u>Total</u>
<b>2008</b>					
Total ha planted	7 193	979	1 375	8 807	18 354
Total expenses incurred	7 373	368	1 550	3 481	12 772
Average expenses per 1 ha (LTL)	1 025	376	1 127	395	696
<b>2007</b>					
Total ha planted	3 607	4 176	2 411	7 798	17 992
Total expenses incurred	2 715	1 104	892	1 196	5 907
Average expenses per 1 ha (LTL)	753	264	370	153	328

Total hectares planted shows both the actual hectares planted as at 31 December, as well as forecasted spring sowing number of hectares, for which the Group has incurred expenses.

**9. Inventory**

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

	<u>2008</u>	<u>2007</u>
Raw materials	3 265	3 205
Finished goods	21 666	9 996
<b>Total</b>	<b>24 931</b>	<b>13 201</b>
Less: write-down to net realizable value	(5 353)	(1 304)
Add: change in fair value of finished goods	-	899
<b>Carrying amount</b>	<b>19 578</b>	<b>12 796</b>

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**10. 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:

	2008	2007
Trade receivables	11 401	6 065
Subsidies and grants receivable from NPA	9 637	5 870
Advance payments and deferred expenses	5 823	4 260
VAT receivable	703	319
Accounts receivable private individuals	65	44
Other receivables	1 155	353
<b>Total</b>	<b>28 784</b>	<b>16 911</b>
Less: allowance for doubtful accounts	(2 218)	(1 362)
<b>Carrying amount</b>	<b>26 566</b>	<b>15 549</b>

Trade receivables that are less than 60 days past due are not considered impaired. Impairment charges on amounts receivable are recognized after 120 days past due. As at 31 December 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.

The movement of provisions for doubtful receivables consisted of the following:

	2008	2007
<b>Carrying amount as of 1 January</b>	<b>1 362</b>	<b>1 168</b>
Provisions for doubtful receivables	1 554	194
Write-offs of bad receivables	(698)	-
Acquisition of subsidiaries	-	-
<b>Carrying amount as of 31 December</b>	<b>2 218</b>	<b>1 362</b>

In 2008, a LTL 1 554 thousand provision for doubtful receivable from Darkwol Intl. was established. The decrease in provision during 2008 resulted from write-offs of bad past receivables.

**11. Long term receivables**

	2008	2007
The loan to UAB "Želsvelės mėsa" UAB (LTL), maturity in 2011, annual interest rate 7 %	284	-
The loan to ŽVF projektai UAB (LTL), maturity in 2011, annual interest rate 7 %	103	171
The loan to ŽVF projektai UAB (LTL), maturity in 2011, annual interest rate 7 %	100	100
The loan to ŽIA Valda AB (LTL), maturity in 2010, annual interest rate 14%	85	-
The loan to Tomas Žilinskas (LTL), maturity in 2010, annual interest rate 7 %	16	-
	<b>588</b>	<b>271</b>

**12. Cash and cash equivalents**

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

	2008	2007
Cash in banks	2 945	4 242
Cash on hand	66	107
Term deposits	-	72
<b>Carrying amount</b>	<b>3 011</b>	<b>4 421</b>

As of 31 December 2008 the Group's part of cash in bank accounts was pledged to the Banks.

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**13. Share capital**

As of 31 December 2006, the share capital consisted of 200 000 ordinary registered shares (2005: 700 shares) with par value LTL 1 each (2005: LTL 100). All shares were fully paid.

On 31 August 2007, the shareholders increased the share capital of the Company from LTL 200 000 to LTL 206 000 by monetary contributions. Additional 6 000 shares were issued with nominal value of LTL 1 each.

On 12 October 2007, the shareholders increased the share capital of the Company from LTL 206 000 to LTL 20 000 000 by issuing distributing 19 794 000 additional shares with nominal value of LTL 1 each to existings shareholders by transfer from the retained earnings. For the purpose of calculating earnings per share all references in these consolidated financial statements to the weighted average number of shares were restated to reflect 9 897:103 share split.

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, 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 28 273 thousand (each share was sold at LTL 5 each).

The share capital of Agrowill Group AB as at 31 December 2008 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.

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 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 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.

**14. Grants**

For the year ended as of 31 December the movement of grants consisted of the following:

	<b>2008</b>	<b>2007</b>
<b>Carrying amount as of 1 January</b>	<b>5 218</b>	<b>4 674</b>
Grants, subsidies	3 829	850
Acquisition of subsidiaries	3 100	-
Release of grants related to property, plant and equipment to income	(1 094)	(306)
<b>Carrying amount as of 31 December</b>	<b>11 053</b>	<b>5 218</b>



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**15. Borrowings**

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

	2008	2007
<i>Borrowings from banks</i>		
The loan payable to Swedbank bank (EUR), maturity in 2012	36 185	-
The loan payable to DnB Nord AB bank (EUR), maturity in 2016	23 235	25 000
The loan payable to DnB Nord AB bank (EUR), maturity in 2026	18 486	-
The loan payable to Snoras AB bank (LTL), maturity in 2010	17 741	-
The loan payable to DnB Nord AB bank (EUR), maturity in 2017	3 116	3 291
The loan payable to DnB Nord AB bank (EUR), maturity in 2017	2 722	2 722
The loan payable to Parex <sup>na</sup> bank AB (EUR), maturity in 2025	1 848	1 929
The loan payable to Parex <sup>na</sup> bank AB (LTL), maturity in 2024	1 746	1 557
The loan payable to Parex <sup>na</sup> bank AB (LTL), maturity in 2024	1 678	1 678
The loan payable to SEB AB bank (LTL), maturity in 2012	1 650	-
The loan payable to Parex <sup>na</sup> bank AB (LTL), maturity in 2024	1 625	1 636
The loan payable to DnB Nord AB bank (EUR), maturity in 2013	1 381	-
The loan payable to DnB Nord AB bank (EUR), maturity in 2013	1 364	-
The loan payable to DnB Nord AB bank (EUR), maturity in 2019	1 359	1 360
The loan payable to Parex <sup>na</sup> bank AB (EUR), maturity in 2025	1 340	-
The loan payable to DnB Nord AB bank (EUR), maturity in 2019	1 335	1 360
The loan payable to DnB Nord AB bank (EUR), maturity in 2013	1 310	-
The loan payable to DnB Nord AB bank (EUR), maturity in 2017	1 309	1 384
The loan payable to DnB Nord AB bank (EUR), maturity in 2012	1 143	2 526
The loan payable to DnB Nord AB bank (EUR), maturity in 2013	1 041	-
The loan payable to DnB Nord AB bank (EUR), maturity in 2017	1 031	1 139
The loan payable to DnB Nord AB bank (EUR), maturity in 2013	991	-
The loan payable to DnB Nord AB bank (EUR), maturity in 2019	944	265
The loan payable to DnB Nord AB bank (EUR), maturity in 2013	779	-
The loan payable to SEB AB bank (LTL), maturity in 2011	750	-
The loan payable to DnB Nord AB bank (EUR), maturity in 2013	725	-
The loan payable to DnB Nord AB bank (EUR), maturity in 2012	710	1 804
The loan payable to SEB AB bank (LTL), maturity in 2012	709	-
The loan payable to DnB Nord AB bank (EUR), maturity in 2012	627	1 385
The loan payable to SEB AB bank (EUR), maturity in 2010	579	-
The loan payable to DnB Nord AB bank (EUR), maturity in 2019	556	-
The loan payable to DnB Nord AB bank (EUR), maturity in 2013	495	-
The loan payable to DnB Nord AB bank (EUR), maturity in 2017	379	305
The loan payable to DnB Nord AB bank (EUR), maturity in 2013	345	-
The loan payable to SEB AB bank (LTL), maturity in 2010	231	-
The loan payable to SEB AB bank (LTL), maturity in 2010	185	-
The loan payable to bank Sampo bankas AB (EUR), maturity in 2015	-	3 585
The loan payable to bank Sampo bankas AB (EUR), maturity in 2015	-	2 660
<i>Borrowings from legal entities</i>		
The loan payable to Invalda AB (LTL), maturity in 2016	3 870	1 771
The loan payable to ŽIA valda AB (LTL), maturity in 2016	425	338
The loan payable to Kelmės pieninė AB (LTL), maturity in 2016	-	2 549
The loan payable to Kelmės pieninė AB (LTL), maturity in 2009	-	1 867
<i>Borrowings from private individuals</i>		
The loan payable to Linas Strėlis (LTL), maturity date 2016	4 484	-
<b>Total</b>	<b>140 429</b>	<b>64 604</b>
<b>Less: amounts, payable within one year</b>	<b>(17 903)</b>	<b>(5 814)</b>
<b>Total long term borrowings</b>	<b>122 526</b>	<b>58 250</b>

(Continued)

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**15. Borrowings (continued)**

As of 31 December the Group's short term borrowings consisted of the following:

	2008	2007
<i>Borrowings from banks</i>		
The loan payable to SEB AB bank (LTL), maturity in 2009	1 000	-
The loan payable to SEB AB bank (LTL), maturity in 2009	500	-
The loan payable to DnB Nord AB bank (EUR), maturity in 2008	-	11 000
The credit line to Nord/LB AB (LTL), maturity date in 2008	-	35
<i>Borrowings from legal entities</i>		
Liability under factoring agreement to Hansa Lizingas UAB, maturity date in 2007	4 783	3 168
Dojus Agro UAB, (LTL), maturity date in 2009	691	-
<i>Borrowings from private individuals</i>		
The loan payable to Pranas Dailidė (LTL), maturity date 2009	77	-
<i>Bonds issued by the Group</i>	29 615	13 491
<b>Total short term borrowing</b>	<b>36 666</b>	<b>27 694</b>

The long-term borrowings are repayable as follows:

	2008	2007
Between 1 and 2 years	27 007	8 246
Between 2 and 5 years	56 145	14 558
After five years	39 374	35 446
<b>Total</b>	<b>122 526</b>	<b>58 250</b>

Property, plant and equipment (note 5) and cash in the bank (note 12) of the Group were pledged to the banks as collateral to secure the loans payable.

**16. Obligations under finance lease**

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

	2008		2007	
	Minimum lease payments	Present value of minimum lease payments	Minimum lease payments	Present value of minimum lease payments
Within one year	4 505	3 860	1 577	1 392
In the second to fifth years inclusive	11 556	10 472	3 642	3 308
<b>Minimum lease payments</b>	<b>16 061</b>	<b>14 332</b>	<b>5 219</b>	<b>4 700</b>
Less: future finance charges	(1 729)	-	(519)	-
<b>Minimum amount payable</b>	<b>14 332</b>	<b>14 332</b>	<b>4 700</b>	<b>4 700</b>
Less: VAT payable	(2 723)	(2 723)	(846)	(846)
<b>Present value of minimum lease payments</b>	<b>11 609</b>	<b>11 609</b>	<b>3 854</b>	<b>3 854</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.

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**17. Profit tax**

Profit tax expenses for the year ended 31 December consisted of the following:

	<b>2008</b>	<b>%</b>	<b>2007</b>	<b>%</b>
Profit before tax	(6 928)		36 866	
Profit tax, calculated at 15% (2007: 18%) tax rate	(1 039)	15	6 636	18
Tax effect of non-taxable revenues	5 725	(83)	4 884	13
Change in deferred tax asset due to increase in profit tax rate (2008: 20%)	2 500	-	80	-
Tax effect of non-deductible expenses	(1 461)	21	(6 741)	(18)
Decrease of differed tax liability after evaluation	-	-	25	-
<b>Profit tax</b>	<b>5 725</b>	<b>83</b>	<b>4 884</b>	<b>13</b>

**Deferred tax liability**

	<b>2008</b>	<b>2007</b>
Current year profit tax	6 741	-
Change in deferred tax liability, recognized in income statement	5 725	4 884
Change in deferred tax liability, recognized in equity	4 658	1 857
<b>Total</b>	<b>17 124</b>	<b>6 741</b>

**Deferred tax asset:**

	<b>2008</b>	<b>2007</b>
Provisions for doubtful receivables	(333)	(204)
Provisions for slow-moving inventory and write-downs to net realizable value	(803)	(196)
Vacation reserve	-	-

**Total deferred tax asset:** (1 136) (400)

Decrease of deferred tax assets after evaluation 1 136 400

**Total deferred tax asset, fair value:** - -

	<b>2008</b>	<b>2007</b>
Revaluation of fixed assets	6 515	1 857
Fair value of investment property	10 609	4 884

Decrease of deferred tax liability after evaluation - -

**Total deferred tax liability** 17 124 6 741

**Total deferred tax** 17 124 6 741

**18. Other payables and current liabilities**

As of 31 December the Group's other payables and current liabilities consisted of the following:

	<b>2008</b>	<b>2007</b>
Payroll related liabilities	4 199	1 851
Advances received	9 060	93
Other payables	4 657	1 773
<b>Total</b>	<b>17 916</b>	<b>3 717</b>

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**19. Business segments**

The main information on segmentation by business segments

Income statement	Business segments									
	Stock-breeding			Crop growing				Other		
	Total	Milk	Cattle meat	Pigs meat	Total	Wheat	Barley	Rape	Other income	Land rent
2008										
Sales	63 923	35 184	3 440	-	38 624	12 285	3 214	7 462	687	1 651
Revaluation of investment property	18 927	-	-	-	-	-	-	-	-	18 927
Cost of sales	(47 807)	(20 297)	(11 459)	-	(30 392)	(11 452)	(4 291)	(6 058)	(4 468)	(17 415)
Cost of sales	(58 025)	(20 297)	(11 459)	-	(31 756)	(11 452)	(4 291)	(6 058)	(4 468)	(26 269)
Direct subsidies	10 218	-	-	-	1 364	-	-	-	-	8 854
Gain on changes in biological assets fair value	(6 669)	-	-	-	(3 394)	-	-	-	-	(3 275)
	<b>28 374</b>	<b>14 887</b>	<b>(8 019)</b>	<b>-</b>	<b>(2 030)</b>	<b>833</b>	<b>(1 077)</b>	<b>1 404</b>	<b>(3 781)</b>	<b>5 579</b>
<b>GROSS PROFIT</b>					<b>4 838</b>					<b>2 958</b>
Operating expenses	(21 096)									
Income from financial and investment activities	301									
Release of negative goodwill to income	31									
Other activities income	(50)									
Finance cost	(14 488)									
Income tax expenses	(5 725)									
<b>NET INCOME</b>	<b>12 653</b>									

(Continued)



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**19. Business segments (continued)**

<b>BALANCE SHEET As of 31 December 2008</b>	<b>Stock breeding</b>	<b>Plant growing</b>	<b>Land rent</b>	<b>Unallocated</b>	<b>Total</b>
Non-current assets	43 999	90 137	85 344	48 523	268 003
Biological assets	33 296	12 772	-	-	46 068
Inventory	7 608	10 120	-	1 850	19 578
Trade receivables, advance payments and other receivables	4 991	11 816	1 174	8 585	26 566
Cash and cash equivalents			358	2 653	3 011
<b>TOTAL ASSETS</b>	<b>89 894</b>	<b>124 845</b>	<b>86 876</b>	<b>61 611</b>	<b>363 226</b>
<b>TOTAL LIABILITIES</b>	<b>17 583</b>	<b>28 515</b>	<b>24 126</b>	<b>181 200</b>	<b>251 424</b>
Property, plant and equipment acquired during the year	12 521	13 379	8 771	1 998	36 669
Property, plant and equipment depreciation for the year	2 413	2 608	-	1 152	6 173

<b>BALANCE SHEET As of 31 December 2007</b>	<b>Stock breeding</b>	<b>Plant growing</b>	<b>Land rent</b>	<b>Unallocated</b>	<b>Total</b>
Non-current assets	16 524	23 673	66 960	30 802	137 959
Biological assets	25 811	5 907	-	-	31 718
Inventory	2 382	7 121	130	3 163	12 796
Trade receivables, advance payments and other receivables	2 586	6 092	663	6 208	15 549
Cash and cash equivalents	-	-	1 180	3 241	4 421
<b>TOTAL ASSETS</b>	<b>47 303</b>	<b>42 793</b>	<b>68 933</b>	<b>43 414</b>	<b>202 443</b>
<b>TOTAL LIABILITIES</b>	<b>8 030</b>	<b>12 837</b>	<b>24 772</b>	<b>77 627</b>	<b>123 266</b>
Property, plant and equipment acquired during the year	5 673	10 005	15 843	1 936	33 457
Property, plant and equipment depreciation for the year	1 210	3 757	-	1 267	6 234

**20. Operating expenses**

As of 31 December the Group's operating expenses consisted of the following:

	<b>2008</b>	<b>2007</b>
Payroll expenses	8 236	4 492
Transportation costs	1 808	1 175
Consultations and business plan preparations	479	282
Insurance	1 503	352
Property, plant and equipment depreciation	1 155	193
Real estate registration and valuation	-	351
Advertising expenses	846	491
Write off of property, plant and equipment	1 730	310
Legal expenses	-	310
Provisions for inventory	1 423	277
Communication expenses	240	72
Electricity	112	63
Repairs	239	53
Other expenses	3 315	796
<b>Total</b>	<b>21 096</b>	<b>9 227</b>

**2.1. Release of negative goodwill to income**

	Polva Agro June 2008	Grūduva September 2008
<i>Non-current assets</i>		
Tangible and Intangible assets	14 757	31 206
Biological assets	2 067	5 972
<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)
<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>23 798</b>	<b>35 634</b>
Acquired share capital, %	93,60	97,28
Net assets acquired	22 275	34 665
Cash paid upon acquisition acquired	-	-
Acquisition cost	(50 630)	(34 634)
<b>Total negative goodwill</b>	-	<b>31</b>
<b>Total goodwill</b>	<b>(28 355)</b>	-

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**21. Release of negative goodwill to income (continued)**
**Acquisition of subsidiaries**

	2007											
	Mantviliškis			Jurbarkal			Spindulys			Nausodė		
	January	December		September	September	September	September	September	September	June	June	December
<i>Non-current assets</i>												
Tangible and intangible assets	4 387	5 195		2 570	4 413	4 413	4 413	4 413	4 413	3 523	4 230	
Revaluation reserve	(2 502)	(2 220)		(1 148)	(858)	(858)	(858)	(858)	(858)	(864)	(904)	
Biological assets	1 166	1 317		1 839	1 245	1 245	1 245	1 245	1 245	2 132	2 099	
<i>Current assets</i>												
Cash and cash equivalents	86	32		86	101	101	101	101	101	108	187	
Trade receivables and other current assets	872	911		802	2 847	2 847	2 847	2 847	2 847	738	1 322	
Inventory	387	1 360		732	2 182	2 182	2 182	2 182	2 182	259	859	
<i>Long term liabilities</i>												
Borrowing and obligations under financial lease	(1 496)	(1 742)		(346)	(216)	(216)	(216)	(216)	(216)	(3 470)	(3 878)	
Grants	(623)	(587)		(259)	-	-	-	-	-	(219)	(206)	
<i>Short term liabilities</i>												
Borrowing and obligations under financial lease	(299)	(772)		(198)	(493)	(493)	(493)	(493)	(493)	(307)	(988)	
Other financial liabilities	-	(288)		-	-	-	-	-	-	-	(316)	
Trade payables and other current liabilities	(939)	(926)		(1 300)	(2 878)	(2 878)	(2 878)	(2 878)	(2 878)	(1 344)	(1 608)	
Net assets at acquisition date	<b>1 039</b>	<b>2 280</b>		<b>2 778</b>	<b>6 343</b>	<b>6 343</b>	<b>6 343</b>	<b>6 343</b>	<b>6 343</b>	<b>556</b>	<b>797</b>	
Acquired share capital, %	3,14	3,74		3,24	0,28	0,33	0,33	0,04	0,04	41,65	4,19	0,99
Net assets acquired	33	85		90	18	21	21	12	12	23	8	
Cash paid upon acquisition acquired	608	297		-	-	-	-	-	-	-	2 695	
Acquisition cost	(640)	(301)		(14)	(354)	(446)	(40)	(685)	(13)	(6)	(2 700)	
<b>Total negative goodwill</b>	<b>1</b>	<b>81</b>		<b>76</b>	-	-	-	<b>12</b>	-	<b>2 180</b>	<b>17</b>	<b>3</b>
<b>Total goodwill</b>	-	-		-	<b>(336)</b>	<b>(212)</b>	<b>(19)</b>	<b>(361)</b>	<b>(10)</b>	-	-	-

(Continued)



21. Release of negative goodwill to income (continued)

Acquisition of subsidiaries

	2007											
	Želšvelė December	Žadžiūnai December	Kairėnai December	Vėriškės December	Elmučiai December	Smilgiai December	ŽVJF January	ŽVJF 9 January	ŽVJF 11 January	ŽVJF 12 January	ŽVJF 14 January	ŽVJF 15 January
<i>Non-current assets</i>												
Tangible and intangible assets	9 129	1 253	2 151	2 643	1 066	10 066	7 070	-	6 620	3 311	1 409	368
Revaluation reserve	(2 611)	(517)	(866)	(634)	(427)	(1 646)	-	-	-	-	-	-
Biological assets	4 195	1 521	1 338	2 203	900	3 782	-	-	-	-	-	-
<i>Current assets</i>												
Cash and cash equivalents	992	205	95	6	138	242	55	-	47	140	2	1
Trade receivables and other current assets	1 737	597	415	1 190	626	2 284	905	-	1 102	1 477	16	4
Inventory	1 816	824	802	1 187	531	2 060	-	-	-	-	-	-
<i>Long term liabilities</i>												
Borrowing and obligations under financial lease	(3 430)	(1 595)	(2 793)	(3 306)	(1 281)	(4 989)	(4 784)	-	(5 622)	(4 884)	-	-
Grants	(1 529)	-	(259)	(259)	-	(844)	-	-	-	-	-	-
<i>Short term liabilities</i>												
Borrowing and obligations under financial lease	-	(891)	-	-	(247)	(475)	-	-	-	-	(1 233)	(318)
Other financial liabilities	-	-	(142)	(8)	-	(394)	-	-	-	-	-	-
Trade payables and other current liabilities	(2 801)	(941)	(1 130)	(2 334)	(1 044)	(1 429)	(93)	-	(91)	(19)	(272)	(66)
Net assets at acquisition date	<b>7 498</b>	<b>456</b>	<b>(389)</b>	<b>688</b>	<b>262</b>	<b>8 657</b>	<b>3 153</b>	<b>(2)</b>	<b>2 056</b>	<b>25</b>	<b>(78)</b>	<b>(11)</b>
Acquired share capital, %	7,63	6,36	19,10	17,19	12,52	0,37	100,00	50,00	100,00	100,00	100,00	100,00
Net assets acquired	572	29	(74)	118	33	32	3 153	(1)	2 056	25	(78)	(11)
Cash paid upon acquisition acquired	972	1 386	1 327	2 461	1 082	-	-	-	-	-	-	-
Acquisition cost	(1 000)	(1 400)	(1 400)	(2 500)	(1 100)	-	(750)	-	(750)	(100)	(10)	(10)
<b>Total negative goodwill</b>	<b>544</b>	<b>15</b>	<b>-</b>	<b>79</b>	<b>15</b>	<b>32</b>	<b>2 403</b>	<b>-</b>	<b>1 306</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total goodwill</b>	<b>-</b>	<b>-</b>	<b>(147)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(1)</b>	<b>-</b>	<b>(75)</b>	<b>(88)</b>	<b>(21)</b>

(Continued)

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## 21. Release of negative goodwill to income (continued)

	Acquisition of subsidiaries									Total
	2007									
	Lankesa		Dumšiškės	ŽVF 1	ŽVF 2	ŽVF 3	ŽVF 4	ŽVF 5	ŽVF 6	
	December	December	June	January	January	January	January	January	January	
Non-current assets										
Tangible and Intangible assets	3 945	3 945	1 405	3 525	1 499	1 342	1	1	1	
Revaluation reserve	(1 790)	(1 790)	(295)	-	-	-	-	-	-	
Biological assets	2 245	2 245	2 035	-	-	-	-	-	-	
Current assets										
Cash and cash equivalents	469	469	46	145	3	4	7	7	7	
Trade receivables and other current assets	1 650	1 650	612	69	90	257	-	-	-	
Inventory	984	984	146	-	-	-	-	-	-	
Long term liabilities										
Borrowing and obligations under financial lease	(3 030)	(3 030)	(603)	(3 581)	(1 323)	(1 422)	-	-	-	
Grants	(504)	(504)	(259)	-	-	-	-	-	-	
Short term liabilities										
Borrowing and obligations under financial lease	(527)	(527)	(95)	-	-	-	-	-	-	
Other financial liabilities	(368)	(368)	(250)	(104)	-	(9)	-	-	-	
Trade payables and other current liabilities	(801)	(801)	(1 225)	(103)	(232)	(182)	-	-	-	
Net assets at acquisition date	2 273	2 273	1 517	(49)	37	(10)	8	8	8	
Acquired share capital, %	7,99	0,78	1,36	100,00	100,00	100,00	100,00	100,00	100,00	
Net assets acquired	182	18	21	(49)	37	(10)	8	8	8	
Cash paid upon acquisition acquired	-	383	-	-	-	-	-	-	-	
Acquisition cost	-	(400)	(3)	(100)	(100)	(100)	(10)	(10)	(10)	15 429
Total negative goodwill	182	1	18	-	-	-	-	-	-	6 965
Total goodwill	-	-	-	(149)	(63)	(110)	(2)	(2)	(2)	(1 602)

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**21. Release of negative goodwill to income (continued)**

Negative goodwill, arising at acquisition of subsidiaries is directly recognized in the income statement at acquisition date.

Goodwill, arising at acquisition of subsidiaries is accounted for as intangible assets in the Group's consolidated financial statements.

**Net cash paid to acquire subsidiaries**

	<b>2008</b>	<b>2007</b>
Acquisition cost paid in cash	85 264	15 429
Less: cash and cash equivalents of acquired subsidiaries	(5 488)	(11 865)
	<b>79 776</b>	<b>3 564</b>

**Net cash received from disposals of subsidiaries**

	<b>2008</b>	<b>2007</b>
Proceeds of sales in cash	-	10
Less: cash and cash equivalents of disposed subsidiaries	-	(59)
	<b>-</b>	<b>(49)</b>

**22. Income from financial and investment activities**

	<b>2008</b>	<b>2007</b>
Compensations received	-	980
Dividends received	-	255
Interest income	253	206
Other financial income	48	58
<b>Total</b>	<b>301</b>	<b>1 499</b>

**23. Finance cost**

For the year ended as of 31 December the Group's finance cost consisted of the following:

	<b>2008</b>	<b>2007</b>
Bank interest expenses	14 115	5 604
Other	342	184
<b>Total</b>	<b>14 457</b>	<b>5 788</b>

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

	<b>2008</b>	<b>2007</b>
Net profit attributable to equity holders of the Company	(12 653)	31 288
Weighted average number of shares	26 142 732	19 996 005
<b>Earnings per share (LTL)</b>	<b>(0,48)</b>	<b>1,56</b>

The Company had no dilutive options outstanding during 2008 and 2007 or as of 31 December 2008 and 2007.

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**25. Related party transactions**

Over the years ended 31 December 2008 and 2007 the average number of Directors was 13 and 11 respectively.

*(i) Loans to Board Members and Directors*

In 2008, salaries and other payments to the Senior Management of the Company amounted to LTL 1 088 thousand (2007: LTL 508 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.

On 30 June 2006, Pozityvios investicijos AB was merged into Invalda AB.

Trading transactions with related parties were carried out on commercial terms and conditions and market prices.

Transactions with related parties are as follows:

	2008				
	Accounts receivable	Borrowings	Accounts payable	Purchases	Sales
<i>Shareholders</i>					
Linas Strėlis	-	4 484	-	-	554
Titas Sireika	-	-	-	-	-
Aušrys Labinas	-	-	-	-	-
Kelmės pieninė AB	-	-	-	-	70
Invalda AB	-	4 152	-	-	430
ŽIA valda UAB	96	423	62	159	57
Renatas Dūdonis	-	-	-	-	-
Mindaugas Juozaitis	-	-	-	-	-
Remigijus Žvirblis	-	-	-	-	-
Mantas Juozaitis	-	-	-	-	-
<i>Chairman of the Board</i>					
Valentas Šulskis	-	-	-	-	-
<i>Parties related to shareholder Kelmės pieninė AB</i>					
BĮ Sanitex UAB	-	-	-	-	-
<i>Parties related to shareholder Mindaugas Juozaitis</i>					
West Energy LLC	-	-	-	-	-
<i>Parties related to shareholder Invalda AB</i>					
Žia valda real estate UAB	-	-	-	82	-
<b>Total</b>	<b>96</b>	<b>9 059</b>	<b>62</b>	<b>241</b>	<b>1 111</b>

	2007				
	Accounts receivable	Borrowings	Accounts payable	Purchases	Sales
<i>Shareholders</i>					
Titas Sireika	-	-	-	-	223
Aušrys Labinas	106	-	3	-	97
Kelmės pieninė AB	-	4 416	-	-	344
Invalda AB	-	3 725	-	-	547
ŽIA valda UAB	-	338	2	133	57
Renatas Dūdonis	-	-	-	-	9
Mindaugas Juozaitis	-	-	-	-	6
Remigijus Žvirblis	-	-	-	-	2
Mantas Juozaitis	-	-	-	32	1
<i>Chairman of the Board</i>					
Valentas Šulskis	-	-	43	-	-
<i>Parties related to shareholder Kelmės pieninė AB</i>					
BĮ Sanitex UAB	-	-	-	-	91
<i>Parties related to shareholder Mindaugas Juozaitis</i>					
West Energy LLC	-	-	-	-	12
<i>Parties related to shareholder Invalda AB</i>					
Žia valda real estate UAB	-	-	-	119	-
<b>Total</b>	<b>106</b>	<b>8 479</b>	<b>48</b>	<b>284</b>	<b>1 389</b>

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**26. Commitments and contingencies**

As of 31 December 2008 and 2007 the Group was not involved in legal proceedings which in the management opinion would have a material impact on the financial statements.

**27. Subsequent events**

The Group started experiencing significant liquidity problems, thus a number of court cases are raised against the Group regarding the recoverability of Group's amounts payable.

The Company has not bought out 2 public bonds emissions worth total of LTL 2,6 million in March and April. The Company agreed to pay the bondholders during the 2 year period in semi-monthly installments.

The management of the Company has called an extraordinary meeting of shareholders on 2<sup>nd</sup> of July 2009 regarding approval of Restructuring process of the Company.

\* \* \* \* \*

**AGROWILL GROUP AB DISCLOSURE CONCERNING THE COMPLIANCE WITH THE GOVERNANCE CODE FOR THE COMPANIES LISTED ON THE REGULATED MARKET IN 2008**

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 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 regular 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.  Regular 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 3 (three) 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 depart from these recommendations, it should furnish information on the measures it has taken to ensure impartiality of the supervision.	Yes	The chairman of the company's Board is also a Director of the Company.  The independent supervision function is ensured via the Supervisory Council, which is comprised of 3 members.
<b>Principle III: The order of the formation of a collegial body to be elected by a general shareholders' meeting</b>		
<b>The order of the formation a collegial body to be elected by a general shareholders' meeting should ensure representation of minority shareholders, accountability of this body to the shareholders and objective monitoring of the company's operation and its management bodies</b>		
3.1. The mechanism of the formation of a collegial body to be elected by a general shareholders' meeting (hereinafter in this Principle referred to as the 'collegial body') should ensure objective and fair monitoring of the company's management bodies as well as representation of minority 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
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.	Yes	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.  The information about the Supervisory Council members is constantly updated and released to the shareholders.
3.3. Should a person be nominated for members of a collegial body, such nomination should be followed by the disclosure of information on candidate's particular competences relevant to his/her service on the collegial body. In order shareholders and investors are able to ascertain whether member's competence is further relevant, the collegial body should, in its annual report, disclose the information on its composition and particular competences of individual members which are relevant to their service on the collegial body.	Yes	When electing Supervisory Council, the shareholders can access the thorough information about each candidate before the shareholders meeting and during it.
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.	Yes	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.
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.	No	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.
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.	Yes	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.



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<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>1 of the 3 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>		
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.	No	Supervisory Council members' independency assessment is not practiced in the Company. As the collegial body Supervisory Council was formed only in December 2007.
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.	No	See comment for 3.8
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.	No	See comment for 3.8
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.	Yes	The Supervisory Council members can be remunerated from the resources of the Company.

PRINCIPLES/ RECOMMENDATIONS	YES/NO /NOT APPLICABLE	COMMENTARY
<b>Principle IV: The duties and liabilities of a collegial body elected by the general shareholders' meeting</b>		
<b>The corporate governance framework should ensure proper and effective functioning of the collegial body elected by the general shareholders' meeting, and the powers granted to the collegial body should ensure effective monitoring<sup>1</sup> of the company's management bodies and protection of interests of all the company's shareholders.</b>		
4.1. The collegial body elected by the general shareholders' meeting (hereinafter in this Principle referred to as the 'collegial body') should ensure integrity and transparency of the company's financial statements and the control system. The collegial body should issue recommendations to the company's management bodies and monitor and control the company's management performance.	Yes	The company's Supervisory Council performs all supervision functions set forth in the legal acts of the Republic of Lithuania.
4.2. Members of the collegial body should act in good faith, with care and responsibility for the benefit and in the interests of the company and its shareholders with due regard to the interests of employees and public welfare. Independent members of the collegial body should (a) under all circumstances maintain independence of their analysis, decision-making and actions (b) do not seek and accept any unjustified privileges that might compromise their independence, and (c) clearly express their objections should a member consider that decision of the collegial body is against the interests of the company. Should a collegial body have passed decisions independent member has serious doubts about, the member should make adequate conclusions. Should an independent member resign from his office, he should explain the reasons in a letter addressed to the collegial body or audit committee and, if necessary, respective company-not-pertaining body (institution).	Yes	According to the data held with the company, all Supervisory Council members act in good will with respect to the company, are guided by the interests of the company, and not personal or third parties' interests, seeking to preserve their independency while adopting the decisions.
4.3. Each member should devote sufficient time and attention to perform his duties as a member of the collegial body. Each member of the collegial body should limit other professional obligations of his (in particular any directorships held in other companies) in such a manner they do not interfere with proper performance of duties of a member of the collegial body. In the event a member of the collegial body should be present in less than a half of the meetings of the collegial body throughout the financial year of the company, shareholders of the company should be notified.	Yes	The company's Supervisory Council perform 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.
4.4. Where decisions of a collegial body may have a different effect on the company's shareholders, the collegial body should treat all shareholders impartially and fairly. It should ensure that shareholders are properly informed on the company's affairs, strategies, risk management and resolution of conflicts of interest. The company should have a clearly established role of members of the collegial body when communicating with and committing to shareholders.	Yes	The company's Supervisory Council treats all shareholders honestly and impartially.

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4.5. It is recommended that transactions (except insignificant ones due to their low value or concluded when carrying out routine operations in the company under usual conditions), concluded between the company and its shareholders, members of the supervisory or managing bodies or other natural or legal persons that exert or may exert influence on the company's management should be subject to approval of the collegial body. The decision concerning approval of such transactions should be deemed adopted only provided the majority of the independent members of the collegial body voted for such a decision.	Yes	All significant transactions with the shareholders of the Company (over LTL 20 thousand), which are made not in line with the main business of the Company are approved by the Board of directors.
4.6. The collegial body should be independent in passing decisions that are significant for the company's operations and strategy. Taken separately, the collegial body should be independent of the company's management bodies. Members of the collegial body should act and pass decisions without an outside influence from the persons who have elected it. Companies should ensure that the collegial body and its committees are provided with sufficient administrative and financial resources to discharge their duties, including the right to obtain, in particular from employees of the company, all the necessary information or to seek independent legal, accounting or any other advice on issues pertaining to the competence of the collegial body and its committees.	Yes	The company's Supervisory Council is independent while adopting decisions which are significant for the activity and strategy of the company.
4.7. Activities of the collegial body should be organized in a manner that independent members of the collegial body could have major influence in relevant areas where chances of occurrence of conflicts of interest are very high. Such areas to be considered as highly relevant are issues of nomination of company's directors, determination of directors' remuneration and control and assessment of company's audit. Therefore when the mentioned issues are attributable to the competence of the collegial body, it is recommended that the collegial body should establish nomination, remuneration, and audit committees. Companies should ensure that the functions attributable to the nomination, remuneration, and audit committees are carried out. However they may decide to merge these functions and set up less than three committees. In such case a company should explain in detail reasons behind the selection of alternative approach and how the selected approach complies with the objectives set forth for the three different committees. Should the collegial body of the company comprise small number of members, the functions assigned to the three committees may be performed by the collegial body itself, provided that it meets composition requirements advocated for the committees and that adequate information is provided in this respect. In such case provisions of this Code relating to the committees of the collegial body (in particular with respect to their role, operation, and transparency) should apply, where relevant, to the collegial body as a whole.	Yes	There is Nomination and Remuneration, and Audit committees formed in the Company.

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PRINCIPLES/ RECOMMENDATIONS	YES/NO /NOT APPLICABLE	COMMENTARY
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.	Yes	The Committees do not replace Supervisory Council. Rather, within their responsibility areas they make suggestions and opinions to the Supervisory Council.
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.	Yes	The Committees are formed from 2 persons due to small number of Supervisory Council itself.
4.10. Authority of each of the committees should be determined by the collegial body. Committees should perform their duties in line with authority delegated to them and inform the collegial body on their activities and performance on regular basis. Authority of every committee stipulating the role and rights and duties of the committee should be made public at least once a year (as part of the information disclosed by the company annually on its corporate governance structures and practices). Companies should also make public annually a statement by existing committees on their composition, number of meetings and attendance over the year, and their main activities. Audit committee should confirm that it is satisfied with the independence of the audit process and describe briefly the actions it has taken to reach this conclusion.	Yes	The Committees act according to their regulations.
4.11. In order to ensure independence and impartiality of the committees, members of the collegial body that are not members of the committee should commonly have a right to participate in the meetings of the committee only if invited by the committee. A committee may invite or demand participation in the meeting of particular officers or experts. Chairman of each of the committees should have a possibility to maintain direct communication with the shareholders. Events when such are to be performed should be specified in the regulations for committee activities.	Yes	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.

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PRINCIPLES/ RECOMMENDATIONS	YES/NO /NOT APPLICABLE	COMMENTARY
<p>4.12. Nomination Committee.</p> <p>4.12.1. Key functions of the nomination committee should be the following:</p> <p>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;</p> <p>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;</p> <p>3) Assess on regular basis the skills, knowledge and experience of individual directors and report on this to the collegial body;</p> <p>4) Properly consider issues related to succession planning;</p> <p>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>	Yes	Main functions of the Committee match those advised in recommendation. Due to simplicity this committee is merged with the Remuneration committee.
<p>4.13. Remuneration Committee.</p> <p>4.13.1. Key functions of the remuneration committee should be the following:</p> <p>1) Make proposals, for the approval of the collegial body, on the remuneration policy for members of management bodies and executive directors. Such policy should address all forms of compensation, including the fixed remuneration, performance-based remuneration schemes, pension arrangements, and termination payments. Proposals considering performance-based remuneration schemes should be accompanied with recommendations on the related objectives and evaluation criteria, with a view to properly aligning the pay of executive director and members of the management bodies with the long-term interests of the shareholders and the objectives set by the collegial body;</p> <p>2) Make proposals to the collegial body on the individual remuneration for executive directors and member of management bodies in order their remunerations are consistent with company's remuneration policy and the evaluation of the performance of these persons concerned. In doing so, the committee should be properly informed on the total compensation obtained by executive directors and members of the management bodies from the affiliated companies;</p> <p>3) Make proposals to the collegial body on suitable forms of contracts for executive directors and members of the management bodies;</p>	Yes	Main functions of the Committee match those advised in recommendation. Due to simplicity this committee is merged with the Nomination committee.

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<p>4) Assist the collegial body in overseeing how the company complies with applicable provisions regarding the remuneration-related information disclosure (in particular the remuneration policy applied and individual remuneration of directors);</p> <p>5) Make general recommendations to the executive directors and members of the management bodies on the level and structure of remuneration for senior management (as defined by the collegial body) with regard to the respective information provided by the executive directors and members of the management bodies.</p> <p>4.13.2. With respect to stock options and other share-based incentives which may be granted to directors or other employees, the committee should:</p> <p>1) Consider general policy regarding the granting of the above mentioned schemes, in particular stock options, and make any related proposals to the collegial body;</p> <p>2) Examine the related information that is given in the company's annual report and documents intended for the use during the shareholders meeting;</p> <p>3) Make proposals to the collegial body regarding the choice between granting options to subscribe shares or granting options to purchase shares, specifying the reasons for its choice as well as the consequences that this choice has.</p> <p>4.13.3. Upon resolution of the issues attributable to the competence of the remuneration committee, the committee should at least address the chairman of the collegial body and/or chief executive officer of the company for their opinion on the remuneration of other executive directors or members of the management bodies.</p>		
<p>4.14. Audit Committee.</p> <p>4.14.1. Key functions of the audit committee should be the following:</p> <p>1) Observe the integrity of the financial information provided by the company, in particular by reviewing the relevance and consistency of the accounting methods used by the company and its group (including the criteria for the consolidation of the accounts of companies in the group);</p> <p>2) At least once a year review the systems of internal control and risk management to ensure that the key risks (inclusive of the risks in relation with compliance with existing laws and regulations) are properly identified, managed and reflected in the information provided;</p> <p>3) Ensure the efficiency of the internal audit function, among other things, by making recommendations on the selection, appointment, reappointment and removal of the head of the internal audit department and on the budget of the department, and by monitoring the responsiveness of the management to its findings and recommendations. Should there be no internal audit authority in the company, the need for one should be reviewed at least annually;</p> <p>4) Make recommendations to the collegial body related with selection, appointment, reappointment and removal of the external auditor (to be done by the general shareholders' meeting) and with the terms and conditions of his engagement. The committee should investigate situations that lead to a resignation of the audit company or auditor and make recommendations on required actions in such situations;</p>	Yes	Main functions of the Committee match those advised in recommendation.

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<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
4.14.6. The audit committee should examine whether the company is following applicable provisions regarding the possibility for employees to report alleged significant irregularities in the company, by way of complaints or through anonymous submissions (normally to an independent member of the collegial body), and should ensure that there is a procedure established for proportionate and independent investigation of these issues and for appropriate follow-up action.		
4.14.7. The audit committee should report on its activities to the collegial body at least once in every six months, at the time the yearly and half-yearly statements are approved.		
4.15. Every year the collegial body should conduct the assessment of its activities. The assessment should include evaluation of collegial body's structure, work organization and ability to act as a group, evaluation of each of the collegial body member's and committee's competence and work efficiency and assessment whether the collegial body has achieved its objectives. The collegial body should, at least once a year, make public (as part of the information the company annually discloses on its management structures and practices) respective information on its internal organization and working procedures, and specify what material changes were made as a result of the assessment of the collegial body of its own activities.	N/A	As the collegial body Supervisory Council was formed only in December 2007 and no assessments were carried out for 2007-2008.  The assessments will be performed by the members of the Committees in the future.
<b>Principle V: The working procedure of the company's collegial bodies</b>		
<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>		
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.	Yes	This provision is implemented by the company's Supervisory Council and Board of Directors.

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5.2. It is recommended that meetings of the company's collegial bodies should be carried out according to the schedule approved in advance at certain intervals of time. Each company is free to decide how often to convene meetings of the collegial bodies, but it is recommended that these meetings should be convened at such intervals, which would guarantee an interrupted resolution of the essential corporate governance issues. Meetings of the company's supervisory board should be convened at least once in a quarter, and the company's board should meet at least once a month.	Yes	The Supervisory Council meetings are held at least once per quarter.  The Board meetings are held at least twice per quarter.  In special cases, the CEO can call additional Board meetings.
5.3. Members of a collegial body should be notified about the meeting being convened in advance in order to allow sufficient time for proper preparation for the issues on the agenda of the meeting and to ensure fruitful discussion and adoption of appropriate decisions. Alongside with the notice about the meeting being convened, all the documents relevant to the issues on the agenda of the meeting should be submitted to the members of the collegial body. The agenda of the meeting should not be changed or supplemented during the meeting, unless all members of the collegial body are present or certain issues of great importance to the company require immediate resolution.	Yes	The Supervisory Council meeting is convened by its chairman by informing each Council member about the meeting at least 7 days prior to the meeting to be held, and announcing the questions to be discussed and decided upon.
5.4. In order to co-ordinate operation of the company's collegial bodies and ensure effective decision-making process, chairpersons of the company's collegial bodies of supervision and management should closely co-operate by co-ordinating dates of the meetings, their agendas and resolving other issues of corporate governance. Members of the company's board should be free to attend meetings of the company's supervisory board, especially where issues concerning removal of the board members, their liability or remuneration are discussed.	Yes	The schedules of the Supervisory Council meetings are presented to the Board members.

**Principle VI: The equitable treatment of shareholders and shareholder rights**

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

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.

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PRINCIPLES/ RECOMMENDATIONS	YES/NO /NOT APPLICABLE	COMMENTARY
6.4. Procedures of convening and conducting a general shareholders' meeting should ensure equal opportunities for the shareholders to effectively participate at the meetings and should not prejudice the rights and interests of the shareholders. The venue, date, and time of the shareholders' meeting should not hinder wide attendance of the shareholders. Prior to the shareholders' meeting, the company's supervisory and management bodies should enable the shareholders to lodge questions on issues on the agenda of the general shareholders' meeting and receive answers to them.	Yes	The shareholders meetings are held in Vilnius, Smolensko st. 10, in the headquarters of Agrowill Group AB, or in a conference room in center of Vilnius. The procedures for the convention and conduction of the general shareholders meeting comply with the provisions of legal acts and provide the shareholders with equal opportunities to participate in the meeting, get familiarized with the draft resolutions and materials necessary for adopting the decision in advance, also give questions to the Board members.
6.5. It is recommended that documents on the course of the general shareholders' meeting, including draft resolutions of the meeting, should be placed on the publicly accessible website of the company in advance. It is recommended that the minutes of the general shareholders' meeting after signing them and/or adopted resolutions should be also placed on the publicly accessible website of the company. Seeking to ensure the right of foreigners to familiarize with the information, whenever feasible, documents referred to in this recommendation should be published in English and/or other foreign languages. Documents referred to in this recommendation may be published on the publicly accessible website of the company to the extent that publishing of these documents is not detrimental to the company or the company's commercial secrets are not revealed.	Yes	All information dedicated to the shareholders and investors is announced on the company's website and VSE information system.
6.6. Shareholders should be furnished with the opportunity to vote in the general shareholders' meeting in person and in absentia. Shareholders should not be prevented from voting in writing in advance by completing the general voting ballot.	Yes	The company's shareholders may exercise their rights to participate in the general shareholders meeting both personally and via an attorney, if such person has a proper authorization.
6.7. With a view to increasing the shareholders' opportunities to participate effectively at shareholders' meetings, the companies are recommended to expand use of modern technologies in voting processes by allowing the shareholders to vote in general meetings via terminal equipment of telecommunications. In such cases security of telecommunication equipment, text protection and a possibility to identify the signature of the voting person should be guaranteed. Moreover, companies could furnish its shareholders, especially foreigners, with the opportunity to watch shareholder meetings by means of modern technologies.	No	The company does not follow this recommendation as the number of the shareholders until 2008 was very small. In 2008 this recommendation was not implemented. In the future, the Company will seek to implement such possibility.

**Principle VII: The avoidance of conflicts of interest and their disclosure**

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

7.1. Any member of the company's supervisory and management body should avoid a situation, in which his/her personal interests are in conflict or may be in conflict with the company's interests. In case such a situation did occur, a member of the company's supervisory and management body should, within reasonable time, inform other members of the same collegial body or the company's body that has elected him/her, or to the company's shareholders about a situation of a conflict of interest, indicate the nature of the conflict and value, where possible.	Yes	The Supervisory Council and Board members act according to the following recommendations.
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PRINCIPLES/ RECOMMENDATIONS	YES/NO /NOT APPLICABLE	COMMENTARY
7.2. Any member of the company's supervisory and management body may not mix the company's assets, the use of which has not been mutually agreed upon, with his/her personal assets or use them or the information which he/she learns by virtue of his/her position as a member of a corporate body for his/her personal benefit or for the benefit of any third person without a prior agreement of the general shareholders' meeting or any other corporate body authorized by the meeting.	Yes	See 7.1
7.3. Any member of the company's supervisory and management body may conclude a transaction with the company, a member of a corporate body of which he/she is. Such a transaction (except insignificant ones due to their low value or concluded when carrying out routine operations in the company under usual conditions) must be immediately reported in writing or orally, by recording this in the minutes of the meeting, to other members of the same corporate body or to the corporate body that has elected him/her or to the company's shareholders. Transactions specified in this recommendation are also subject to recommendation 4.5.	Yes	See 7.1
7.4. Any member of the company's supervisory and management body should abstain from voting when decisions concerning transactions or other issues of personal or business interest are voted on.	Yes	See 7.1
<b>Principle VIII: Company's remuneration policy</b>		
<b>Remuneration policy and procedure for approval, revision and disclosure of directors' remuneration established in the company should prevent potential conflicts of interest and abuse in determining remuneration of directors, in addition it should ensure publicity and transparency both of company's remuneration policy and remuneration of directors.</b>		
8.1. A company should make a public statement of the company's remuneration policy (hereinafter the remuneration statement). This statement should be part of the company's annual accounts. Remuneration statement should also be posted on the company's website.	No	The Company does not prepare a remuneration policy. Information about the benefits and loans for the members of the management bodies is provided in the annual prospectuses – reports, financial accounts.
8.2. Remuneration statement should mainly focus on directors' remuneration policy for the following year and, if appropriate, the subsequent years. The statement should contain a summary of the implementation of the remuneration policy in the previous financial year. Special attention should be given to any significant changes in company's remuneration policy as compared to the previous financial year.	No	See 8.1
8.3. Remuneration statement should leastwise include the following information: 1) Explanation of the relative importance of the variable and non-variable components of directors' remuneration; 2) Sufficient information on performance criteria that entitles directors to share options, shares or variable components of remuneration; 3) Sufficient information on the linkage between the remuneration and performance; 4) The main parameters and rationale for any annual bonus scheme and any other non-cash benefits; 5) A description of the main characteristics of supplementary pension or early retirement schemes for directors.	No	See 8.1

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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

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PRINCIPLES/ RECOMMENDATIONS	YES/NO /NOT APPLICABLE	COMMENTARY
<p>8.7.2. As regards shares and/or rights to acquire share options and/or all other share-incentive schemes, the following information should be disclosed:</p> <p>1) The number of share options offered or shares granted by the company during the relevant financial year and their conditions of application;</p> <p>2) The number of shares options exercised during the relevant financial year and, for each of them, the number of shares involved and the exercise price or the value of the interest in the share incentive scheme at the end of the financial year;</p> <p>3) The number of share options unexercised at the end of the financial year; their exercise price, the exercise date and the main conditions for the exercise of the rights;</p> <p>4) All changes in the terms and conditions of existing share options occurring during the financial year.</p> <p>8.7.3. The following supplementary pension schemes-related information should be disclosed:</p> <p>1) When the pension scheme is a defined-benefit scheme, changes in the directors' accrued benefits under that scheme during the relevant financial year;</p> <p>2) When the pension scheme is defined-contribution scheme, detailed information on contributions paid or payable by the company in respect of that director during the relevant financial year.</p> <p>8.7.4. The statement should also state amounts that the company or any subsidiary company or entity included in the consolidated annual financial statements of the company has paid to each person who has served as a director in the company at any time during the relevant financial year in the form of loans, advance payments or guarantees, including the amount outstanding and the interest rate.</p>	No	See 8.1
<p>8.8. Schemes anticipating remuneration of directors in shares, share options or any other right to purchase shares or be remunerated on the basis of share price movements should be subject to the prior approval of shareholders' annual general meeting by way of a resolution prior to their adoption. The approval of scheme should be related with the scheme itself and not to the grant of such share-based benefits under that scheme to individual directors. All significant changes in scheme provisions should also be subject to shareholders' approval prior to their adoption; the approval decision should be made in shareholders' annual general meeting. In such case shareholders should be notified on all terms of suggested changes and get an explanation on the impact of the suggested changes.</p>	N/A	The Company does not use such remuneration policy.
<p>8.9. The following issues should be subject to approval by the shareholders' annual general meeting:</p> <p>1) Grant of share-based schemes, including share options, to directors;</p> <p>2) Determination of maximum number of shares and main conditions of share granting;</p> <p>3) The term within which options can be exercised;</p> <p>4) The conditions for any subsequent change in the exercise of the options, if permissible by law;</p> <p>5) All other long-term incentive schemes for which directors are eligible and which are not available to other employees of the company under similar terms. Annual general meeting should also set the deadline within which the body responsible for remuneration of directors may award compensations listed in this article to individual directors.</p>	N/A	See 8.8

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PRINCIPLES/ RECOMMENDATIONS	YES/NO /NOT APPLICABLE	COMMENTARY
8.10. Should national law or company's Articles of Association allow, any discounted option arrangement under which any rights are granted to subscribe to shares at a price lower than the market value of the share prevailing on the day of the price determination, or the average of the market values over a number of days preceding the date when the exercise price is determined, should also be subject to the shareholders' approval.	N/A	See 8.8
8.11. Provisions of Articles 8.8 and 8.9 should not be applicable to schemes allowing for participation under similar conditions to company's employees or employees of any subsidiary company whose employees are eligible to participate in the scheme and which has been approved in the shareholders' annual general meeting.	N/A	See 8.8
8.12. Prior to the annual general meeting that is intended to consider decision stipulated in Article 8.8, the shareholders must be provided an opportunity to familiarize with draft resolution and project-related notice (the documents should be posted on the company's website). The notice should contain the full text of the share-based remuneration schemes or a description of their key terms, as well as full names of the participants in the schemes. Notice should also specify the relationship of the schemes and the overall remuneration policy of the directors. Draft resolution must have a clear reference to the scheme itself or to the summary of its key terms. Shareholders must also be presented with information on how the company intends to provide for the shares required to meet its obligations under incentive schemes. It should be clearly stated whether the company intends to buy shares in the market, hold the shares in reserve or issue new ones. There should also be a summary on scheme-related expenses the company will suffer due to the anticipated application of the scheme. All information given in this article must be posted on the company's website.	N/A	See 8.8
<b>Principle IX: The role of stakeholders in corporate governance</b>		
<b>The corporate governance framework should recognize the rights of stakeholders as established by law and encourage active co-operation between companies and stakeholders in creating the company value, jobs and financial sustainability. For the purposes of this Principle, the concept "stakeholders" includes investors, employees, creditors, suppliers, clients, local community and other persons having certain interest in the company concerned.</b>		
9.1. The corporate governance framework should assure that the rights of stakeholders that are protected by law are respected.	Yes	The company respects the rights of 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
<b>Principle X: Information disclosure and transparency</b>		
<b>The corporate governance framework should ensure that timely and accurate disclosure is made on all material information regarding the company, including the financial situation, performance and governance of the company.</b>		
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.	Yes	Information set forth in this recommendation is disclosed in the periodic prospectuses-reports, annual report, website, through the VSE information system.
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	Yes	See 10.1
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.	Yes	See 10.1
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.	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 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.
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.		
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		



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.	Yes	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 and has not received remuneration for that from the company.

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